



Project Report

**Jordan Downs Redevelopment Master Plan
Financial and Funding Report**

Prepared for

**Housing Authority of the City of Los
Angeles
Los Angeles, California**

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General & Limiting Conditions

Every reasonable effort has been made to ensure that the data contained in this report are accurate as of the date of this study; however, factors exist that are outside the control of AECOM and that may affect the estimates and/or projections noted herein. This study is based on estimates, assumptions and other information developed by AECOM from its independent research effort, general knowledge of the industry, and information provided by and consultations with the client and the client's representatives. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives, or any other data source used in preparing or presenting this study.

This report is based on information that was current as of August 2010 and AECOM has not undertaken any update of its research effort since such date.

Because future events and circumstances, many of which are not known as of the date of this study, may affect the estimates contained therein, no warranty or representation is made by AECOM that any of the projected values or results contained in this study will actually be achieved.

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This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

I. Executive Summary

The Jordan Downs Redevelopment Master Plan is unique in its scale and ambition. The project vision is to set the direction for transformational change in Watts and South Los Angeles.

The redevelopment of Jordan Downs not only fits squarely as a flagship project under the Mayor’s housing strategy for Los Angeles but also reflects federal policy direction towards the development of healthy, sustainable communities linking housing improvements with appropriate services, schools, public assets, transportation and access to jobs. The distinctive and catalytic nature of this project is a key consideration in the financial and funding analysis presented in this report, both in terms of its potential to create higher economic value and its ability to capture available funding resources.

The Housing Authority of the City of Los Angeles (HACLA) anticipates that it will act as the Master Developer for the Jordan Downs site and as a result will be responsible for the horizontal and community infrastructure development while private for-profit or non-profit developers (vertical developers) will bid to construct and manage the residential and commercial developments. AECOM reviewed a total of four program alternatives for the Jordan Downs Master Plan throughout the 18 month planning process. These were narrowed to two scenarios, a 1,600 and a 1,800 -unit scenario,

based on review of an initial 2,100 and 2,400 -unit scenarios and input from the community, HACLA, and the consulting team.

Figure ES- 1: Summary of Program Scenarios

| Description | 1,600 Unit Program | 1,800 Unit Program |
|--|--------------------|--------------------|
| Rental | | |
| Public Housing Replacement | 700 | 700 |
| Affordable Housing / Workforce Housing | | |
| 30% of AMI | 100 | 250 |
| 60% of AMI | 400 | 450 |
| For Sale | | |
| Affordable Housing / Workforce Housing | | |
| 80% of AMI | 20 | 20 |
| Market Rate Units | 380 | 380 |
| Total | 1,600 | 1,800 |

This report evaluates the financial performance and potential funding sources for the 1600-Unit and 1,800-Unit scenarios in two parts: (1) the horizontal infrastructure development implications to the Master Developer, and (2) the aggregate vertical development implications to the vertical developers.

Horizontal Infrastructure Financial and Funding Analysis

The Master Developer (HACLA) is responsible for the following major infrastructure investments: backbone infrastructure elements; parks, recreation, and open space; onsite building pad preparation; public benefit facilities and related improvements; and, sustainability elements.

- ❖ The overall horizontal infrastructure program and costs are the same for both the 1,600 Unit and 1,800 Unit Scenario, though the land revenues differ between the two scenarios. The master developer (HACLA) can anticipate a total project cost of approximately \$173 million, including \$38 million already expended for a 21.1-acre land acquisition.
- ❖ Land revenues represent the major self-funded portion of the project. Current market rate residential land prices within the Jordan Downs area are depressed. Given the affordable nature of the majority of the land uses and current market rate land prices, land revenues support approximately 16 to 17 percent of the projected horizontal development costs.
- ❖ After land revenues, the total required investment for the Master Plan is approximately \$149 million to \$150 million.

- ❖ The funding strategy seeks to maximize the amount of federal and state sources to help support new infrastructure. Federal and state sources support approximately two-thirds of the required investment. Local sources, such as the Los Angeles Capital Improvement Program, Redevelopment funds, and DWP utility cost sharing represent 35 percent of projected horizontal infrastructure funding sources.

Conclusions Related to Horizontal Infrastructure

The feasibility of the horizontal infrastructure development lies in whether the anticipated scale of subsidy required for the infrastructure, \$150 million, can be captured across the development period. Assuming the projected subsidies can be captured there is little difference in the feasibility of the 1,600-Unit Scenario relative to the 1,800 Unit Scenario.

While the horizontal development requires a substantial subsidy from federal, state, and local sources, the subsidies required for this project should be considered a lever to capture additional public and private investment in Jordan Downs and can act as a catalyst for the redevelopment of the Watts area and the larger South Los Angeles community.

Vertical Development Financial and Funding Analysis

The vertical development financial and funding analysis evaluates the cost, revenues, and available funding sources to the developers of the affordable and market rate residential and commercial uses proposed in the Jordan Downs Redevelopment Master Plan. The financial analysis utilizes program and phasing information provided by SETC, and construction cost information provided by Davis Langdon.

Residential

- ❖ The total 'all in' construction cost for residential units at Jordan Downs range from a low of nearly \$260,000 per unit to just under \$420,000 per unit in 2010 dollars, including the cost of land. The total average cost per residential unit in the 1,600-Unit Scenario is \$370,000, and \$362,000 per unit in the 1,800 Unit Scenario.
- ❖ All residential unit types, including market-rate residential units, have a financial gap between the cost of construction and their total revenue potential, and will require some amount of subsidy to support development.

Commercial

- ❖ Commercial development costs total approximately \$130 million. The development returns a significant financial loss under the existing assumption set, with gaps or subsidy requirements of \$190 to \$275 per square foot.
- ❖ From the cost side, bringing vertical development costs down to approximately \$200 per square foot (office), \$150 (retail), and \$50 per square foot (industrial), while maintaining currently anticipated rents, brings the project to break even financial performance.

Vertical Development Funding Analysis

Similar to the horizontal funding analysis, the vertical analysis looks to maximize federal and state funding sources then looks to local sources to fill any further requirements. We assume that vertical developments within the Jordan Downs Master Plan will be highly competitive to capture available affordable housing funding sources, given the project's status as one of the most important affordable housing development efforts in the region.

Affordable and Public Housing Sources.

- ❖ Federal 9% and 4% Low Income Housing Tax Credits (LIHTC) and the tax exempt bonds packaged with 4% LIHTC, in tandem with 350 project based vouchers, are proposed to support almost 65 percent of the public housing and affordable housing development. A number of other affordable housing sources are layered to support the balance of the project, including approximately \$60 million in local sources.

For-Sale Housing Funding Sources

- ❖ Affordable for-sale units are expected to generate revenues that will help to support a little over half of the development costs. Sources to assist developers and consumers are utilized to help support the financial gap.
- ❖ Construction costs for market-rate units exceed the expected near-term prices achievable in the Jordan Downs area. For for-sale market rate units, there are few sources available to developers, but there are potential local and state subsidies available to help support the purchase price of a home for the home buyer.

Commercial Development Funding Sources

- ❖ Private debt/equity can provide support for approximately 40 percent of the commercial development costs. Additional support is required to build the commercial developments such as New Markets Tax Credits. Alternatively, vertical developers should also focus on generating greater efficiencies in construction costs to help reduce the overall funding requirement.

Vertical Development Conclusions

Vertical development costs in the 1,600-Unit Scenario total more than \$720 million for combined residential and commercial development, and costs total more than \$780 million for the denser 1,800 Unit Scenario. Pre-subsidy, there is a total gap of \$525 million in the 1,600-Unit Scenario and a gap of \$583 million in the 1,800 Unit Scenario.

The funding analysis presents potential federal, state and local revenue sources to close this gap for the affordable units. The vertical development requires a substantial capture of available federal and regional sources of funds to support the proposed public and affordable housing development. Even with the capture of these affordable housing resources, gaps remain for market rate units of approximately \$50 million in the 1,600-Unit Scenario and approximately \$50 million in the 1,800-Unit Scenario.

Overall, construction costs as well as phasing are key variables in the overall viability of funding the Jordan Downs vertical development. Construction cost efficiencies as well as alternative phasing strategies that push market rate residential and commercial developments further out in the future may be used to better capitalize on the value creation of the project and will strengthen the feasibility of market rate and commercial projects within the Jordan Downs Redevelopment Master Plan.

Figure ES- 2: Horizontal Infrastructure Sources and Uses

| CAPITAL COSTS AND FUNDING SOURCES | 1,600 Unit Program | 1,800 Unit Program |
|-------------------------------------|-----------------------|-----------------------|
| Capital Costs | | |
| Project Costs | \$ 173,338,000 | \$ 173,338,000 |
| Land Acquisition (Already Expended) | \$ (31,000,000) | \$ (31,000,000) |
| Net Costs to be Covered | \$ 142,338,000 | \$ 142,338,000 |
| Funding Sources | | |
| Land Revenue | \$ 22,176,000 | \$ 24,176,000 |
| Federal Sources | \$ 51,000,000 | \$ 51,000,000 |
| State Sources | \$ 19,062,000 | \$ 17,162,000 |
| Local Sources | \$ 40,000,000 | \$ 40,000,000 |
| Future Tax Increment ¹ | \$ 10,100,000 | \$ 10,000,000 |
| Total Funding | \$ 142,338,000 | \$ 142,338,000 |
| Total Surplus / (Gap) | \$ - | \$ - |

¹If included in the South LA redevelopment project area. Tax increment derived from market rate and commercial components

Figure ES- 3: Vertical Development Overview

| | 1,600 Unit Program | | 1,800 Unit Program | |
|---------------------------------------|-------------------------|-----------------------|-------------------------|-----------------------|
| | Total | Unit Cost | Total | Unit Cost |
| Total Project Costs | | | | |
| Residential | \$ (591,632,000) | \$ (370,000) per unit | \$ (652,432,000) | \$ (362,000) per unit |
| Commercial | \$ (129,700,000) | \$ (399) PSF | \$ (129,700,000) | \$ (399) PSF |
| Total | \$ (721,332,000) | | \$ (782,132,000) | |
| Total Project Revenues | | | | |
| Residential | \$ 140,891,000 | \$ 88,000 per unit | \$ 143,578,000 | \$ 80,000 per unit |
| Commercial | \$ 55,568,000 | \$ 171 PSF | \$ 55,568,000 | \$ 171 PSF |
| Total | \$ 196,459,000 | | \$ 199,146,000 | |
| Supportable Private Investment | | | | |
| Residential | \$ (450,740,000) | \$ (282,000) per unit | \$ (508,853,000) | \$ (283,000) per unit |
| Commercial | \$ (74,132,000) | \$ (227) PSF | \$ (74,132,000) | \$ (227) PSF |
| Total | \$ (524,872,000) | | \$ (582,985,000) | |

Figure ES- 4: Vertical Development Sources and Uses

| CAPITAL COSTS AND FUNDING SOURCES | 1,600 Unit Program | 1,800 Unit Program |
|--|---------------------------|---------------------------|
| Public Housing and Affordable Housing Units | | |
| <u>Capital Costs</u> | | |
| Development Costs | \$ 422,000,000 | \$ 482,000,000 |
| Land Costs | \$ 12,000,000 | \$ 13,000,000 |
| Net Costs to be Covered | \$ 434,000,000 | \$ 495,000,000 |
| <u>Funding Sources</u> | | |
| Conventional Affordable Housing Funding | \$ 323,000,000 | \$ 386,000,000 |
| Other Funding Sources | \$ 110,000,000 | \$ 110,000,000 |
| Total Funding | \$ 434,000,000 | \$ 495,000,000 |
| <hr/> | | |
| Affordable For-Sale Housing Units | | |
| <u>Capital Costs</u> | | |
| Development Costs | \$ 7,280,000 | \$ 7,244,000 |
| Land Costs | \$ 196,000 | \$ 196,000 |
| Net Costs to be Covered | \$ 7,476,000 | \$ 7,440,000 |
| <u>Funding Sources</u> | | |
| Private Mortgages | \$ 4,000,000 | \$ 4,000,000 |
| Affordable Housing Funding Sources | \$ 3,476,000 | \$ 3,440,000 |
| Total Funding | \$ 7,476,000 | \$ 7,440,000 |
| <hr/> | | |
| Market-Rate For-Sale Housing Units | | |
| <u>Capital Costs</u> | | |
| Development Costs | \$ 146,000,000 | \$ 145,000,000 |
| Land Costs | \$ 4,000,000 | \$ 4,000,000 |
| Net Costs to be Covered | \$ 150,000,000 | \$ 149,000,000 |
| <u>Funding Sources</u> | | |
| Home Sale Revenue | \$ 102,000,000 | \$ 95,000,000 |
| Additional Source Requirements | \$ 48,000,000 | \$ 54,000,000 |
| Total Funding | \$ 150,000,000 | \$ 149,000,000 |
| <hr/> | | |
| Commercial Development | | |
| <u>Capital Costs</u> | | |
| Development Costs | \$ 124,000,000 | \$ 124,000,000 |
| Land Costs | \$ 6,000,000 | \$ 6,000,000 |
| Net Costs to be Covered | \$ 130,000,000 | \$ 130,000,000 |
| <u>Funding Sources</u> | | |
| Private Mortgages | \$ 56,000,000 | \$ 56,000,000 |
| Other Funding Sources | \$ 75,000,000 | \$ 74,000,000 |
| Total Funding | \$ 130,000,000 | \$ 130,000,000 |

NOTE: Totals may not add due to rounding

II. Introduction

This report presents the preliminary financial analysis and funding strategy for the Jordan Downs Redevelopment Master Plan.

In the Base Economic Conditions report, AECOM provided a demographic and employment profile of the Jordan Downs' local area and region. This was followed by the Market Analysis report which evaluated the market for retail, office, and industrial land uses as well as rental and for-sale residential uses. In this final deliverable, AECOM (1) evaluates the financial performance of the Jordan Downs Redevelopment Master Plan alternatives and (2), evaluates the key funding mechanisms that may help to support the proposed vertical and horizontal infrastructure development on the Jordan Downs Site for the 1,600 unit and 1,800 unit program scenarios.

Anticipated Jordan Downs Development Strategy

The Housing Authority of the City of Los Angeles (HACLA) anticipates that it will be the Master Developer for the Jordan Downs site and as a result will be responsible for the horizontal and community infrastructure development while private for-profit or non-profit developers (Vertical Developers) will bid to construct and manage the residential and commercial developments. As the Master Developer, HACLA will be responsible for current Jordan Downs residents' relocation, and demolition, infrastructure, and preparation of the site. Community infrastructure includes capital facilities related to the Jordan Downs Human Capital Program. HACLA will then sell the prepared lots to vertical developers. This anticipated development strategy is reflected in the financial and funding scenarios.

Financial and Funding Analysis

The purpose of the financing and funding analysis is to describe the initial implications of the Master Plan alternatives on a master plan level as they relate to order of magnitude financial gaps and funding sources¹.

Both the financial and funding analysis evaluate the financial performance and potential funding sources for Jordan Downs in two parts: (1) the horizontal development implications to the Master

¹ We expect that detailed project level financial analyses will have to be prepared for each individual vertical development project at the time of implementation and for financing purposes.

Developer, in this case HACLA, and (2) the aggregate vertical development implications to the vertical developers.

Section III includes the financial and funding analysis for proposed horizontal development on the Jordan Downs site. The horizontal financial analysis utilizes program information provided by WRT / Solomon ETC (SETC), phasing and cost information provided by Mollenhauer and Davis Langdon, and revenue assumptions developed by AECOM to identify the overall Horizontal Cost performance. The horizontal funding analysis reviews potential federal, state, and local funding sources to support the Master Plan infrastructure and facilities.

Section IV reviews the financial and funding analysis for the proposed Master Plan vertical development. The vertical development is reviewed on a master plan-level, though it is anticipated that the vertical development will be made up of “individual projects” of varying scales and scope (20 – 150 units for residential developments). Vertical developers are likely to structure projects, especially affordable housing projects, in a way that maximizes available subsidies.

The vertical financial analysis utilizes program information provided by SETC and construction cost information provided by Davis Langdon and applies revenue and other financial modeling assumptions developed by AECOM to identify the total development costs, potential financial gaps by unit type, and overall financial performance of each scenario. The vertical funding analysis presents proposed sources to support the affordable housing units, affordable for-sale residential units, market rate residential units, and commercial developments.

III. Program Scenarios

AECOM reviewed a total of four program alternatives for the Jordan Downs Master Plan. We initially reviewed a 2,100 unit and 2,400 unit scenarios and, finally, we analyze two preferred scenarios, a 1,600 unit scenario and a 1,800 unit scenario. The preferred scenarios are based on input from the community, HACLA, and the consulting team and are informed by review of the preliminary financial analyses for the 2,100 and 2,400 unit scenarios (Appendix V). This report describes the financial and funding analysis for the preferred 1,600 and 1,800-unit scenarios.

The program scenarios are based on residential and commercial development program inputs provided by SETC. The development and rationale for the program scenarios and the affordability mix is outlined in SETC’s document “Designing the Mix: The Housing Affordability Matrix for Jordan Downs” dated 03/25/2010. The programs were also distributed across phase by SETC, as shown in Figure 1.

Figure 1: Summary of Preferred Program Scenarios

| Scenario | | 1600 Unit Scenario | 1800 Unit Scenario |
|--|----------------------------------|--------------------|--------------------|
| Residential Development | | | |
| | Description | Number of Units | Number |
| Rental | Tow nhouse | 220 | 234 |
| | Tow nhouse over Flats | 200 | 151 |
| | Flats Under Tow nhouse | 119 | 174 |
| | Tow nhouse beneath Stacked Flats | 152 | 191 |
| | Stacked Flats | 509 | 650 |
| For Sale | Tow nhouse | 100 | 83 |
| | Tow nhouse over Flats | 86 | 50 |
| | Flats Under Tow nhouse | 48 | 10 |
| | Tow nhouse beneath Stacked Flats | 44 | 28 |
| | Stacked Flats | 122 | 229 |
| | | 1,600 | 1,800 |
| Non-Residential Development | | | |
| | | Gross SF | Gross SF |
| | Office | 107,500 | 107,500 |
| | Retail | 170,000 | 170,000 |
| | Industrial | 47,500 | 47,500 |
| * community facilities included in Master Developer financials | | | |

Figure 2: Units by Phase – 1,600-Unit Scenario

| | Phase 1 | Phase 2 | Phase 3 | Phase 4 | Total | |
|-------------------|----------------------------------|------------|-----------|---------|-----------|------------|
| Rental | Tow nhouse | 37 | 68 | 82 | 33 | 220 |
| | Tow nhouse over Flats | 50 | 28 | 93 | 29 | 200 |
| | Flats Under Tow nhouse | 37 | 22 | 37 | 23 | 119 |
| | Tow nhouse beneath Stacked Flats | 86 | 38 | 15 | 13 | 152 |
| | Stacked Flats | 140 | 194 | 73 | 102 | 509 |
| For Sale | Tow nhouse | | | 20 | 80 | 100 |
| | Tow nhouse over Flats | | | 15 | 71 | 86 |
| | Flats Under Tow nhouse | | | 10 | 38 | 48 |
| | Tow nhouse beneath Stacked Flats | | | 2 | 42 | 44 |
| | Stacked Flats | | | 3 | 119 | 122 |
| | 350 | 350 | 350 | 550 | 1,600 | |
| Distribution | 22% | 22% | 22% | 34% | 100% | |
| Commercial | Office | 60,000 SF | | | 47,500 SF | 107,500 SF |
| | Retail | 160,000 SF | 10,000 SF | | | 170,000 SF |
| | Industrial | | | | 47,500 SF | 47,500 SF |
| | | 220,000 SF | 10,000 SF | | 95,000 SF | 325,000 SF |
| | Distribution | 68% | 3% | | 29% | 100% |

Figure 3: Units by Phase – 1,800-Unit Scenario

| | Phase 1 | Phase 2 | Phase 3 | Phase 4 | Total | |
|-------------------|----------------------------------|------------|-----------|---------|-----------|------------|
| Rental | Tow nhouse | 41 | 70 | 77 | 46 | 234 |
| | Tow nhouse over Flats | 45 | 27 | 56 | 23 | 151 |
| | Flats Under Tow nhouse | 44 | 21 | 61 | 48 | 174 |
| | Tow nhouse beneath Stacked Flats | 96 | 52 | 17 | 26 | 191 |
| | Stacked Flats | 174 | 230 | 129 | 117 | 650 |
| For Sale | Tow nhouse | | | 16 | 67 | 83 |
| | Tow nhouse over Flats | | | 8 | 42 | 50 |
| | Flats Under Tow nhouse | | | 5 | 5 | 10 |
| | Tow nhouse beneath Stacked Flats | | | 3 | 25 | 28 |
| | Stacked Flats | | | 28 | 201 | 229 |
| | 400 | 400 | 400 | 600 | 1,800 | |
| Distribution | 22% | 22% | 22% | 33% | 100% | |
| Commercial | Office | 60,000 SF | | | 47,500 SF | 107,500 SF |
| | Retail | 160,000 SF | 10,000 SF | | | 170,000 SF |
| | Industrial | | | | 47,500 SF | 47,500 SF |
| | | 220,000 SF | 10,000 SF | | 95,000 SF | 325,000 SF |
| | Distribution | 68% | 3% | | 29% | 100% |

Housing Affordability Mix

Two of the goals for the project, as described by HACLA, are to maintain 700 public housing units on site, for one-to-one replacement, and to add new residential units with a variety of incomes to establish a new mixed-income community. The baseline target for the new mixed-income community was initially set at 1/3 public housing units, 1/3 affordable/workforce housing units, and 1/3 market rate/workforce units, with the assumption that the mix would evolve through the planning process, especially considering market and financial variables, and community stakeholder preferences.

For purposes of this analysis:

- “Public Housing” units will include public housing replacement units under ACC restrictions.
- “Affordable housing” units are units that are affordable to 80% of area median income (AMI) and below.
- “Workforce units” are units restricted to be affordable to those 80% to approximately 130% of AMI, and
- “Market rate units” are units that are unrestricted and are generally affordable to those 100% of AMI and above.

As mentioned above, the affordability mix presented below is described in SETC’s document “Designing the Mix: The Housing Affordability Matrix for Jordan Downs.”

Figure 4: Summary of Residential Affordability

| Scenario | | 1600 Unit Scenario | 1800 Unit Scenario |
|----------------------|--------------------------------------|--------------------|--------------------|
| Affordability | | | |
| | Description | Number of Units | Number of Units |
| Rental | Public Housing Replacement | 700 | 700 |
| | Affordable Housing/Workforce Housing | | |
| | 30% of AMI | 100 | 250 |
| 60% of AMI | 400 | 450 | |
| For Sale | Affordable Housing/Workforce Housing | | |
| | 80% of AMI | 20 | 20 |
| | Market Rate Units | 380 | 380 |

IV. Horizontal Infrastructure Financial and Funding Analysis

The Horizontal Financial and Funding Analysis reviews the financial and funding impacts to the Master Developer. We first evaluate the overall financial costs and market revenues generated by the project and then describe potential funding sources to support the horizontal development.

Horizontal Infrastructure Financial Analysis

As described above this section presents the overall financial costs and market revenues generated by the project.

Methodology

The final model estimates financial performance over time for the master developer (HACLA). The horizontal financial analysis is based on program information developed by SETC and phasing and cost information provided by Mollenhauer and Davis Langdon.

Key Assumptions

The following key assumptions and considerations inform the financial model at this time.

Global Assumptions

- Per discussion with HACLA, the model assumes 0 percent annual inflation. This is a conservative assumption that removes inflationary risk from future revenue streams and makes costs and revenues comparable over time.
- Subsidies for operating and capital expenses are not included in the model.
- The horizontal model assumes project development occurs in five parts (pre-development followed by Phases 1-4) as provided by Davis Langdon and modified by HACLA. Phases do not overlap.

Infrastructure & Horizontal Development

AECOM has assumed that the master developer (HACLA) is responsible for the following major infrastructure investments:

- Backbone infrastructure elements
- Parks, recreation, and open space
- Onsite building pad preparation
- Public benefit facilities and related improvements
- Sustainability elements

- Each investment category listed above includes some or all of the following elements: site preparation and demolition, utilities, street improvements, protection of existing in-place, rough pad grading, hardscape, landscape & irrigation, site lighting, and site furnishings & public art,
- All infrastructure costs were provided on a phased basis by Davis Langdon and HACLA via SETC, in the "Master Plan Horizontal and Public Investment, Residential and Commercial Development Draft Cost Study" report dated 3/31/2010 with revisions dated 4-7-2010. Base costs include mark-ups for site security, general conditions, contractor overhead. Additional mark-ups include HACLA soft costs and HACLA contingencies.
- The master developer is also assumed to incur costs for the provision of relocation assistance to current tenants at the Jordan Downs public housing community. HACLA estimated the relocation cost at \$1.954 million total, or approximately \$2,800 per unit. These costs are allocated according to the development phasing of the replacement public housing.

Key Findings

Horizontal Project Costs

The master developer of the revitalized Jordan Downs Master Plan can anticipate a total project cost of approximately \$173 million (Figure 5). This consists of \$38 million for land acquisition (which has already been expended); an estimated \$2.0 million for relocation of the 700 existing resident households; approximately \$18 million for parks, recreation and open space; \$14 million for building pad preparation; \$45 million for community buildings and facilities, and more than \$1 million for sustainability elements. Investments related to public schools are not included as these costs will likely fall under the purview of LAUSD.

Figure 5: Summary of costs to the master developer

| | Pre-Development | Phase 1 | Phase 2 | Phase 3 | Phase 4 | Total |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| Total Costs | | | | | | |
| Land Purchase & Predevelopment | \$ (38,200,000) | | | | | \$ (38,200,000) |
| Relocation | \$ - | \$ (837,000) | \$ (698,000) | \$ (419,000) | | \$ (1,954,000) |
| Horizontal Investments | | | | | | |
| Backbone Infrastructure | \$ (20,248,000) | \$ (14,161,000) | \$ (7,054,000) | \$ (12,178,000) | | \$ (53,641,000) |
| Parks, Recreation, & Open Space | \$ (3,234,000) | \$ (12,289,000) | \$ (1,635,000) | \$ (1,141,000) | | \$ (18,299,000) |
| Onsite Building Pad Preparation | \$ (3,052,000) | \$ (3,674,000) | \$ (2,680,000) | \$ (4,997,000) | | \$ (14,403,000) |
| Public Benefit Facilities & Improvements | \$ (10,000,000) | \$ (31,625,000) | \$ (61,000) | \$ (3,753,000) | | \$ (45,439,000) |
| Sustainability | \$ (316,000) | \$ (316,000) | \$ (304,000) | \$ (466,000) | | \$ (1,402,000) |
| Total Costs | \$ (38,200,000) | \$ (36,850,000) | \$ (62,902,000) | \$ (12,432,000) | \$ (22,954,000) | \$ (173,338,000) |

Source: HACLA, Davis Langdon, AECOM

Project Revenues to Master Developer

The master developer will collect project revenues from the sale of land to independent development companies and nonprofit housing corporations who will then manage the construction, sale, and operation of individual residential and commercial projects throughout the new Jordan Downs Master Plan.

Land value is a function of the potential revenue generated by what can be developed on the land. Comparable recent sales (from the Market Analysis Report 2009) reveal that the current and future market for residential development is depressed in the Jordan Downs area. A residual value analysis for both residential and commercial development indicates land values are negative given high construction costs and limited revenue potential. The capacity for affordable housing to support land value will depend on the subsidy package assembled by the vertical developers.

Under HACLA's direction, AECOM has assumed modest land values that average approximately \$10,000 per residential unit across the Master Plan and approximately 5 percent of total development cost for commercial uses, based on the assumption that some subsidy will be available for land acquisition. If funding for affordable housing gap financing is limited or unavailable, discounting the land could be considered as a part of an incentive package.

Based on these assumptions, the master developer is expected to earn approximately \$22 million in revenues from the sale of land in 1,600-unit scenario. In the 1,800-unit scenario, the master developer is expected to earn approximately \$24 million in revenues from land sales (Figure 6).

Figure 6: Summary of Revenues to the Master Developer

| Total Revenues | | | | | | |
|----------------------------|-----------------|---------|--------------|--------------|---------------|----------------------|
| | Pre-Development | Phase 1 | Phase 2 | Phase 3 | Phase 4 | Total |
| 1,600 Unit Scenario | | | | | | |
| Revenues from Sale of Land | | \$ - | \$ 3,431,000 | \$ 6,129,000 | \$ 12,616,000 | \$ 22,175,000 |
| 1,800 Unit Scenario | | | | | | |
| Revenues from Sale of Land | \$ - | \$ - | \$ 3,952,000 | \$ 6,674,000 | \$ 13,550,000 | \$ 24,175,000 |

Source: Davis Langdon, SETC, AECOM

Net Investment for Master Developer

Results from the financial analysis of the 1,600-unit scenario show that the master developer can anticipate a net investment requirement of approximately \$151 million. In the 1800-unit scenario, the net investment requirement is approximately \$149 million (Figure 7 and Figure 8). Note that in all scenarios, \$38 million has already been expended for land acquisition, thus reducing total new investment by a corresponding amount.

Figure 7: Net investment required of master developer 1,600-Unit Scenario

| 1600 Unit Scenario | | | | | | |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| | Pre-Development | Phase 1 | Phase 2 | Phase 3 | Phase 4 | Total |
| Total Costs | | | | | | |
| Land Purchase & Predevelopment | \$ (38,200,000) | | | | | \$ (38,200,000) |
| Relocation | | \$ - | \$ (837,000) | \$ (698,000) | \$ (419,000) | \$ (1,954,000) |
| Horizontal Investments | | | | | | |
| Backbone Infrastructure | \$ (20,248,000) | \$ (14,161,000) | \$ (7,054,000) | \$ (12,178,000) | \$ (53,641,000) | \$ (53,641,000) |
| Parks, Recreation, & Open Space | \$ (3,234,000) | \$ (12,289,000) | \$ (1,635,000) | \$ (1,141,000) | \$ (18,299,000) | \$ (18,299,000) |
| Onsite Building Pad Preparation | \$ (3,052,000) | \$ (3,674,000) | \$ (2,680,000) | \$ (4,997,000) | \$ (14,403,000) | \$ (14,403,000) |
| Public Benefit Facilities & Improvements | \$ (10,000,000) | \$ (31,625,000) | \$ (61,000) | \$ (3,753,000) | \$ (45,439,000) | \$ (45,439,000) |
| Sustainability | \$ (316,000) | \$ (316,000) | \$ (304,000) | \$ (466,000) | \$ (1,402,000) | \$ (1,402,000) |
| Total Costs | \$ (38,200,000) | \$ (36,850,000) | \$ (62,902,000) | \$ (12,432,000) | \$ (22,954,000) | \$ (173,338,000) |
| Total Revenues | | | | | | |
| Revenues from Sale of Land | \$ - | \$ 3,431,000 | \$ 6,129,000 | \$ 12,616,000 | \$ 22,175,000 | \$ 22,175,000 |
| Total Required Investment | | | | | | |
| Total | \$ (38,200,000) | \$ (36,850,000) | \$ (59,471,000) | \$ (6,303,000) | \$ (10,338,000) | \$ (151,163,000) |

Figure 8: Net investment required of master developer 1,800-Unit Scenario

| 1,800 Unit Scenario | | | | | | |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| | Pre-Development | Phase 1 | Phase 2 | Phase 3 | Phase 4 | Total |
| Total Costs | | | | | | |
| Land Purchase & Predevelopment | \$ (38,200,000) | | | | | \$ (38,200,000) |
| Relocation | | \$ - | \$ (837,000) | \$ (698,000) | \$ (419,000) | \$ (1,954,000) |
| Horizontal Investments | | | | | | |
| Backbone Infrastructure | \$ (20,248,000) | \$ (14,161,000) | \$ (7,054,000) | \$ (12,178,000) | | \$ (53,641,000) |
| Parks, Recreation, & Open Space | \$ (3,234,000) | \$ (12,289,000) | \$ (1,635,000) | \$ (1,141,000) | | \$ (18,299,000) |
| Onsite Building Pad Preparation | \$ (3,052,000) | \$ (3,674,000) | \$ (2,680,000) | \$ (4,997,000) | | \$ (14,403,000) |
| Public Benefit Facilities & Improvements | \$ (10,000,000) | \$ (31,625,000) | \$ (61,000) | \$ (3,753,000) | | \$ (45,439,000) |
| Sustainability | \$ (316,000) | \$ (316,000) | \$ (304,000) | \$ (466,000) | | \$ (1,402,000) |
| Total Costs | \$ (38,200,000) | \$ (36,850,000) | \$ (62,902,000) | \$ (12,432,000) | \$ (22,954,000) | \$ (173,338,000) |
| Total Revenues | | | | | | |
| Revenues from Sale of Land | | \$ - | \$ 3,952,000 | \$ 6,674,000 | \$ 13,550,000 | \$ 24,175,000 |
| Total Required Investment | | | | | | |
| Total | \$ (38,200,000) | \$ (36,850,000) | \$ (58,950,000) | \$ (5,758,000) | \$ (9,404,000) | \$ (149,163,000) |

Horizontal Infrastructure Development Funding Sources

The scale of the Jordan Downs redevelopment is significant; horizontal development includes the construction of a number of new roads, a sizable park and additional open space, as well as community facilities and upgrades to utilities and other infrastructure to support the new development.

The amount to be funded is the total development cost described in the financial analysis for the Master Developer (Horizontal). Total horizontal development costs are approximately \$173 million. This is reduced by the equity investment of the previously acquired land to arrive at the net use of funds, \$142 million.

Figure 1 presents the Horizontal/Master Developer Sources and Uses on a project wide basis. These were distributed across four phases based on the horizontal financial analysis. These sources represent the major anticipated sources of funds to the Master Plan; additional sources may be identified across the planning period.

Project Generated Revenues

Land revenues represent the major self-funded portion of the project.

- Land Revenue - The project itself is expected to generate a little under 20 percent of the sources to fund the horizontal development through land sales in the 1,600 unit and 1,800-unit scenarios.

Federal Funds

The Jordan Downs Redevelopment seeks to integrate transportation and education, commercial and residential uses and exemplifies the direction of the federal government's urban policy. The Jordan Downs Redevelopment will have a major impact on affordable housing in the region and will act as a demonstration for projects across the nation. For these reasons, the master developer as well as vertical developers should aggressively seek federal funding to support the infrastructure and transportation improvements of the Jordan Downs Master Plan.

- Federal Transportation Funding – Federal transportation funds are currently a major source of funding available to projects with significant transportation impacts. Federal funding is available for street and infrastructure projects through the regional transportation authority, the Los Angeles Metropolitan Transit Authority (MTA). The MTA has a call for projects every two years. We anticipate that Jordan Downs may be able to access some federal funding through the SAFETEA Transportation Enhancement Funds that provides funding for streets, landscaping, and other infrastructure for projects that increase regional accessibility and, with

the integration of Jordan High and the elementary school, the Safe Routes to School Program.

In the 2007 funding round, MTA reports that 170 projects were awarded a total of \$454 million. For the Jordan Downs project we assume the project can capture approximately \$20 million across the four phases.

- Choice Neighborhood Initiative (CNI) – Offered through HUD, the Choice Neighborhood Initiative is being developed to build upon and replace Hope VI funding. CNI looks to provide funding to build a comprehensive, sustainable community that integrates education, public transportation, and improved access to jobs. Congress has chosen to continue Hope VI in 2010 and have funded a pilot program for CNI with \$65 million for planning and project grants. HUD has requested \$250 million to fund the Choice Neighborhood Initiative in future years.

The horizontal analysis assumes that approximately \$14 million can be captured in CNI grants to support transportation improvements.

- Community Development Block Grant (CDBG) Funding – are federal funds that are distributed directly to the City of Los Angeles. Typically funded amounts are up to \$2 million. Jordan Downs could apply for several applications for various elements of the development, such as the community facilities and support for parks and open space. Jordan Downs can also take advantage of Section 108 Loans fund also under CDBG.
- Brownfield - Federal Brownfield Grants are available up to \$200,000. We propose applying for two rounds of funding.
- Sustainable Communities - HUD has, at this time, provided notice that they on a new program called the Sustainable Communities Planning Grant Program. The program has not been fully established, but will provide funding for regional transportation planning, (2) funding for the detailed execution of plans and programs to implement regional sustainable development plans, and (3) Implementation funding to support regions that have regional sustainable development plans in place and need support for a catalytic project or program that demonstrates commitment to implementation of the sustainable plans. \$100 million is set aside for regional integrated planning initiatives. The maximum grant to large metropolitan areas is \$5 million. The master developer of Jordan Downs can apply as an implementation project with the support of the metropolitan planning organization, the Southern California Associations of Governments (SCAG).

- Global Climate Change Mitigation Incentive Fund – the Economic Development Administration has allocated \$14.7 million to a Global Climate Change Mitigation Incentive Fund to strengthen the linkages between economic development and environmental quality. This may be used to help support the Master Plan’s sustainability efforts.

State Sources

- Statewide Park Community Development Grant – the application for these funds are in April of 2010. This source was specifically designated to support parks in low-income areas. These funds may only be used towards the new park on the Jordan Downs site, but there is no specific maximum.
- Loan Sources. In addition to these grant and investment sources, there may be limited support to repay loan sources, such as the California I-Banks low interest infrastructure loans.

Local Sources

The funding strategy seeks to maximize the amount of federal and state sources to help support, but additional requirements may have to be funded in collaboration with local sources.

- Utility Cost Sharing – HACLA should encourage the Department of Water and Power to partner with them in upgrading utilities and storm drain infrastructure needed to support the new Jordan Downs development. Utilities are often willing to participate in public ventures, providing up to 30 to 40 percent to assist in the costs of upgrading utilities.
- Los Angeles Capital Improvement Project – The City of Los Angeles Capital Improvement Program supports capital improvements throughout the City of Los Angeles. As a major project in the Mayor’s Housing Initiative, HACLA should work with the City to leverage these funds. The project currently requires approximately \$35 million in additional local sources.

Additional Sources

- Tax Increment – Jordan Downs is not currently part of a Redevelopment area, but there has been some discussion about amending the South Central Redevelopment Area to include Jordan Downs and other public housing developments in the area. If Jordan Downs is included in a new redevelopment area, it will generate tax increment financing that may be placed back into the development. Based on current development costs, we estimate that the capitalized value of Jordan Downs’ generated tax increment funds across a 30 year period may be approximately \$10 million.

- Community Facilities District – Community Facilities Districts are additional fees paid by property owners in an area to help support new community facilities. As the Jordan Down’s neighborhood improves, there may be limited capacity to support a Community Facilities District in the area. This is likely to be very limited due to the amount of affordable housing developments on the site that will not have the capacity to afford additional fees.

The revenue sources shown above may be used to support the Master Developers costs. In addition to the sources listed above, low-interest loan sources exist for non-profits to build the community facilities infrastructure and additional grant funding may also be available.

Overall, it is important that HACLA and the City of Los Angeles are coordinated in requesting the necessary funds to support the project. Additional funds may be available through SAFTEA-LU funding through lobbying and it will be helpful to partner with various divisions within the City to capture appropriate funding.

Figure 9: Horizontal Infrastructure Sources and Uses of Funds

| SOURCES AND USES | 1600 Unit Scenario | 1800 Unit Scenario |
|--|---------------------------|---------------------------|
| Capital Costs | | |
| Uses | | |
| Total Uses | \$173,338,000 | \$173,338,000 |
| Land Acquisition (Already Expended) | (\$31,000,000) | (\$31,000,000) |
| Net Costs to be Covered | \$142,338,000 | \$142,338,000 |
| Primary Sources | | |
| Land Revenue | \$22,176,000 | \$24,176,000 |
| Federal Sources | | |
| MTA Transportation Funding Sources | | |
| SAFETEA Transportation Enhancement Funds | \$15,000,000 | \$15,000,000 |
| Safe Routes to School Program | \$5,000,000 | \$5,000,000 |
| Choice Neighborhood Initiative | \$16,000,000 | \$16,000,000 |
| Community Development Block Grants | \$8,000,000 | \$8,000,000 |
| Public Works and Econ. Devt Facilities Program | \$3,000,000 | \$3,000,000 |
| Sustainable Communities Planning Grant | \$3,000,000 | \$3,000,000 |
| Global Climate Change Mitigation Incentive Fund | \$600,000 | \$600,000 |
| Brownfields | \$400,000 | \$400,000 |
| State Sources | | |
| Statewide Park Community Development Grants | \$5,000,000 | \$5,000,000 |
| Infrastructure Loans (California I-Bank) | \$14,062,000 | \$12,162,000 |
| Local Sources | | |
| Department of Water and Power / Utility Cost Sharing | \$5,000,000 | \$5,000,000 |
| Los Angeles CIP | \$35,000,000 | \$35,000,000 |
| Subtotal Primary Sources | \$132,238,000 | \$132,338,000 |
| Other Potential Sources | | |
| Future Tax Increment ¹ | \$10,100,000 | \$10,000,000 |
| Total Sources | \$142,338,000 | \$142,338,000 |
| Total Surplus/(Gap) | \$0 | \$0 |

¹If included in the South LA redevelopment project area. Tax Increment derived from market rate and commercial components.

Figure 10: Horizontal Infrastructure Sources and Uses by Phase - 1,600-Unit Scenario

| SOURCES AND USES | Pre-Development | Phase 1 | Phase 2 | Phase 3 | Phase 4 | Total |
|--|------------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
| Capital Costs | | | | | | |
| Uses | | | | | | |
| Total Uses | \$38,200,000 | \$36,850,000 | \$62,902,000 | \$12,432,000 | \$22,954,000 | \$173,338,000 |
| Land Acquisition (Already Expended) | (\$31,000,000) | | | | | (\$31,000,000) |
| Net Costs to be Covered | \$7,200,000 | \$36,850,000 | \$62,902,000 | \$12,432,000 | \$22,954,000 | \$142,338,000 |
| Primary Sources | | | | | | |
| Land Revenue | | | \$3,431,000 | \$6,129,000 | \$12,616,000 | \$22,176,000 |
| Federal Sources | | | | | | |
| MTA Transportation Funding Sources | | | | | | |
| SAFETEA Transportation Enhancement Funds | | \$3,000,000 | \$7,000,000 | \$5,000,000 | | \$15,000,000 |
| Safe Routes to School Program | | | \$5,000,000 | | | \$5,000,000 |
| Choice Neighborhood Initiative | \$1,000,000 | \$12,530,000 | \$971,000 | \$884,000 | \$615,000 | \$16,000,000 |
| Community Development Block Grants | \$3,200,000 | | \$4,000,000 | \$800,000 | | \$8,000,000 |
| Public Works and Econ. Dev't Facilities Program | | \$2,260,000 | \$740,000 | | | \$3,000,000 |
| Sustainable Communities Planning Grant | \$3,000,000 | | | | | \$3,000,000 |
| Global Climate Change Mitigation Incentive Fund | | | \$600,000 | | | \$600,000 |
| Brownfields | | \$200,000 | \$200,000 | | | \$400,000 |
| State Sources | | | | | | |
| Statewide Park Community Development Grants | | \$2,500,000 | \$2,500,000 | | | \$5,000,000 |
| Infrastructure Loans (California I-Bank) | | | \$14,062,000 | | | \$14,062,000 |
| Local Sources | | | | | | |
| Department of Water and Power / Utility Cost Sharing | | \$1,360,000 | \$2,330,000 | \$460,000 | \$850,000 | \$5,000,000 |
| Los Angeles CIP | | \$15,000,000 | \$20,000,000 | | | \$35,000,000 |
| Subtotal Primary Sources | \$9,200,000 | \$36,850,000 | \$60,834,000 | \$13,273,000 | \$14,081,000 | \$132,238,000 |
| Other Potential Sources | | | | | | |
| Future Tax Increment ¹ | | \$1,700,000 | \$1,800,000 | \$2,100,000 | \$4,500,000 | \$10,100,000 |
| Total Sources | \$9,200,000 | \$38,550,000 | \$62,634,000 | \$15,373,000 | \$18,581,000 | \$142,338,000 |
| Total Annual Surplus/(Gap) | \$2,000,000 | \$1,700,000 | (\$268,000) | \$2,941,000 | (\$4,373,000) | \$0 |
| Cumulative Surplus/(Gap) | | \$1,700,000 | \$1,432,000 | \$4,373,000 | \$0 | |

¹If included in the South LA redevelopment project area. Tax Increment derived from market rate and commercial components

Figure 11: Horizontal Infrastructure Sources and Uses by Phase - 1,800-Unit Scenario

| SOURCES AND USES | Pre-Development | Phase 1 | Phase 2 | Phase 3 | Phase 4 | Total |
|--|------------------------|---------------------|----------------------|---------------------|----------------------|----------------------|
| Capital Costs | | | | | | |
| Uses | | | | | | |
| Total Uses | \$38,200,000 | \$36,850,000 | \$62,902,000 | \$12,432,000 | \$22,954,000 | \$173,338,000 |
| Land Acquisition (Already Expended) | (\$31,000,000) | | | | | (\$31,000,000) |
| Net Costs to be Covered | \$7,200,000 | \$36,850,000 | \$62,902,000 | \$12,432,000 | \$22,954,000 | \$142,338,000 |
| Primary Sources | | | | | | |
| Land Revenue | | | \$3,952,000 | \$6,674,000 | \$13,550,000 | \$24,176,000 |
| Federal Sources | | | | | | |
| MTA Transportation Funding Sources | | | | | | |
| SAFETEA Transportation Enhancement Funds | | \$3,000,000 | \$7,000,000 | \$5,000,000 | | \$15,000,000 |
| Safe Routes to School Program | | | \$5,000,000 | | | \$5,000,000 |
| Choice Neighborhood Initiative | \$1,000,000 | \$12,530,000 | \$971,000 | \$884,000 | \$615,000 | \$16,000,000 |
| Community Development Block Grants | \$3,200,000 | \$2,000,000 | \$2,000,000 | \$800,000 | | \$8,000,000 |
| Public Works and Econ. Devt. Facilities Program | | \$3,000,000 | | | | \$3,000,000 |
| Sustainable Communities Planning Grant | \$3,000,000 | | | | | \$3,000,000 |
| Global Climate Change Mitigation Incentive Fund | | \$600,000 | | | | \$600,000 |
| Brownfields | | \$200,000 | \$200,000 | | | \$400,000 |
| State Sources | | | | | | |
| Statewide Park Community Development Grants | | \$2,500,000 | \$2,500,000 | | | \$5,000,000 |
| Infrastructure Loans (California I-Bank) | | | \$12,162,000 | | | \$12,162,000 |
| Local Sources | | | | | | |
| Department of Water and Power / Utility Cost Sharing | | \$1,360,000 | \$2,330,000 | \$460,000 | \$850,000 | \$5,000,000 |
| Los Angeles CIP | | \$12,000,000 | \$23,000,000 | | | \$35,000,000 |
| Subtotal Primary Sources | \$7,200,000 | \$37,190,000 | \$59,115,000 | \$13,818,000 | \$15,015,000 | \$132,338,000 |
| Other Potential Sources | | | | | | |
| Future Tax Increment ¹ | | \$1,700,000 | \$1,800,000 | \$2,100,000 | \$4,400,000 | \$10,000,000 |
| Total Sources | \$7,200,000 | \$38,890,000 | \$60,915,000 | \$15,918,000 | \$19,415,000 | \$142,338,000 |
| Total Annual Surplus/(Gap) | | \$2,040,000 | (\$1,987,000) | \$3,486,000 | (\$3,539,000) | \$0 |
| Cumulative Surplus/(Gap) | | \$2,040,000 | \$53,000 | \$3,539,000 | \$0 | |

V. Vertical Development Financial and Funding Analysis

The Vertical Development Financial and Funding Analysis reviews the financial and funding impacts of the vertical residential and commercial development to the vertical developers. The financial and funding are evaluated at a master plan level. We first evaluate the overall financial costs and market revenues generated by the project and then describe potential funding sources available to support the vertical development.

Vertical Development Financial Analysis

As described above, this section presents the overall financial costs and market revenues generated by the vertical development program outlined in the Master Plan. Five residential unit types and three commercial uses are evaluated in each scenario:

- Residential: townhouses, flats, and three combination of townhouses and flats
- Commercial: office, retail, and industrial

The vertical development financial analysis evaluates the pre-subsidy net revenues of the 1,600- and 1,800-unit scenarios. The square footage of non-residential land uses does not change between scenarios. Net revenues are the total revenues generated by the vertical development less the total costs of the development and may be positive (indicating a financial surplus) or negative (indicating a financial gap).

Subsidies and support sources are evaluated in the Vertical Development Funding Analysis section.

Methodology

AECOM initially developed a dynamic financial model to analyze each development scenario annually and across the four phases of the Master Plan. Initial results of the preliminary scenario indicated that project returns were impacted by several key factors, including cost, sales pricing and rents, and the timing and phasing of delivery.

Upon review and feedback from HACLA, AECOM revised the vertical developer module of the financial model to focus on the costs and revenues of each unit type at a single point in time (a static model), thereby eliminating the impact of timing differences in financial performance and making the results more intuitive for comparing unit types (ex. townhouse, stacked flats, etc.) against one another. The results of the final model provide estimates of total financial surplus or gap at a static point in time: at build-out and full absorption for each of the four anticipated development phases, in aggregate for vertical developers of the residential and commercial components of the new Jordan Downs community.

The final model utilizes the unit typology definitions and phasing developed by SETC. It includes a financial worksheet comparing each unit type (both residential and commercial) on a total cost and revenue basis as well as on a per-unit basis. At the request of HACLA, the financial effects of phasing are not incorporated into the vertical development analysis so as to minimize the impact of timing and inflation. Instead, the static comparison shows the relative cost of each unit type. Compared against the revenue potential of each residential unit and commercial product, the analysis shows the relative performance strength of each product type and the financial gap between cost and revenue that must be supported by some form of public investment in order for the development scenario to proceed.

In order to compare the relative magnitude of each phase of the project, unit costs and revenues have been allocated to each phase based on the unit count and typology in the phasing plan developed by SETC and HACLA. These allocations use the total cost and revenue estimates for the project as a whole, as developed in the static financial model.

There are no subsidies built into the financial model. As a result, a negative value per unit signifies the scale of subsidy required to make development feasible from a market perspective. The summary table presents the gap or subsidy required by each unit type under various income categories to make development feasible. The variation in value per unit is driven by a number of factors including:

- Development costs on a per square foot or percentage cost basis (structures, parking, and land)
- Unit size, which varies between rental and for-sale residential units
- Revenue generation capacity, which is limited by affordability restrictions under HUD stipulations, and market demand for non-restricted residential housing and commercial rents.

Key Assumptions

The following key assumptions and considerations inform the financial model at this time.

Global Assumptions

- Unit counts within each phase of the model are based on information provided by SETC in the “Affordability Phasing Matrix” (3/29/10). Residential unit size, commercial square footage, and building efficiency assumptions are provided in the same report.
- All public housing replacement units and affordable/workforce units are modeled as rental housing. For-sale housing is structured as a combination of market rate units and affordable/workforce housing units.

- We have assumed a 0 percent inflation rate, per discussion with HACLA.
- Subsidies for operating and capital expenses are not included in the model. Per instruction from HACLA, residential land costs are estimated at an average of \$10,000 per unit and are a fixed percentage of development costs. Commercial land value is estimated at approximately five percent of total development cost for commercial uses. The land values flow from the individual developers back to HACLA. Timing of land purchases is tied to project phasing as provided by SETC.

Vertical Development

Individual development companies or nonprofit housing corporations are assumed to incur all vertical development costs for residential, commercial, and industrial buildings. They also incur the costs of acquiring land from the master developer.

- Hard costs per square foot for residential and commercial construction are provided by Davis Langdon in the report titled, "Master Plan Horizontal and Public Investment, Residential and Commercial Development Draft Cost Study" dated 3/31/2010 with revisions dated 4/7/2010. Base costs include mark-ups for site security, general conditions, and contractor overhead. These construction cost represent the highest quality buildings (comparable to Playa Vista) in the Southern California context.
- Residential units are parked at a ratio of 1.5 stalls per unit, per direction from HACLA and SETC. Structured and tuck-under parking stall costs were provided by Davis Langdon in the same report noted above.
- Retail and office development are parked at a ratio of 4 stalls per 1,000 square feet. Industrial is parked at a ratio of 2 stalls per 1,000 SF. Surface parking costs were estimated at \$2,500 per stall.
- Additional soft costs and contingencies for residential product were set at 45 percent of hard costs at the direction of HACLA after input from the Developer Charrette on September 9, 2009.
- Additional soft costs and contingencies for commercial product were set at 25 percent based on RS Means cost estimating guidelines and industry experience. Tenant improvement allocations were modest at \$5 to \$15 per square foot.
- Rental and sale revenues for residential and commercial uses are based on market values in the local and regional vicinity of the project site, as described in the Jordan Downs Market Analysis dated 5/8/2009. Revenues and rents differ by unit type. Townhome rents and

prices have a slight premium over stacked flats and mid-rise buildings because buyers and renters are generally willing to pay more for ground-related units.

- Residential market rent assumptions range from \$1,300 to \$1,600 per month per unit based on average unit sizes. Residential for-sale prices range from \$250 to \$300 per square foot.
- Office and retail rents are assumed at \$21 to \$22 per square foot (PSF) per year. Industrial rents are estimated at approximately \$13 PSF per year.

Detailed assumption sets and model results are included in Appendix I & II.

Key Findings

Vertical Development – Residential

The total ‘all in’ construction cost for residential units at Jordan Downs range from a low of nearly \$260,000 per unit to just under \$420,000 per unit in 2010 dollars, including the cost of land (Figure 12). Costs vary by unit for several reasons: in this project, townhouses are larger than flats and so cost more to construct; some of the typologies are built at higher densities than others, which have higher structural and parking costs; and, costs per unit vary slightly between scenarios due to differences in density and the resultant distribution of land costs.

Figure 12: Residential Unit Cost

| 1600 Unit Scenario | | | | | | |
|-------------------------------------|----------------------------------|----------------|---------------|-----------|-----------------|--|
| Developer Cost for Residential Uses | | Cost per Unit | | | | |
| | | Total Cost | Construction* | Land** | Total Cost/Unit | |
| Rental | Tow nhouse | \$ 91,874,000 | \$ 406,000 | \$ 11,000 | \$ 418,000 | |
| | Tow nhouse over Flats | \$ 78,992,000 | \$ 384,000 | \$ 11,000 | \$ 395,000 | |
| | Flats Under Tow nhouse | \$ 31,002,000 | \$ 253,000 | \$ 7,000 | \$ 261,000 | |
| | Tow nhouse beneath Stacked Flats | \$ 62,868,000 | \$ 402,000 | \$ 11,000 | \$ 414,000 | |
| | Stacked Flats | \$ 169,064,000 | \$ 323,000 | \$ 9,000 | \$ 332,000 | |
| | | \$ - | \$ - | \$ - | \$ - | |
| For Sale | Tow nhouse | \$ 43,003,000 | \$ 418,000 | \$ 12,000 | \$ 430,000 | |
| | Tow nhouse over Flats | \$ 35,416,000 | \$ 401,000 | \$ 11,000 | \$ 412,000 | |
| | Flats Under Tow nhouse | \$ 14,559,000 | \$ 295,000 | \$ 8,000 | \$ 303,000 | |
| | Tow nhouse beneath Stacked Flats | \$ 18,878,000 | \$ 417,000 | \$ 12,000 | \$ 429,000 | |
| | Stacked Flats | \$ 45,976,000 | \$ 367,000 | \$ 10,000 | \$ 377,000 | |
| | Total Cost | \$ 591,632,000 | \$ 360,000 | \$ 10,000 | \$ 370,000 | |

| 1800 Unit Scenario | | | | | |
|--|----------------------------------|----------------|---------------|-----------|-----------------|
| Developer Cost for Residential Uses | | | | | |
| | | Total Cost | Cost per Unit | | |
| | | | Construction* | Land** | Total Cost/Unit |
| Rental | Tow nhouse | \$ 97,367,000 | \$ 405,000 | \$ 11,000 | \$ 416,000 |
| | Tow nhouse over Flats | \$ 59,410,000 | \$ 383,000 | \$ 11,000 | \$ 393,000 |
| | Flats Under Tow nhouse | \$ 45,055,000 | \$ 252,000 | \$ 7,000 | \$ 259,000 |
| | Tow nhouse beneath Stacked Flats | \$ 78,710,000 | \$ 401,000 | \$ 11,000 | \$ 412,000 |
| | Stacked Flats | \$ 214,875,000 | \$ 321,000 | \$ 9,000 | \$ 331,000 |
| | | \$ - | \$ - | \$ - | \$ - |
| For Sale | Tow nhouse | \$ 35,568,000 | \$ 417,000 | \$ 12,000 | \$ 429,000 |
| | Tow nhouse over Flats | \$ 20,514,000 | \$ 399,000 | \$ 11,000 | \$ 410,000 |
| | Flats Under Tow nhouse | \$ 3,019,000 | \$ 294,000 | \$ 8,000 | \$ 302,000 |
| | Tow nhouse beneath Stacked Flats | \$ 11,971,000 | \$ 416,000 | \$ 12,000 | \$ 428,000 |
| | Stacked Flats | \$ 85,943,000 | \$ 365,000 | \$ 10,000 | \$ 375,000 |
| | Total Cost | \$ 652,432,000 | \$ 352,000 | \$ 10,000 | \$ 362,000 |

* For-sale tow nhomes and flats cost approximately \$15,000 more per unit due to insurance requirements. For-sale flats are an additional \$25,000 more per unit on average because there are a greater number of flats with more bedrooms.

** Land estimated at an average of \$10,000 per unit. Source: HACLA

Figure 13: Total residential development cost and gap per unit, 1,600 units

| /26/2010 | Rental | | | | | For Sale | | | | |
|----------------------------|-----------------|-----------------------|------------------------|----------------------------------|------------------|-----------------|-----------------------|------------------------|----------------------------------|-----------------|
| | Tow nhouse | Tow nhouse over Flats | Flats Under Tow nhouse | Tow nhouse beneath Stacked Flats | Stacked Flats | Tow nhouse | Tow nhouse over Flats | Flats Under Tow nhouse | Tow nhouse beneath Stacked Flats | Stacked Flats |
| Unit Costs | \$ Per Unit | | | | | | | | | |
| Vertical Construction Cost | \$ 406,000 | \$ 384,000 | \$ 253,000 | \$ 402,000 | \$ 323,000 | \$ 418,000 | \$ 401,000 | \$ 295,000 | \$ 417,000 | \$ 367,000 |
| Land Cost* | \$ 11,000 | \$ 11,000 | \$ 7,000 | \$ 11,000 | \$ 9,000 | \$ 12,000 | \$ 11,000 | \$ 8,000 | \$ 12,000 | \$ 10,000 |
| Total Cost/Unit | \$ 418,000 | \$ 395,000 | \$ 261,000 | \$ 414,000 | \$ 332,000 | \$ 430,000 | \$ 412,000 | \$ 303,000 | \$ 429,000 | \$ 377,000 |
| Revenue** | \$ 1,700 | \$ 1,700 | \$ 1,400 | \$ 1,600 | \$ 1,600 | \$ 340,000 | \$ 325,000 | \$ 250,000 | \$ 265,000 | \$ 230,000 |
| Number of Units | 220 | 200 | 119 | 152 | 509 | 100 | 86 | 48 | 44 | 122 |
| Total Costs | | | | | | | | | | |
| Total Development Cost | \$ (91,874,000) | \$ (78,992,000) | \$ (31,002,000) | \$ (62,868,000) | \$ (169,064,000) | \$ (43,003,000) | \$ (35,416,000) | \$ (14,559,000) | \$ (18,878,000) | \$ (45,976,000) |
| Total Net Revenues | \$ 6,314,000 | \$ 4,443,000 | \$ 4,500,000 | \$ 4,257,000 | \$ 18,400,000 | \$ 31,242,000 | \$ 25,540,000 | \$ 10,475,000 | \$ 10,171,000 | \$ 25,549,000 |
| Total Gap | \$ (85,560,000) | \$ (74,549,000) | \$ (26,502,000) | \$ (58,611,000) | \$ (150,664,000) | \$ (11,761,000) | \$ (9,876,000) | \$ (4,084,000) | \$ (8,707,000) | \$ (20,427,000) |
| Gap per Unit | \$ (389,000) | \$ (373,000) | \$ (223,000) | \$ (386,000) | \$ (296,000) | \$ (118,000) | \$ (115,000) | \$ (85,000) | \$ (198,000) | \$ (167,000) |

* Land estimated at an average of \$10,000 per unit. Source: HACLA

** Base revenue before income adjustments and expenses. Rental revenues show n as base monthly market rate rent. Sales revenues show n as estimated sales price.

Figure 14: Total residential development cost and gap per unit, 1,800 units

| | Rental | | | | | For Sale | | | | |
|----------------------------|-----------------|-----------------------|------------------------|----------------------------------|------------------|-----------------|-----------------------|------------------------|----------------------------------|-----------------|
| | Tow nhouse | Tow nhouse over Flats | Flats Under Tow nhouse | Tow nhouse beneath Stacked Flats | Stacked Flats | Tow nhouse | Tow nhouse over Flats | Flats Under Tow nhouse | Tow nhouse beneath Stacked Flats | Stacked Flats |
| Unit Costs | \$ Per Unit | | | | | | | | | |
| Vertical Construction Cost | \$ 405,000 | \$ 383,000 | \$ 252,000 | \$ 401,000 | \$ 321,000 | \$ 417,000 | \$ 399,000 | \$ 294,000 | \$ 416,000 | \$ 365,000 |
| Land Cost* | \$ 11,000 | \$ 11,000 | \$ 7,000 | \$ 11,000 | \$ 9,000 | \$ 12,000 | \$ 11,000 | \$ 8,000 | \$ 12,000 | \$ 10,000 |
| Total Cost/Unit | \$ 416,000 | \$ 393,000 | \$ 259,000 | \$ 412,000 | \$ 331,000 | \$ 429,000 | \$ 410,000 | \$ 302,000 | \$ 428,000 | \$ 375,000 |
| Revenue** | \$ 1,700 | \$ 1,700 | \$ 1,400 | \$ 1,600 | \$ 1,600 | \$ 340,000 | \$ 325,000 | \$ 250,000 | \$ 265,000 | \$ 230,000 |
| Number of Units | 234 | 151 | 174 | 191 | 650 | 83 | 50 | 10 | 28 | 229 |
| Total Costs | | | | | | | | | | |
| Total Development Cost | \$ (97,367,000) | \$ (59,410,000) | \$ (45,055,000) | \$ (78,710,000) | \$ (214,875,000) | \$ (35,568,000) | \$ (20,514,000) | \$ (3,019,000) | \$ (11,971,000) | \$ (85,943,000) |
| Total Net Revenues | \$ 5,900,000 | \$ 1,100,000 | \$ 7,643,000 | \$ 5,657,000 | \$ 26,514,000 | \$ 25,809,000 | \$ 14,542,000 | \$ 1,545,000 | \$ 6,185,000 | \$ 48,683,000 |
| Total Gap | \$ (91,467,000) | \$ (58,310,000) | \$ (37,412,000) | \$ (73,053,000) | \$ (188,361,000) | \$ (9,759,000) | \$ (5,972,000) | \$ (1,474,000) | \$ (5,786,000) | \$ (37,260,000) |
| Gap per Unit | \$ (391,000) | \$ (386,000) | \$ (215,000) | \$ (382,000) | \$ (290,000) | \$ (118,000) | \$ (119,000) | \$ (147,000) | \$ (207,000) | \$ (163,000) |

* Land estimated at an average of \$10,000 per unit. Source: HACLA

** Base revenue before income adjustments and expenses. Rental revenues show n as base monthly market rate rent. Sales revenues show n as estimated sales price.

The total average cost per residential unit in the 1,600-Unit Scenario is \$370,000, and \$362,000 per unit in the 1,800-Unit Scenario. The slight decrease in the average cost in the 1,800-Unit Scenario is due to the change in the unit mix.

The gap per unit is a function of both cost and revenue. For affordable and public housing units, revenues include the capitalized value of restricted rental payments; for market-rate units, revenues are generated by housing sales, with pricing based on the Market Analysis.

As shown in Figure 13 and Figure 14, all residential unit types, including both affordable and market-rate units, have a financial gap between the cost of construction and their total revenue potential, and will require some amount of subsidy to support profitable development. Before subsidy, these estimated gaps range from approximately \$120,000 (for-sale townhouses) to more than \$390,000 per unit (public housing replacement rental townhouses).

There is an obvious impact on the gap per unit based on whether a unit is a rent-restricted public housing or affordable housing rental unit or an unrestricted market rate unit. In addition, there is a steady increase in the financial gap per unit with relative increase in unit size.

Between scenarios, there are slight differences in the distribution of affordability for the various rental apartments, and a larger variation in the number of for-sale units. As a result, the financial gap per unit varies between scenarios.

Vertical Development – Commercial

Commercial development in the Jordan Downs Master Plan includes office, retail, and industrial uses. Construction costs were provided by Davis Langdon and are approximately \$380 per square foot of gross building area, with land adding an additional \$20 per square foot (Figure 15). As noted above, commercial square footage remains constant between scenarios. Total cost for commercial development in the Jordan Downs Master Plan is approximately \$130 million in 2010 dollars.

Figure 15: Total commercial development cost and value per unit

| | Office | Retail | Industrial |
|------------------------------------|-----------------|-----------------|-----------------|
| | Rental | | |
| | \$PSF | | |
| Unit Costs | | | |
| Vertical Development Cost | \$ 384 | \$ 379 | \$ 374 |
| Land Cost* | \$ 19 | \$ 19 | \$ 19 |
| Total Cost/Unit | \$ 403 | \$ 398 | \$ 392 |
| Revenue** | \$ 22 | \$ 21 | \$ 13 |
| Gross Square Footage | 107,500 SF | 170,000 SF | 47,500 SF |
| Total Costs | | | |
| Total Development Cost | \$ (43,349,000) | \$ (67,708,000) | \$ (18,643,000) |
| Total Net Revenues | \$ 22,643,000 | \$ 27,400,000 | \$ 5,525,000 |
| Total Gap | \$ (20,706,000) | \$ (40,308,000) | \$ (13,118,000) |
| Value (Gap) per Square Foot | \$ (192) | \$ (237) | \$ (273) |

* Land estimated as percentage of costs: 5% of development cost

** Annual base rental revenue before expenses.

Commercial development returns a significant financial loss under the existing assumption set, with gaps or subsidy requirements of \$190 to \$275 PSF. These values are the result of a very high cost structure combined with relatively modest rents and occupancy rates ranging from 85-93 percent. Office uses provide the least negative return, a result of higher rents and slightly better capitalization rates. Industrial uses require the highest subsidy due to the limited rental rates. Retail performance falls in the middle. To put commercial performance into context, office rents would need to double (to \$42 PSF per year), retail rents to increase 2.5 times (to \$52 per year) and industrial rents more than triple (to \$45 per year), in order to achieve break even, given the current development costs. Rents in this range are simply not achievable in the neighborhood, and would be difficult to achieve anywhere in Los Angeles. From the cost side, bringing vertical development costs down to approximately \$200 PSF (office), \$150 (retail), and \$50 PSF (industrial), while maintaining currently anticipated rents, brings the project to break even financial performance.

Vertical Development – Summary

Net financial performance by phase is shown in Figure 16 and Figure 17. Total project costs and revenues are shown in Figure 18.

- Vertical costs in the 1,600 Unit Master Plan Scenario total more than \$720 million for combined residential and commercial development, and costs total more than \$780 million in the 1,800-Unit Scenario.
- Revenues in the 1,600-Unit Scenario reach \$196 million, and revenues in the 1,800-Unit Scenario reach nearly \$200 million.

- In total, the 1,600-Unit Scenario has a net gap between total cost and total revenue of \$525 million, driven by a residential gap of \$451 million and a commercial gap of \$74 million.
- In the 1,800-Unit Scenario, the net gap is \$583 million, comprised of a residential gap of \$509 million and a commercial gap of gap of \$74 million.

Phasing

- From a phasing perspective, residential costs are distributed relatively evenly across the four project phases in both the 1,600 and 1,800-Unit Scenarios. Residential revenues, however, are primarily realized in the later phases of the Master Plan in both scenarios: less than 20 percent of revenues are achieved in Phases 1 and 2, while more than 60 percent of revenues are achieved in phase 4 of the Master Plan. This is due to the release of for-sale units during the later stages of the project.
- Commercial development costs and revenues are realized primarily in Phases 1 and 4 of the Master Plan. In Phase 1, nearly 70 percent of total costs are incurred, with about 67 percent of total revenues. In Phase 4, 20 percent of costs are incurred and 30 percent of revenues are achieved.
- From a total cost perspective including both residential and commercial vertical development, Phase 4 of the project is the most capital intensive in both scenarios. Phase 1 is the next most intensive. Total revenues are received in an uneven stream, with about one-quarter of total revenues earned in Phase 1 and more than half earned in Phase 4 under both scenarios.

Figure 16: Net financial performance by phase, 1600 units

| | Phase 1 | Phase 2 | Phase 3 | Phase 4 | Total |
|----------------------|---------|---------|---------|---------|-------|
| Residential Costs | 21% | 21% | 22% | 35% | 100% |
| Residential Revenues | 8% | 8% | 16% | 68% | 100% |
| Commerical Costs | 68% | 3% | 0% | 29% | 100% |
| Commercial Revenues | 69% | 3% | 0% | 28% | 100% |
| Total Costs | 30% | 18% | 18% | 34% | 100% |
| Total Revenues | 25% | 7% | 12% | 57% | 100% |

| | Phase 1 | Phase 2 | Phase 3 | Phase 4 | Total | |
|--------------|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Rental | Tow nhouse | (\$14,390,000) | (\$26,445,000) | (\$31,891,000) | (\$12,834,000) | (\$85,560,000) |
| | Tow nhouse over Flats | (\$18,637,000) | (\$10,437,000) | (\$34,665,000) | (\$10,810,000) | (\$74,549,000) |
| | Flats Under Tow nhouse | (\$8,240,000) | (\$4,899,000) | (\$8,240,000) | (\$5,122,000) | (\$26,501,000) |
| | Tow nhouse beneath Stacked Flats | (\$33,161,000) | (\$14,653,000) | (\$5,784,000) | (\$5,013,000) | (\$58,611,000) |
| | Stacked Flats | (\$41,440,000) | (\$57,424,000) | (\$21,608,000) | (\$30,192,000) | (\$150,664,000) |
| For Sale | Tow nhouse | | | (\$2,353,000) | (\$9,408,000) | (\$11,761,000) |
| | Tow nhouse over Flats | | | (\$1,722,000) | (\$8,154,000) | (\$9,876,000) |
| | Flats Under Tow nhouse | | | (\$851,000) | (\$3,233,000) | (\$4,084,000) |
| | Tow nhouse beneath Stacked Flats | | | (\$396,000) | (\$8,311,000) | (\$8,707,000) |
| | Stacked Flats | | | (\$503,000) | (\$19,924,000) | (\$20,427,000) |
| | (\$115,868,000) | (\$113,858,000) | (\$108,013,000) | (\$113,001,000) | (\$450,740,000) | |
| Distribution | 26% | 25% | 24% | 25% | 100% | |
| Commercial | Office | (\$11,557,000) | | | (\$9,149,000) | (\$20,706,000) |
| | Retail | (\$37,937,000) | (\$2,371,000) | | | (\$40,308,000) |
| | Industrial | | | | (\$13,118,000) | (\$13,118,000) |
| | | (\$49,494,000) | (\$2,371,000) | | (\$22,267,000) | (\$74,132,000) |
| | Distribution | 67% | 3% | | 30% | 100% |

Figure 17: Net financial performance by phase, 1800 units

| | Phase 1 | Phase 2 | Phase 3 | Phase 4 | Total |
|----------------------|---------|---------|---------|---------|-------|
| Residential Costs | 22% | 22% | 22% | 34% | 100% |
| Residential Revenues | 9% | 10% | 18% | 63% | 100% |
| Commerical Costs | 68% | 3% | 0% | 29% | 100% |
| Commercial Revenues | 69% | 3% | 0% | 28% | 100% |
| Total Costs | 30% | 19% | 18% | 33% | 100% |
| Total Revenues | 26% | 8% | 13% | 54% | 100% |

| | Phase 1 | Phase 2 | Phase 3 | Phase 4 | Total | |
|--------------|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Rental | Tow nhouse | (\$16,026,000) | (\$27,362,000) | (\$30,099,000) | (\$17,981,000) | (\$91,468,000) |
| | Tow nhouse over Flats | (\$17,377,000) | (\$10,426,000) | (\$21,625,000) | (\$8,881,000) | (\$58,309,000) |
| | Flats Under Tow nhouse | (\$9,460,000) | (\$4,516,000) | (\$13,116,000) | (\$10,321,000) | (\$37,413,000) |
| | Tow nhouse beneath Stacked Flats | (\$36,718,000) | (\$19,889,000) | (\$6,502,000) | (\$9,944,000) | (\$73,053,000) |
| | Stacked Flats | (\$50,422,000) | (\$66,651,000) | (\$37,382,000) | (\$33,905,000) | (\$188,360,000) |
| For Sale | Tow nhouse | | | (\$1,881,000) | (\$7,878,000) | (\$9,759,000) |
| | Tow nhouse over Flats | | | (\$955,000) | (\$5,017,000) | (\$5,972,000) |
| | Flats Under Tow nhouse | | | (\$737,000) | (\$737,000) | (\$1,474,000) |
| | Tow nhouse beneath Stacked Flats | | | (\$620,000) | (\$5,166,000) | (\$5,786,000) |
| | Stacked Flats | | | (\$4,555,000) | (\$32,705,000) | (\$37,260,000) |
| | (\$130,003,000) | (\$128,844,000) | (\$117,472,000) | (\$132,535,000) | (\$508,854,000) | |
| Distribution | 26% | 25% | 23% | 26% | 100% | |
| Commercial | Office | (\$11,557,000) | | | (\$9,149,000) | (\$20,706,000) |
| | Retail | (\$37,937,000) | (\$2,371,000) | | | (\$40,308,000) |
| | Industrial | | | | (\$13,118,000) | (\$13,118,000) |
| | | (\$49,494,000) | (\$2,371,000) | | (\$22,267,000) | (\$74,132,000) |
| | Distribution | 67% | 3% | | 30% | 100% |

Conclusions

- All residential unit types and commercial uses show a financial gap.

- Because this analysis excludes operating subsidies, the financial performance of rental units is particularly impacted by the number of low- and moderate-income rent-restricted units.
- Market-rate residential units, both rental and for-sale, have a financial gap. This indicates higher prices or lower costs must be achieved to achieve a break even financial status. Otherwise, significant financial subsidy will be required in order to incentivize development.
- The mix of residential unit typology is important. Larger units (townhouses) require higher subsidy. Because most units are modeled at a relatively similar density, construction costs between unit types do not vary. Some residential typologies (stacked flats with townhouses beneath them) require more expensive parking solutions and result in higher gaps per units and on a project wide basis.
- Commercial uses experience very high per-square foot financial gap on a per-square-foot basis. This appears to be due to construction costs that are unsupported based on any reasonable expectation of market rents. Should the development cost structure be reconfigured, the financial performance of commercial uses would improve substantially.

Figure 18: Vertical Development Summary

| | 1600 Unit Scenario | | | 1800 Unit Scenario | | |
|---------------------------------------|--------------------|--------------|----------|--------------------|--------------|----------|
| | Total | Unit Cost | | Total | Unit Cost | |
| Total Project Cost | | | | | | |
| Residential - Vertical | \$ (575,632,000) | \$ (360,000) | per unit | \$ (634,432,000) | \$ (352,000) | per unit |
| Residential - Land | \$ (15,999,000) | \$ (10,000) | per unit | \$ (17,999,000) | \$ (10,000) | per unit |
| Commercial - Vertical | \$ (123,524,000) | \$ (380) | PSF | \$ (123,524,000) | \$ (380) | PSF |
| Commercial - Land | \$ (6,176,000) | \$ (19) | PSF | \$ (6,176,000) | \$ (19) | PSF |
| Total | \$ (721,331,000) | | | \$ (782,131,000) | | |
| Total Project Revenues | | | | | | |
| Residential | \$ 140,891,000 | \$ 88,000 | per unit | \$ 143,578,000 | \$ 80,000 | per unit |
| Commercial | \$ 55,568,000 | \$ 171 | PSF | \$ 55,568,000 | \$ 171 | PSF |
| Total | \$ 196,459,000 | | | \$ 199,146,000 | | |
| Supportable Private Investment | | | | | | |
| Residential | \$ (450,740,000) | \$ (282,000) | per unit | \$ (508,853,000) | \$ (283,000) | per unit |
| Commercial | \$ (74,132,000) | \$ (227) | PSF | \$ (74,132,000) | \$ (227) | PSF |
| Total | \$ (524,872,000) | | | \$ (582,985,000) | | |

Vertical Development Funding Analysis

Based on the development and infrastructure costs identified in the financial analysis, AECOM has identified appropriate sources to cover the vertical development costs associated with all components of the Jordan Downs Redevelopment Master Plan.

This section first reviews rental affordable housing funding sources, then review the for-sale affordable funding sources, market rate support, and, finally, commercial funding support.

Vertical Development - Affordable Housing Funding

The following represents a project level analysis of funding sources for each scenario. The objective of the funding analysis is to determine overall funding shares by major funding types.

For purposes of the Master Plan, AECOM reviews major affordable housing funding sources for Jordan Downs on a whole (for all affordable and public housing replacement units at Jordan Downs); when implemented, vertical developers will split the redevelopment of Jordan Downs into a number of individual development projects² and will analyze each individual project at that time.

As mentioned previously, the Jordan Downs redevelopment requires a significant scale of investment. HACLA has discussed working with policy makers to capture as many potential revenue sources as possible and the Mayor and Council Members have demonstrated their interest in the initiative. Given this strong support, it should be noted that the affordable housing funding analysis, as well as the horizontal funding analysis, is aggressive in its expected capture of funding sources.

Sources of Funding

Key capital sources of funding anticipated to support the affordable housing component at the Jordan Downs redevelopment include:

- 4% and 9% Low Income Housing Tax Credits (LIHTC) – Federal program that provides tax credits to investors in affordable housing developments at two levels. The tax credits result in equity investments to support the development of new affordable housing. 9% Tax Credits are more competitive and were formulated to support between 60 percent and 70 percent of eligible project costs. 4% Tax Credits provide less equity (20% - 30% of eligible costs), but are less competitive and can be leveraged with other funds.

² Affordable housing funding sources often have restrictions regarding the number of units they will fund. Thus, affordable developers typically split up developments into individual projects that may range anywhere in size from 20 to 150 units, with average sizes in the 80 to 120 unit range.

The analysis assumes that all of the public housing replacement units are supported by 9% Tax Credits. 70 percent of the affordable housing units are supported by 9% Tax Credits while 30 percent are supported by 4% Tax Credits.

- Choice Neighborhood Initiative (CNI) Funding - Offered through HUD, the Choice Neighborhood Initiative is being developed to build upon and replace Hope VI funding. CNI looks to provide funding to build a comprehensive, sustainable community that integrates education, public transportation, and improved access to jobs. Congress has chosen to continue Hope VI in 2010 and have funded a pilot program for CNI with \$65 million for planning and project grants. HUD has requested \$250 million to fund the Choice Neighborhood Initiative in future years.

The report assumes that the total Jordan Downs Master Plan can capture approximately \$60 million in CNI funds, either in one application or across two applications. A quarter of this has been allocated to support transportation cost to the Master Developer and the remainder, approximately \$44 million will support the vertical development.

- Tax-Exempt Bonds – Tax exempt bonds available to developers using 4% Low Income Housing Tax Credits. These bonds are typically repaid through the revenue generated by the project.
- California Multifamily Housing Program (MHP) – State of California program that provides forgivable loans to affordable housing developers to support the development of new affordable housing.
- Affordable Housing Program (AHP) – Affordable housing funding program that provides funds for the acquisition or development of rental housing from the Federal Home Loan Bank.
- Move to Work Grants – Provides housing authorities with the flexibility to combine and leverage their Public Housing Operating and Capital funds and Housing Choice Voucher funds and use these funds interchangeably.
- Replacement Housing Funds - Federal grant for the purpose of replacing public housing units taken out of the public housing inventory.
- Local Sources
 - City of Industry Funds – Affordable housing funding originating from the 20 percent housing set aside from the City of Industry.
 - Los Angeles County Innovation Funds – Loan funded created to support the development of affordable housing throughout Los Angeles County.

- Other Local Sources –Other local sources must be utilized to support development of the project. These may include the Los Angeles Housing Department Affordable Housing Trust Fund (LAHD Trust Fund) or other local discretionary funds.
- Private Mortgages – Private residential mortgages, supported by rent/PBV revenues.

Additional assumptions regarding these funding sources are presented in more detail in the Appendix IV.

Operating Subsidies

As described above, a number of capital funding sources, notably tax exempt bonds and private mortgages are supported by revenues (primarily rents) generated by the project. For affordable housing units, these sources are limited to the amounts supportable by residents' rental payments and rent subsidies.

In tandem with the above capital sources, AECOM assumes that all the 30% AMI units and a portion of the units under 60% AMI receive Project Based Vouchers (PBVs) that would provide the affordable housing operator with the specified market rents. For comparative purposes, 350 units are assumed to receive PBVs in both the 1,600 and 1,800-Unit Scenarios.

Project based vouchers are a key assumption, in that they allow the project to receive between \$2 million to \$4 million annually, based on the scenario, in additional revenue (beyond the rent payments made by public housing and affordable housing residents) and is used to help support the tax exempt bonds and the mortgages.

ACC operating subsidies are also included, but are used only to cover the operating expenses for the public housing units.

Unutilized Sources

Additional affordable housing revenue sources are available but were not utilized in this funding plan because (1) they could not be leveraged with other federal sources, such as the LIHTC, and/or (2) they did not generate as much support as funds that were utilized within the plan. These include:

- ACC Capital Subsidies
- Hope VI/Choice Neighborhood Initiative Operating Subsidies

Additionally, there are other sources of funds, such as HUD's Section 202 or 811, the State's Mental Health Services Act, or MHP Homeless Youth Housing, etc, which provide housing funding to specific populations. Those funds have not been included in this model. Other targeted affordable housing fund sources may also be utilized to help fill smaller gaps on the individual vertical developer project level.

Methodology

The Affordable Housing Funding Analysis estimates the amount of funds that may be available to support the total development costs of the affordable housing units.

The model seeks to minimize the amount of local sources necessary for the project by maximizing the amount of federal, state, and private funds that the project can secure.

Use of Funds

Total Development Costs are taken from the Vertical Financial Analysis and are in two parts. Development costs include estimated hard, soft, and financing costs of the affordable housing developments. Land costs are shown separately to demonstrate the additional funds necessary to acquire land for these affordable housing projects.

Source of Funds

The maximization of federal, state, and private funds requires a series of assumptions, which are described in more detail below. To the extent that the actual parameters differ from these assumptions, the actual amount of funding available from the various funding programs can differ significantly. To the extent possible, assumptions are based on either the most up to date information, such as when estimating per unit rents, utility allowances, and voucher payment standards, or on long term averages, such as when estimating tax-credit pricing, and credit rates. Actual funding levels will also be affected by programming considerations, such as unit mix and affordability targets.

The following represents how the model works:

- 1) *Estimates tax-credit equity* - Development Costs, unit mix, and affordability targets are used to calculate the amount of tax-credit equity that the project could potentially receive. These estimates are based on guidelines by the California Tax Credit Allocation Committee.
- 2) *Calculates availability of funds from Choice Neighborhood Initiative, MHP, AHP, and other state and federal funding programs.* The amounts that the project may be able to secure from each of those programs is calculated based on the history of the program or on program guidelines.
- 3) *Forecast supportable debt.* The amount of debt that the project may be able to support is calculated by estimating net operating income. Excess revenue generated through a combination of resident rents and project based vouchers is assumed to support tax-exempt bonds in the case of the 4% LIHTC or a private mortgage in the case of the 9% LIHCT. A 30-year proforma is prepared to ensure that the project will be able to support this level of debt.

- 4) *Calculates the “financing gap”.* Once steps 1-3 have been completed, the difference between sources (i.e. tax credit equity, debt, and federal and state programs) and uses (i.e. land and total development costs) is assumed to be financed through local sources.
- 5) *Distributes Funding Across Four Phases.* Given that the model is limited to evaluating funding on a Master Plan level, the affordable funding is distributed across the four phases on a per unit basis.

The funding model differs from the vertical proforma in at least two aspects:

- 1) The funding model focuses exclusively on the public and affordable housing units
- 2) The funding model assumes that the public housing units receive PBV which allow the project to support additional debt.

The Appendix I and Appendix II presents the funding model used to make these estimates and also includes additional assumptions.

Key Findings

Figure 19 describes the affordable housing funding sources and uses for the 1,600 unit and 1,800 unit scenarios. Figure 20 and Figure 21 show these sources distributed by phase on per unit basis.

In both scenarios, Low Income Housing Tax Credit Equity, tax exempt bonds, mortgages, and other local sources are the greatest anticipated sources of funding. Choice Neighborhood grants and the State of California Multifamily Housing Program, and the City of Industry funds are also important revenue sources in reaching the affordable housing goals. The importance and scale of each source differs based on the scenario:

- In the 1,600 Scenarios(1,200 PH&AH units) the top funding sources are the 4% and 9% Low Income Housing Tax Credit Equity (54%), followed by the Choice Neighborhoods Initiative Funds (10%), tax exempt bonds (9%) and Local Sources (14%);
- In the 1,800 Scenario (1,400 PH&AH units) the top funding sources are the 4% and 9% LIHTC Equity (54%), followed by tax exempt bonds (9%), the Choice Neighborhoods Initiative Funds (9%), and Local Sources (12%).
- Despite the greater share of PBV's in the 1,600-Unit Scenario, the 1,600 unit and 1,800 -unit scenario perform similarly because the 1,800 scenario has more units bringing in additional revenues.

Conclusions

The densification of Jordan Downs, to more than double its current number of dwelling units, requires a significant commitment of regional affordable housing resources. The analysis demonstrates that it is possible to aggregate sufficient sources for the Preferred 1,600 and 1,800 -Unit Scenarios, but the sources required will be a sizeable share of the states and Southern California's affordable housing resources.

HACLA and the City of Los Angeles will have to work diligently to obtain the necessary support from local sources and from federal funding programs.

- ❖ A significant share of available federal funding will be required to develop the Master Plan. Based on historical allocations of Low Income Housing Tax Credits, AECOM estimates that approximately \$160 million (\$16 million x 10 years) in equity is available annually in Los Angeles County. Assuming a 7-year absorption, Jordan Downs' LIHTC equity would approximately 21 percent of Los Angeles County's tax credits in the 1,600-Unit Scenario, 24 percentage in the 1,800-Unit Scenario.
- ❖ Resources from the new Choice Neighborhood Initiative program will play an important role in the Jordan Downs Redevelopment plan. As mentioned previously the Jordan Downs well represents the aims of the Choice Neighborhood program, the report assumes that the master plan will capture a sizeable amount of funding from the program across one or two applications.
- ❖ In each scenario, local sources are a key factor to help support the overall funding program. Local sources are made up funds from City of Industry Funds, City of Los Angeles Innovation Funds, and other local sources such as LAHD and other discretionary funds. On average, the City of Industry provided approximately \$30 million in 2009, LAHD has committed approximately \$37 million annually city wide. Assuming a 7-year absorption for Jordan Downs this equates to a little over 10 percent of these city-wide funds in the 1,600-Unit and 1,800-Unit Scenario.
 - While the amount of local sources needed for the Jordan Downs Master Plan is substantial, this support represents a reasonable share of citywide funds when spread across the absorption period.

Figure 19: Affordable Housing Sources and Uses Summary

| SOURCES AND USES | 1600 UNIT SCENARIO | 1800 UNIT SCENARIO |
|--|----------------------------------|----------------------------------|
| Public Housing and Affordable Rental Units | 1,200 | 1,400 |
| Capital Costs | | |
| Sources | | |
| Conventional AH Funding | | |
| First Mortgage | \$28,715,806 | \$37,095,146 |
| Tax-exempt bonds | \$37,109,385 | \$46,303,284 |
| Investor Equity (4%) | \$28,478,615 | \$39,025,781 |
| Investor Equity (9%) | \$205,300,360 | \$226,964,953 |
| MHP | \$15,257,386 | \$25,678,581 |
| AHP | \$9,000,000 | \$10,500,000 |
| City of Industry Funds | \$14,000,000 | \$14,000,000 |
| Other Funding Sources | | |
| Choice Neighborhood Initiative | \$44,000,000 | \$44,000,000 |
| LA County Innovation Funds | \$5,000,000 | \$5,000,000 |
| Move to Work Block Grant | | |
| Replacement Housing Funds | \$6,000,000 | \$6,000,000 |
| Other Local Sources | \$40,937,448 | \$40,850,255 |
| Total Sources | \$433,799,000 | \$495,418,000 |
| Uses | | |
| Development Costs | \$422,093,000 | \$482,014,000 |
| Land Costs | \$11,706,000 | \$13,404,000 |
| Total Development Costs | \$433,799,000 | \$495,418,000 |
| Subsidy Requirements | | |
| | Annual Rental Subsidy | Annual Rental Subsidy |
| Project Based Vouchers | \$2,910,221 | \$3,878,160 |
| ACC subsidized units | \$131,867 | \$131,867 |

Figure 20: 1,600-Unit Scenario Affordable Rental Housing Sources and Uses by Phase

| SOURCES AND USES | | | | | |
|--|----------------------|----------------------|----------------------|---------------------|----------------------|
| Capital Costs | | | | | |
| Sources | Phase 1 | Phase 2 | Phase 3 | Phase 4 | Total |
| Conventional Affordable Housing Funding | | | | | |
| First Mortgage | \$8,375,444 | \$8,375,444 | \$7,178,952 | \$4,785,968 | \$28,715,806 |
| Tax-exempt bonds | \$10,823,571 | \$10,823,571 | \$9,277,346 | \$6,184,898 | \$37,109,385 |
| Investor Equity (4%) | \$8,306,263 | \$8,306,263 | \$7,119,654 | \$4,746,436 | \$28,478,615 |
| Investor Equity (9%) | \$59,879,272 | \$59,879,272 | \$51,325,090 | \$34,216,727 | \$205,300,360 |
| MHP | \$4,450,071 | \$4,450,071 | \$3,814,347 | \$2,542,898 | \$15,257,386 |
| AHP | \$2,625,000 | \$2,625,000 | \$2,250,000 | \$1,500,000 | \$9,000,000 |
| Other Funding Sources | | | | | |
| Choice Neighborhood Initiative | \$12,833,333 | \$12,833,333 | \$11,000,000 | \$7,333,333 | \$44,000,000 |
| City of Industry Funds | \$4,163,602 | \$3,836,727 | \$4,044,844 | \$1,954,826 | \$14,000,000 |
| LA County Innovation Funds | \$1,458,333 | \$1,458,333 | \$1,250,000 | \$833,333 | \$5,000,000 |
| Move to Work Block Grant | | | | | |
| Replacement Housing Funds | \$1,750,000 | \$1,750,000 | \$1,500,000 | \$1,000,000 | \$6,000,000 |
| Other Local Sources | \$12,245,112 | \$11,002,987 | \$12,304,768 | \$5,384,582 | \$40,937,448 |
| Total Sources | \$126,910,000 | \$125,341,000 | \$111,065,000 | \$70,483,000 | \$433,799,000 |
| Uses | | | | | |
| Development Costs | \$123,488,000 | \$121,967,000 | \$108,059,000 | \$68,579,000 | \$422,093,000 |
| Land Costs | \$3,422,000 | \$3,374,000 | \$3,006,000 | \$1,904,000 | \$11,706,000 |
| Total Development Costs | \$126,910,000 | \$125,341,000 | \$111,065,000 | \$70,483,000 | \$433,799,000 |
| 4% Structure | | | | | |
| | Phase 1 | Phase 2 | Phase 3 | Phase 4 | Total |
| Conventional Affordable Housing Funding | | | | | |
| First Mortgage | | | | | |
| Tax-exempt bonds | \$10,823,571 | \$10,823,571 | \$9,277,346 | \$6,184,898 | \$37,109,385 |
| Investor Equity (4%) | \$8,306,263 | \$8,306,263 | \$7,119,654 | \$4,746,436 | \$28,478,615 |
| Investor Equity (9%) | | | | | |
| MHP | \$4,450,071 | \$4,450,071 | \$3,814,347 | \$2,542,898 | \$15,257,386 |
| AHP | \$546,875 | \$546,875 | \$468,750 | \$312,500 | \$1,875,000 |
| Other Funding Sources | | | | | |
| Choice Neighborhood Initiative | | | | | |
| City of Industry Funds | \$2,312,804 | \$1,985,929 | \$2,458,446 | \$897,227 | \$7,654,406 |
| LA County Innovation Funds | | | | | |
| Move to Work Block Grant | | | | | |
| Replacement Housing Funds | | | | | |
| Other Local Sources* | | | | | |
| Total Sources | \$26,439,583 | \$26,112,708 | \$23,138,542 | \$14,683,958 | \$90,374,792 |
| Uses | | | | | |
| Development Costs | \$25,726,667 | \$25,409,792 | \$22,512,292 | \$14,287,292 | \$87,936,042 |
| Land Costs | \$712,917 | \$702,917 | \$626,250 | \$396,667 | \$2,438,750 |
| Total Development Costs | \$26,439,583 | \$26,112,708 | \$23,138,542 | \$14,683,958 | \$90,374,792 |
| 9% Structure | | | | | |
| | Phase 1 | Phase 2 | Phase 3 | Phase 4 | Total |
| Conventional Affordable Housing Funding | | | | | |
| First Mortgage | \$8,375,444 | \$8,375,444 | \$7,178,952 | \$4,785,968 | \$28,715,806 |
| Tax-exempt bonds | | | | | |
| Investor Equity (4%) | | | | | |
| Investor Equity (9%) | \$59,879,272 | \$59,879,272 | \$51,325,090 | \$34,216,727 | \$205,300,360 |
| MHP | | | | | |
| AHP | \$2,078,125 | \$2,078,125 | \$1,781,250 | \$1,187,500 | \$7,125,000 |
| Other Funding Sources | | | | | |
| Choice Neighborhood Initiative | \$12,833,333 | \$12,833,333 | \$11,000,000 | \$7,333,333 | \$44,000,000 |
| City of Industry Funds | \$1,850,798 | \$1,850,798 | \$1,586,399 | \$1,057,599 | \$6,345,594 |
| LA County Innovation Funds | \$1,458,333 | \$1,458,333 | \$1,250,000 | \$833,333 | \$5,000,000 |
| Move to Work Block Grant | | | | | |
| Replacement Housing Funds | \$1,750,000 | \$1,750,000 | \$1,500,000 | \$1,000,000 | \$6,000,000 |
| Other Local Sources* | \$12,245,112 | \$11,002,987 | \$12,304,768 | \$5,384,582 | \$40,937,448 |
| Total Sources | \$100,470,417 | \$99,228,292 | \$87,926,458 | \$55,799,042 | \$343,424,208 |
| Uses | | | | | |
| Development Costs | \$97,761,333 | \$96,557,208 | \$85,546,708 | \$54,291,708 | \$334,156,958 |
| Land Costs | \$2,709,083 | \$2,671,083 | \$2,379,750 | \$1,507,333 | \$9,267,250 |
| Total Development Costs | \$100,470,417 | \$99,228,292 | \$87,926,458 | \$55,799,042 | \$343,424,208 |

Figure 21: 1,800-Unit Scenario Affordable Rental Housing Sources and Uses by Phase

| SOURCES AND USES | | | | | |
|--|----------------------|----------------------|----------------------|---------------------|----------------------|
| Capital Costs | | | | | |
| Sources | Phase 1 | Phase 2 | Phase 3 | Phase 4 | Total |
| Conventional Affordable Housing Funding | | | | | |
| First Mortgage | \$10,598,613 | \$10,598,613 | \$9,008,821 | \$6,889,099 | \$37,095,146 |
| Tax-exempt bonds | \$13,229,510 | \$13,229,510 | \$11,245,083 | \$8,599,181 | \$46,303,284 |
| Investor Equity (4%) | \$11,150,223 | \$11,150,223 | \$9,477,690 | \$7,247,645 | \$39,025,781 |
| Investor Equity (9%) | \$64,847,129 | \$64,847,129 | \$55,120,060 | \$42,150,634 | \$226,964,953 |
| MHP | \$7,336,737 | \$7,336,737 | \$6,236,227 | \$4,768,879 | \$25,678,581 |
| AHP | \$3,000,000 | \$3,000,000 | \$2,550,000 | \$1,950,000 | \$10,500,000 |
| Other Funding Sources | | | | | |
| Choice Neighborhood Initiative | \$12,571,429 | \$12,571,429 | \$10,685,714 | \$8,171,429 | \$44,000,000 |
| City of Industry Funds | \$4,422,750 | \$4,275,500 | \$3,200,550 | \$2,101,200 | \$14,000,000 |
| LA County Innovation Funds | \$1,428,571 | \$1,428,571 | \$1,214,286 | \$928,571 | \$5,000,000 |
| Move to Work Block Grant | | | | | |
| Replacement Housing Funds | \$1,714,286 | \$1,714,286 | \$1,457,143 | \$1,114,286 | \$6,000,000 |
| Other Local Sources | \$12,939,751 | \$12,498,001 | \$9,322,426 | \$6,090,076 | \$40,850,255 |
| Total Sources | \$143,239,000 | \$142,650,000 | \$119,518,000 | \$90,011,000 | \$495,418,000 |
| Uses | | | | | |
| Development Costs | \$139,363,000 | \$138,794,000 | \$116,280,000 | \$87,577,000 | \$482,014,000 |
| Land Costs | \$3,876,000 | \$3,856,000 | \$3,238,000 | \$2,434,000 | \$13,404,000 |
| Total Development Costs | \$143,239,000 | \$142,650,000 | \$119,518,000 | \$90,011,000 | \$495,418,000 |
| 4% Structure | | | | | |
| Sources | Phase 1 | Phase 2 | Phase 3 | Phase 4 | Total |
| Conventional Affordable Housing Funding | | | | | |
| First Mortgage | | | | | |
| Tax-exempt bonds | \$13,229,510 | \$13,229,510 | \$11,245,083 | \$8,599,181 | \$46,303,284 |
| Investor Equity (4%) | \$11,150,223 | \$11,150,223 | \$9,477,690 | \$7,247,645 | \$39,025,781 |
| Investor Equity (9%) | | | | | |
| MHP | \$7,336,737 | \$7,336,737 | \$6,236,227 | \$4,768,879 | \$25,678,581 |
| AHP | \$750,000 | \$750,000 | \$637,500 | \$487,500 | \$2,625,000 |
| Other Funding Sources | | | | | |
| Choice Neighborhood Initiative | | | | | |
| City of Industry Funds | \$3,343,280 | \$3,196,030 | \$2,283,000 | \$1,399,544 | \$10,221,854 |
| LA County Innovation Funds | | | | | |
| Move to Work Block Grant | | | | | |
| Replacement Housing Funds | | | | | |
| Other Local Sources* | | | | | |
| Total Sources | \$35,809,750 | \$35,662,500 | \$29,879,500 | \$22,502,750 | \$123,854,500 |
| Uses | | | | | |
| Development Costs | \$34,840,750 | \$34,698,500 | \$29,070,000 | \$21,894,250 | \$120,503,500 |
| Land Costs | \$969,000 | \$964,000 | \$809,500 | \$608,500 | \$3,351,000 |
| Total Development Costs | \$35,809,750 | \$35,662,500 | \$29,879,500 | \$22,502,750 | \$123,854,500 |
| 9% Structure | | | | | |
| Sources | Phase 1 | Phase 2 | Phase 3 | Phase 4 | Total |
| Conventional Affordable Housing Funding | | | | | |
| First Mortgage | \$10,598,613 | \$10,598,613 | \$9,008,821 | \$6,889,099 | \$37,095,146 |
| Tax-exempt bonds | | | | | |
| Investor Equity (4%) | | | | | |
| Investor Equity (9%) | \$64,847,129 | \$64,847,129 | \$55,120,060 | \$42,150,634 | \$226,964,953 |
| MHP | | | | | |
| AHP | \$2,250,000 | \$2,250,000 | \$1,912,500 | \$1,462,500 | \$7,875,000 |
| Other Funding Sources | | | | | |
| Choice Neighborhood Initiative | \$12,571,429 | \$12,571,429 | \$10,685,714 | \$8,171,429 | \$44,000,000 |
| City of Industry Funds | \$1,079,470 | \$1,079,470 | \$917,550 | \$701,656 | \$3,778,146 |
| LA County Innovation Funds | \$1,428,571 | \$1,428,571 | \$1,214,286 | \$928,571 | \$5,000,000 |
| Move to Work Block Grant | | | | | |
| Replacement Housing Funds | \$1,714,286 | \$1,714,286 | \$1,457,143 | \$1,114,286 | \$6,000,000 |
| Other Local Sources* | \$12,939,751 | \$12,498,001 | \$9,322,426 | \$6,090,076 | \$40,850,255 |
| Total Sources | \$107,429,250 | \$106,987,500 | \$89,638,500 | \$67,508,250 | \$371,563,500 |
| Uses | | | | | |
| Development Costs | \$104,522,250 | \$104,095,500 | \$87,210,000 | \$65,682,750 | \$361,510,500 |
| Land Costs | \$2,907,000 | \$2,892,000 | \$2,428,500 | \$1,825,500 | \$10,053,000 |
| Total Development Costs | \$107,429,250 | \$106,987,500 | \$89,638,500 | \$67,508,250 | \$371,563,500 |

Vertical Development Funding Sources – For-Sale Affordable Housing Units

A share of the Jordan Downs Master Plan for-sale housing are dedicated as affordable housing units. Traditional loans will help to support approximately half of development costs for these units. The remaining financial gap will require funding sources to help support their development. We have identified several key funding sources to subsidize these units in Figure 22 and Figure 23. Similar to the for-sale rental analysis, the sources were generated for the total master plan and are distributed by phase on a per unit basis for each phase.

- CalHomeFunds – This a state program that provides down payment assistance to low and moderate-income home purchasers or direct forgivable loans to assist development projects with multiple ownership units. The analysis includes the maximum CalHome funds support, \$60,000 per unit.
- Mortgage Certificate Credit Assistance – Is a 15 or 20 percent federal tax credit that low and moderate-income homeowners can take against their annual income tax liability. Jordan Downs is located in a targeted area and home purchasers can capture the tax credit 20 percent of this value. The capitalized value of the average monthly tax savings equates to support of approximately \$40,000 per unit.
- BEGIN Funds –BEGIN funds are provided by the State and through local jurisdictions and can help to support the down payments of low to moderate income purchasers. BEGIN funds support the lesser of 20 percent of home values or \$30,000 per unit. The report includes BEGIN funds at the \$30,000 per unit maximum.
- Other Local Sources – other local sources will have to be identified to help fill the remaining financial gap.

Through private loans and these additional sources, vertical developers can provide the assistance needed to build the for-sale affordable housing units.

Figure 22: 1,600 Unit For-Sale Affordable Housing Sources and Uses

| SOURCES AND USES | | | | | |
|--|----------------|----------------|--------------------|--------------------|--------------------|
| Capital Costs | | | | | |
| Sources | Phase 1 | Phase 2 | Phase 3 | Phase 4 | Total |
| Private Mortgages | | | \$1,000,000 | \$3,000,000 | \$4,000,000 |
| Mortgage Certificate Credit Assistance | | | \$225,000 | \$675,000 | \$900,000 |
| CalHome Funds | | | \$300,000 | \$900,000 | \$1,200,000 |
| BEGIN Loans | | | \$150,000 | \$450,000 | \$600,000 |
| Other Local Sources | | | \$194,000 | \$582,000 | \$776,000 |
| Total Sources | | | \$1,869,000 | \$5,607,000 | \$7,476,000 |
| Uses | | | | | |
| Development Costs | | | \$1,820,000 | \$5,460,000 | \$7,280,000 |
| Land Costs | | | \$49,000 | \$147,000 | \$196,000 |
| Total Development Costs | | | \$1,869,000 | \$5,607,000 | \$7,476,000 |

Figure 23: 1,800 Unit For-Sale Affordable Housing Sources and Uses

| SOURCES AND USES | | | | | |
|--|----------------|----------------|--------------------|--------------------|--------------------|
| Capital Costs | | | | | |
| Sources | Phase 1 | Phase 2 | Phase 3 | Phase 4 | Total |
| Private Mortgages | | | \$1,000,000 | \$3,000,000 | \$4,000,000 |
| Mortgage Certificate Credit Assistance | | | \$225,000 | \$675,000 | \$900,000 |
| CalHome Funds | | | \$300,000 | \$900,000 | \$1,200,000 |
| BEGIN Loans | | | \$150,000 | \$450,000 | \$600,000 |
| Other Local Sources | | | \$185,000 | \$555,000 | \$740,000 |
| Total Sources | | | \$1,860,000 | \$5,580,000 | \$7,440,000 |
| Uses | | | | | |
| Development Costs | | | \$1,811,000 | \$5,433,000 | \$7,244,000 |
| Land Costs | | | \$49,000 | \$147,000 | \$196,000 |
| Total Development Costs | | | \$1,860,000 | \$5,580,000 | \$7,440,000 |

Vertical Development Funding Sources – Market Rate

As presented in the financial analysis, the unrestricted market rate units also have a financial gap. Construction costs for these units exceed the expected near-term prices achievable in the Jordan Downs area.

For For-Sale market rate units, there are few sources available to developers, but there are possible local and state subsidies available to help support the purchase price of a home for the home buyer.

These sources include:

- First Time Home Buyer Credits (LA)
- LAUSD Teacher Home Buying Program
- City of Los Angeles Home Ownership American Dream Down Payment Initiative
- FHA Mortgage Insurance

Some of these funds can help households cover from \$15,000 to almost \$50,000 more on their home purchase. If buyers are able to capture these home buying credits and assistance, the funds will not directly cover the gap in the market rate units, but they makes it more feasible to increase the home prices to a price that will cover the development costs.

Construction costs are a key variable in the viability of funding the Jordan Downs Redevelopment. Creative solutions to increase cost efficiency while maintaining the overall viability of the project will be key to its success. In addition, alternative phasing that pushes out the development of market rate units further in the future will help to strengthen the viability of these units by allowing for-sale properties to better leverage the anticipated neighborhood improvements in their purchase price.

Figure 24: 1,600-Unit Scenario Market Rate For-Sale Housing Sources and Uses

| SOURCES AND USES | | | | | |
|--------------------------------|----------------|----------------|---------------------|----------------------|----------------------|
| Capital Costs | | | | | |
| Sources | Phase 1 | Phase 2 | Phase 3 | Phase 4 | Total |
| Home Sale Revenue | | | \$13,000,000 | \$83,000,000 | \$102,000,000 |
| Additional Source Requirements | | | \$6,000,000 | \$48,000,000 | \$48,000,000 |
| Total Sources | | | \$19,000,000 | \$131,000,000 | \$150,000,000 |
| Uses | | | | | |
| Development Costs | | | \$18,000,000 | \$128,000,000 | \$146,000,000 |
| Land Costs | | | \$1,000,000 | \$3,000,000 | \$4,000,000 |
| Total Development Costs | | | \$19,000,000 | \$131,000,000 | \$150,000,000 |

Figure 25: 1,800-Unit Scenario Market Rate For-Sale Housing Sources and Uses

| SOURCES AND USES | | | | | |
|--------------------------------|----------------|----------------|---------------------|----------------------|----------------------|
| Capital Costs | | | | | |
| Sources | Phase 1 | Phase 2 | Phase 3 | Phase 4 | Total |
| Home Sale Revenue | | | \$14,000,000 | \$76,000,000 | \$95,000,000 |
| Additional Source Requirements | | | \$9,000,000 | \$50,000,000 | \$54,000,000 |
| Total Sources | | | \$23,000,000 | \$126,000,000 | \$149,000,000 |
| Uses | | | | | |
| Development Costs | | | \$22,000,000 | \$123,000,000 | \$145,000,000 |
| Land Costs | | | \$1,000,000 | \$3,000,000 | \$4,000,000 |
| Total Development Costs | | | \$23,000,000 | \$126,000,000 | \$149,000,000 |

Vertical Development Funding Sources – Commercial

Traditional lending will support approximately 43 percent of the commercial development costs. The financial analysis finds a gap between the total development costs of the commercial space and the capitalized value of revenues generated by the office and retail uses. In addition, given the historical challenges of Watts area, it may be more challenging to attract retailers and businesses to the Jordan Downs site.

Funding sources and employment incentive programs, such as New Markets Tax Credits and Enterprise Zones, can be used to provide incentives for retailers and businesses to locate in Jordan Downs. The commercial development sources and uses are shown in Figure 26. Similar to the other funding analysis, commercial sources were evaluated for the total master plan and were distributed by phase based on the amount of space developed in each phase. The commercial development program and absorption does not differ between the 1,600 Unit and 1,800-Unit Scenarios.

New Markets Tax Credits (NMTC) can be used as equity investments into commercial developments, similar to Low Income Housing Tax Credits. They are provided by Community Development Entities (CDE's). These CDE's have the flexibility to formulate the distribution of the tax credits within the parameters set by the federal government. In many cases, NMTC's are used as low-interest loans, reducing the permanent financing costs of a development by 2 to 3 percent. However, the Community Redevelopment Agency of the City of Los Angeles (CRA/LA) recently received a NMTC tax credit allocation under the Los Angeles Development Fund CDE. The NMTC equity investment described in this analysis is based on the CRA/LA information for their provision of New Markets Tax Credits.

Jordan Downs is located in an Enterprise Zone. Enterprise Zones provide a number of financial subsidies to commercial operations within their boundaries. We have included the amount of support generated by a below-market rate loan, approximately \$2.6 million. Businesses within Jordan Downs may be able to capture tax credits for employees and equipment purchases. This may provide additional support to the development, but is not included in this analysis.

The commercial development requires additional funding to help support its development. Vertical developers should look to create greater efficiencies in construction. Construction cost reductions will help to reduce the sources necessary to make development feasible.

Figure 26: Commercial Development Sources and Uses

| SOURCES AND USES | | | | | |
|---------------------------------|---------------------|--------------------|----------------|---------------------|----------------------|
| Capital Costs | | | | | |
| | Phase 1 | Phase 2 | Phase 3 | Phase 4 | Total |
| Sources | | | | | |
| Private Mortgages | \$38,426,000 | \$1,612,000 | | \$15,530,000 | \$55,568,000 |
| New Markets Tax Credits | \$21,323,077 | \$969,231 | | \$9,207,692 | \$31,500,000 |
| Enterprise Zone Loan Assistance | \$1,755,938 | \$79,815 | | \$758,246 | \$2,594,000 |
| Other Local Sources | \$26,414,984 | \$1,321,954 | | \$12,301,062 | \$40,038,000 |
| Total Sources | \$87,920,000 | \$3,983,000 | | \$37,797,000 | \$129,700,000 |
| Uses | | | | | |
| Development Costs | \$83,739,323 | \$3,792,969 | | \$35,991,708 | \$123,524,000 |
| Land Costs | \$4,180,677 | \$190,031 | | \$1,805,292 | \$6,176,000 |
| Total Development Costs | \$87,920,000 | \$3,983,000 | | \$37,797,000 | \$129,700,000 |