PACDC
PHILADELPHIA ASSOCIATION
OF COMMUNITY DEVELOPMENT CORPORATIONS

Critique of the Philadelphia Building Industry Association Analysis on Mixed Income Housing Policy Proposal
October 26, 2017

The Philadelphia Building Industry Association (BIA) recently released a report critical of a proposal to create a Mixed Income Housing Program in Philadelphia. To make their case, BIA suggested several findings of which policy makers should be skeptical. The Philadelphia Association of Community Development Corporations (PACDC) appreciates the level of engagement of the Philadelphia BIA in debates over the Mixed Income Housing (MIH) legislation, and their willingness to share data that informs those discussions. However, we strongly disagree with the argument made in BIA's report that Philadelphia does not have a housing affordability problem. We also believe the assumptions in BIA's hypothetical development models deserve scrutiny, as do the case studies profiled in the report. Minor modifications to BIA's data and assumptions could result in dramatically different findings.

BIA Used Outdated and Inappropriate Data to Assess Housing Affordability Needs.
The BIA report uses median house prices and Median Family Income (MFI) to develop a series of affordability ratios they then compare to other cities. But they use outdated data: their affordability ratio relies on a median house price of $137,000 when the median house price in Philadelphia was $158,000 as of July 2017 according to the report author's prior research.[1] The report also relies on an MFI of $57,300, but MFI in Philadelphia County is $50,280.[2] It's also unclear why BIA used MFI and not Median Household Income of $41,449.[3] MFI is typically higher because families tend to have members in their prime earning years, unlike Median Household Income which includes the elderly and young that tend to be lower income.

Philadelphia Needs More Affordable Homes.
BIA's affordability ratios are wholly unsuitable to debates over affordable housing needs, and intentionally obscure the real challenges faced by lower-income Philadelphians. Let's zoom in to see what's really happening for the Philadelphians that the Mixed Income Housing bill is designed to help.

[1] Gillen, Kevin. 2017 2nd Quarter housing report *"Philadelphia Housing Continues to Surge Forward in Q2; Prices and sales set records, while inventories drop to an all-time low."* Lindy Institute for Urban Innovation of Drexel University.
[2] 2016 American Community Survey, U.S. Census; MFI in Philadelphia County was $48,864 in the prior ACS 5-Year estimate for 2010 – 2015, so we're unclear from where the $57,300 figure came.
[3] ibid

Tens of thousands of low-income Philadelphia households are paying way too much in rent than they can afford, leaving little for food, transportation, health care, educational expenses, and other necessities.

There are about 70,000 Philadelphia households that are *extremely* low income and pay $528 more in rent each month than they can afford.[4] As measured another way, more than 59,000 households earning below 30% AMI are severely cost burdened as they pay more than half of their incomes on rent.[5] According to the most recent census data, 78% of households earning below $50,000 per year are cost burdened, meaning they spend more than 30% of their incomes on rent.[6] When there is little left of your limited income after housing costs, our lower-income neighbors are forced to skimp on basic needs, get behind on paying bills, and are at higher risk of eviction or homelessness.

Existing programs that address affordable housing are over capacity, by a long shot.

Low-income Philadelphians are desperate for more affordable housing solutions. The Philadelphia Housing Authority (PHA) has a waiting list that is a decade long, and has been closed for years. Home repair programs for low-income owners developed a 5-year backlog. Affordable housing developers get 12 applications for every new unit they create. Homeless service providers turn away individuals and families every day for lack of resources.

Opponents of the Mixed Income Housing policy have argued that these issues should be addressed through education and jobs, and not housing. They are only half correct. Philadelphia must address the gross inequality that has led to poverty, unemployment, and low wages. While we're working on that, our struggling neighbors need decent places to live. Affordable housing *is* an anti-poverty strategy: When low-income families have a stable, affordable home, they can focus on job training, managing chronic health conditions, helping their kids do better in school, or other strategies to strengthen their economic and educational opportunities.

Under the Mixed Income Housing program, income restricted households would benefit from either affordable units provided on-site, or through payments-in-lieu to the Philadelphia Housing Trust Fund. Over its first ten years, more than 75% of the grants made by the HTF served populations below 30% Area Median Income. The MIH bill as introduced targets affordable units to households at 30% or 50% for renters, and 50% or 80% AMI for owners.

Rents and home prices are rising.

Philadelphia's housing market is strengthening, and our housing policies need to strengthen with it. The author of the BIA report, Dr. Kevin Gillen, said it best in his 2017 2nd Quarter housing report, titled "Philadelphia Housing Continues to Surge Forward in Q2; Prices and sales set records, while inventories drop to an all-time low." Here are lightly edited (for length) key findings from Dr. Gillen's July report: *"(H)ouse prices in Philadelphia are currently increasing at*

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[4] Divrigni, Eileen. Affordability and Availability of Rental Housing in the Third Federal Reserve District: 2015. Community Development Studies and Education Department of the Federal Reserve Bank of Philadelphia.
[5] Assessment of Fair Housing, City of Philadelphia and Philadelphia Housing Authority, December 23, 2016
[6] 2016 American Community Survey

twice the speed of their average historic rate…Philadelphia is currently outperforming most other large U.S. cities in house price growth…..This was the highest volume of quarterly home sales in Philadelphia since 2007 Q3, when the housing bubble had just begun to burst….Million-dollar sales also set a new all-time record…the number of homes listed for sale (has) fallen to a new all time low."

Rents also continue to grow. According to Trulia, even while the number of advertised available rental units soared from 2,091 to 4,676 (124% increase) median rents increased from $1,200 in September 2016 to $1,350 in August 2017 (a 13% increase) during that same period.[7] Advertised rents in October 2017 for new construction downtown apartments can be as high as $1,800 for a studio.

Philadelphia also lost 23,000 affordable homes between 2000 – 2014, because their rents naturally increased due to stronger housing market conditions, or affordability restrictions expired.[8] Thousands more will be lost in the coming years as those trends continue.

A stronger housing and rental market is great news in many quarters of Philadelphia, but not for those whose wages aren't rising and job prospects aren't getting better. The Mixed Income Housing bill will create a more equitable city by allowing lower-income Philadelphians struggling to afford a decent home an opportunity to benefit from the city's growth.

BIA is Unfairly Dismissive of Academic Literature and the Value of Unit Production of Mixed Income Housing Programs

Ironically, in its own industry-funded analysis, BIA is dismissive of much of the academic literature on Mixed Income Housing because it is *"funded by industry or activist groups with a vested stake in IZ and are not published in peer-reviewed journals."* Their paper then cites[9] a summary of the most cited literature on the policies, the conclusions of which are that Mixed Income Housing programs have generally not been found to have significant effects on increasing housing prices or rents, or decreasing housing starts. Boston, a city with a booming housing market, is the one jurisdiction cited where research indicates a modest decrease in housing starts and small increase in home prices.

Without citing meaningful evidence, BIA then argues *"even if IZ has only modest adverse impacts on a jurisdiction's overall housing market, the benefits have been tiny,"* (p. 11). However, data shows that If an MIH program had been in place in Philadelphia from January 2014 through August 2017, 633[10] affordable apartments could have been created, or commensurate in-lieu fees would have been paid to the Philadelphia Housing Trust Fund. Nationwide, MIH programs have been credited with creating as many as 150,000 affordable

[7] https://www.trulia.com/real_estate/Philadelphia-Pennsylvania/market-trends/

[8] Chizeck, Seth. Gentrification and Changes in the Stock of Low-Cost Rental Housing in Philadelphia, 2000 to 2014. Federal Reserve Bank of Philadelphia, Community Development Studies and Education Department.

[9] The chart in BIA's report is erroneously cited to Business and Professional People for the Public Interest; it should be cited to Lisa Sturtevant, "Separating Fact from Fiction to Design Effective Inclusionary Housing Programs," Center for Housing Policy brief, National Housing Conference, Washington, D.C., 2016.

[10] According to data from Philadelphia Department of Licenses & Inspections on permits issued for developments of 10 units or greater, analyzed by Philadelphia City Council technical staff.

housing units,[11] which is underreported due to lack of adequate tracking by local jurisdictions and a failure to account for how in-lieu-fee payments have been used (lessons Philadelphia should learn from). It may not seem like much to the BIA, but the hundreds of thousands of families with safe, affordable, quality homes due to MIH provided units or in-lieu-fee funded housing programs may beg to differ.

There are other benefits associated with the location of affordable homes, admittedly less studied, that BIA does not acknowledge. Research shows that elementary school children who resided in public housing located in low-poverty school catchment areas out-performed kids in high poverty schools in math and reading.[12] Another study that evaluated the social integration goals of MIH policies in 11 jurisdictions found positive results: *"Our findings indicate that, overall, the IZ policies studied provide access to low-poverty schools and neighborhoods—something other affordable housing policies have struggled to achieve….On the whole, the IZ policies offer the potential, if not the promise, of social inclusion for recipients*."[13]

Building boom? What building boom?

BIA attempts to argue that market rate development is not robust enough in Philadelphia to support an MIH program. They point to data showing that compared to other jurisdictions, there is less housing being built in Philadelphia per 1,000 residents. This is not an adequate measure of whether the Philadelphia market has become strong enough to sustain an MIH program. BIA's own reports on the benefits of the 10-Year Property Tax Abatement show that the Philadelphia market has gained significant strength:[14] *"Since the implementation of the abatement program, overall homebuilding activity in Philadelphia has increased by 376%, while falling an average of 11.25% in its suburbs."* And: *"Following implementation of the current abatement program, the number of approved housing units jumped from 500 per year to nearly 3,000 per year from 1999 to 2004. It fell to about 1,000 units during the depths of the recession in 2009, but subsequently rose to a new, all-time high of 4,000 units by 2014."*

According to the Center City District and Central Philadelphia Development Corporation's February 2017 report, "2017: Building on Optimism,": *"A record 2,506 new residential units were completed in Greater Center City in 2016, eclipsing the previous high of 2,168 units delivered to market in 2013… At the same time, there was a 49% increase over 2015 in the construction of single-family dwellings, with 528 new homes completed in 2016 in Greater Center City….apartments are scheduled for delivery in 2017, representing a 71% increase in new supply over 2016 levels and nearly three times as many apartments to fill than the annual average since 2010."* This report only covers development occurring in greater Center City, and does not capture the significant amount of new development occurring outside that core.

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[11] Mallach, A. (2014, May). NYC Proposes Mandatory Inclusionary Housing, The 'Times' Doesn't Get It. *Rooflines: The Shelterforce Blog.*

[12] Schwartz, H. (2012a). Housing policy is school policy: Economically integrative housing promotes academic success in Montgomery County, Maryland. In Richard D. Kahlenberg (Ed), *The Future of School Integration.* New York: Century Foundation.

[13] Schwartz, H., Ecola, L., Leuschner, K., & Kofner, A. (2012b). *Is Inclusionary Zoning Inclusionary? A Guide for Practitioners.* The RAND Corporation. P. 20.

[14] Philadelphia's 10-Year Property Tax Abatement, March 2017, Philadelphia Building Industry Association

According to data from L&I, there was roughly a similar number of units built in the downtown core as outside of it from 2014 – 2017.[15]

Some argue that Philadelphia's rental development market is cooling down to absorb the massive amount of new inventory added in recent years. This is a logical result of the rental boom, but if the city's population continues to grow, and job growth continues to improve, strong rental development activity could continue or return. The lack of inventory in the for-sale market indicates this segment of the housing development market is likely to continue being robust. Regardless, the MIH program is a long-term policy that would be in place when the market is booming or cooling over time.

BIA's Hypothetical Model for a Townhome Development May Inflate Construction Costs and Deflate Sale Prices

The BIA report proffers a pro forma cash flow for a hypothetical for-sale development project of 10 units. Their model assumes that the total development cost per unit is $325,000 and the sale price is $410,000. The report argues that under these conditions, a project can achieve a Return on Investment (ROI) of 9.27%, although the paper does acknowledge that ROI of 7% is viable. For the purposes of our analysis, we will assume anything that surpasses the threshold of 7.1% ROI is considered viable.

Hypothetical Development, 9 Market Rate Units, 1 Unit Affordable to Family of 4 at 80% AMI. *Total Development Costs Adjusted to $310,000 per unit.*

Market Rate Units (9)	
Gross Sales Revenue	$3,690,000.00
Sales Commission	$221,400.00
Transfer Tax	$75,645.00
Closing Costs	$36,900.00
Net Sales Revenue	$3,356,055.00
PV of Net Sales Revenue	$3,196,242.90
Affordable Units (1)	
Gross Sales Revenue	$268,000.00
Sales Commission	$16,080.00
Transfer Tax	$5,494.00
Closing Costs	$2,680.00
Net Sales Revenue	$243,746.00
PV of Net Sales Revenue	$232,139.05
Total	
PV Of Total Net Sales Rev	$3,428,381.95
Total Development Cost	$3,100,000.00
Net Profit	$328,381.95
Cash-on-Cash Return	$1.11
ROI	**10.59%**

Adjusting BIA's model even slightly to assume lower development costs *or* higher purchase price shows that developers can still achieve meaningful ROI and comply with a Mixed Income Housing requirement.

While a development cost of $325,000 per unit may be appropriate for certain projects, it may not be representative of the typical 10-unit, 3-story row house development in the model. This summer BIA circulated a spreadsheet (attachment A) that estimated construction costs for a 3-story building at $135/square foot, which would amount to around $243,000 for an 1,800[16] square foot property. If you

[15] According to data from Philadelphia Department of Licenses & Inspections on permits issued for developments of 10 units or greater, analyzed by Philadelphia City Council technical staff.

[16] OPA records indicate that each of the Chadwick Street properties profiled in the BIA report contained 1,774 square feet in improvement area.

assume land acquisition costs of $50,000[17] for one parcel, that would place costs at under $300,000 per unit. By using BIA's model and simply adjust the cost of construction down, it would surpass their threshold for viable. The model above assumes a $310,000 development cost per unit. This model, and all following models also reduce the sales price of the affordable unit from $272,300 to $268,000 since BIA did not account for the buyer's monthly expenses for utilities, insurance, and taxes as would be required under the proposed legislation.

Adjusting BIA's model to assume a higher sales price also indicates the ROI with affordable units could be viable. On August 1, 2017 the average list price on Zillow for 349 new construction for-sale homes and condominiums was $646,000. Eliminating 38 homes that were listed for more than $1 million, the average list price was greater than $450,000. The model to the right adjusts the sales price for 9 market rate units to $450,000, corrects the sale price for the affordable unit, and assumes total development costs of $325,000.

Hypothetical Development, 9 Market Rate Units, 1 Unit Affordable to Family of 4 at 80% AMI. *Sales price adjusted to $450,000 per market rate unit.*

Market Rate Units (9)	
Gross Sales Revenue	$4,050,000.00
Sales Commission	$243,000.00
Transfer Tax	$83,025.00
Closing Costs	$40,500.00
Net Sales Revenue	$3,683,475.00
PV of Net Sales Revenue	$3,508,071.47
Affordable Units (1)	
Gross Sales Revenue	$268,000.00
Sales Commission	$16,080.00
Transfer Tax	$5,494.00
Closing Costs	$2,680.00
Net Sales Revenue	$243,746.00
PV of Net Sales Revenue	$232,139.05
Total	
PV Of Total Net Sales Rev	$3,740,210.52
Total Development Cost	$3,250,000.00
Net Profit	$490,210.52
Cash-on-Cash Return	$1.15
ROI	**15.08%**

[17] According to property records recorded in PhilaDox, the purchase price in 2013 of the Chadwick Street properties, prior to development, averaged $41,830 with transfer taxes and recording fees. The purchase price in 2005 for property on which 120 condos and townhomes were built on 24th and South was $5,500,304 including transfer taxes and recording fees, or about $45,858 per unit developed.

BIA's Model Fails to Account for Offsets Such as Density Bonuses

The MIH legislation proposes density bonuses for several zoning districts to give developers ways to off-set some of the added costs of the affordable units or in-lieu fee payments. Neither BIA's hypothetical model nor case studies indicates the addition of any extra units allowed by the proposed density bonuses that could contribute to project viability.

The model to the right assumes total development costs of $310,000 per unit (lower than BIA's assumption), the same sales price BIA relied on of $410,000 per market rate unit, and two market rate units that a developer might gain under a density bonus. Note that this model would be the same if the project contained 12 units by-right.

Hypothetical Development, 11 Market Rate Units, 1 Unit Affordable to Family of 4 at 80% AMI. ***Development cost adjusted to $310,000 per market rate unit.***

Market Rate Units (11)	
Gross Sales Revenue	$4,510,000.00
Sales Commission	$270,600.00
Transfer Tax	$92,455.00
Closing Costs	$45,100.00
Net Sales Revenue	$4,101,845.00
PV of Net Sales Revenue	$3,906,519.10
Affordable Units (1)	
Gross Sales Revenue**	$268,000.00
Sales Commission	$16,080.00
Transfer Tax	$5,494.00
Closing Costs	$2,680.00
Net Sales Revenue	$243,746.00
PV of Net Sales Revenue	$232,139.05
Total	
PV Of Total Net Sales Rev	$4,138,658.15
Total Development Cost	$3,720,000.00
Net Profit	$418,658.15
Cash-on-Cash Return	$1.11
ROI	**11.25%**

PACDC applied BIA's model to an actual development project. Publicly available data[18] indicates that 60[19] new condominiums and 60 townhomes were sold between 2013 and 2015 at 24th and South Streets. We used BIA's assumption on total development costs of $325,000 per unit, added in the cost of property acquisition of $5.5 million (property acquisition and demolition is already built in to BIA's $325,000 total development cost estimate but we chose to be generous in our analysis). We also assumed no density bonus, despite the property being zoned ICMX, which would be eligible for density bonuses under the proposed legislation.

The MIH legislation also allows developers to satisfy their obligation by making a payment in-lieu to the Philadelphia Housing Trust Fund. While the amount of the payment has not yet been proposed, if the developer of this project paid $150,000[20] per affordable unit required, the project is even more viable.

BIA's hypothetical model applied to 24th & South with 12 units affordable to a family of 4 at 80% AMI.

Market Rate Units (107)	
Gross Sales Revenue	$63,614,741.00
Sales Commission	$3,816,884.46
Transfer Tax	$1,304,102.19
Closing Costs	$636,147.41
Net Sales Revenue	$57,857,606.94
PV of Net Sales Revenue	$55,102,483.47
Affordable Units (12)	
Gross Sales Revenue	$3,225,600.00
Sales Commission	$193,536.00
Transfer Tax	$66,124.80
Closing Costs	$322,560.00
Net Sales Revenue	$2,643,379.20
PV of Net Sales Revenue	$2,517,504.03
Total	
PV Of Total Net Sales Rev	$57,619,988
Total Development Cost	$44,500,304
Net Profit	$13,119,684
Cash-on-Cash Return	1.294822334
ROI	**29.48%**

BIA's hypothetical model applied to 24th & South with an in-lieu payment to satisfy affordable housing obligations.

Market Rate Units (119)	
Gross Sales Revenue	$70,742,573.00
Sales Commission	$4,244,554.38
Transfer Tax	$1,450,222.75
Closing Costs	$707,425.73
Net Sales Revenue	$64,340,370.14
PV of Net Sales Revenue	$61,276,543.74
Affordable Units (12)	
In Lieu Fee	$1,800,000.00
Sales Commission	$0.00
Transfer Tax	$0.00
Closing Costs	$0.00
Net Sales Revenue	$0.00
PV of Net Sales Revenue	-$1,800,000.00
Total	
PV Of Total Net Sales Rev	$59,476,544
Total Development Cost	$44,500,304
Net Profit	$14,976,240
Cash-on-Cash Return	1.336542414
ROI	**33.65%**

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[18] Sales prices of the original property and developed units compiled from the Office of Property Assessment and deeds recorded and available on PhilaDox.

[19] Our analysis relied on sales price data for 59 of the condos, since unit 100 may be a property management office. Another unit on the 5th floor could be a fitness center, but we kept the sales price in our analysis since it could be an income producing unit. Removing it would not substantially alter the viability of the project.

[20] Equivalent to what the developers of One Water Street paid to satisfy their affordable housing obligations under a voluntary density bonus program in 2016

As noted above, the MIH legislation would allow for developers to meet their obligations through an in-lieu fee payment to the Philadelphia Housing Trust Fund, or by building the affordable units at an off-site location. It would have been difficult for BIA to factor those choices into their analysis given the dialogue still occurring over how those policies would be structured. Nonetheless, these flexible options for compliance are important factors that policy makers need to take into account. As shown above, if the in-lieu fee payment is set below the cost of providing the affordable unit on site, developers could achieve greater ROI than projected in each of the hypothetical models above. If the development costs of affordable units constructed off-site is significantly different, this would also affect the project viability.

BIA did not offer a hypothetical model for how a rental project would be affected by the MIH policy, so we cannot test their rental assumptions.

Case Studies Should be More Closely Examined

BIA also offered four case studies of existing projects, two for-sale and two rental developments, and compared what they present as actual ROI with what the project would have achieved if the MIH policy were in place. It is difficult to evaluate the data in these models without the following questions answered:

1. Why did BIA not develop a hypothetical model for rental projects?
2. For the Avenir and 31 Brewerytown rental projects, what is the unit mix? It is difficult to determine if the rents reported as collected for those projects is consistent with advertised rents.
3. For new construction projects, why did the BIA model not account for any density bonuses that could have been leveraged? Both the Symphony House and 31 Brewerytown are in zoning districts for which density bonuses are offered under the proposed legislation.
4. The 31 Brewerytown development contains three buildings and 114 units, but the case study in the BIA report only included 64 units in 2 buildings. Even if the project was developed in two phases, how would the ROI change if all units were included in the analysis?
5. Why did the development cost for the Chadwick Street homes increase by $130,000 from the 10-market rate analysis to the 9-market rate/1-affordable unit analysis? The number of units did not change, and there was no explanation for why the project cost would be higher if one unit was sold to an income restricted family. An adjustment to assume the same development costs substantially improves the ROI from 1.9% to 5.57%.
6. How are abated property taxes reflected in the rental project case studies? Neither the Avenir or Brewerytown project assumed an increase in property taxes in year 11, when the 10-Year Property Tax Abatement would expire. It would also be helpful to understand the split between property taxes and other taxes (BIRT, etc) in the Annual Taxes line item.

7. Given that the Symphony House was developed in 2007, how would a similar project fare today if it achieved sales prices comparable to projects developed within the last two years?
8. The rental case studies include assumptions on Net Present Sales Value that are not clear. Can BIA provide more detail on how those figures are calculated?

Closing

More than 500 Mixed Income Housing programs exist across the country, from small towns to big cities. Each jurisdiction must adopt a policy that works best for their communities, taking into account both the needs of residents struggling to find affordable homes, and the strength of the development market to contribute. While an MIH program will not solve Philadelphia's large affordable housing needs, PACDC is confident that through continued stakeholder engagement, there is a way to design a policy that will add one more tool to the toolbox without overburdening market rate developers. Philadelphia policy makers must embrace strategies that begin to correct for decades of inequality and segregation, and a Mixed Income Housing program offers promise as one of those strategies.

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Attachment A: BIA Spreadsheet Distributed to Stakeholders

Comparison of IZ Bill vs. BY RIGHT & Alternate Proposals

	CMX-2	CMX-2.5	CMX-3	CMX-4	RM-1	RSA-5 (For Sale)
Current Zoning	Density 480 SF FAR Ratio n/a Height 38 Ft Coverage 80%	Density 270 SF FAR Ratio n/a Height 55 Feet Coverage 80%	Density n/a FAR Ratio 500% Height n/a Coverage 80% Parking Ratio 3:10	Density n/a FAR Ratio 500% Height n/a Coverage* 100% Parking Ratio 3:10	Density 480 SF FAR Ratio n/a Height 38 Feet Coverage 80%	Density 1440 SF FAR Ratio n/a Height 38 Feet Coverage 75%
YoC	7.0%	6.8%	7.3%	7.0%	7.3%	n/a
Profit %	17%	14%	22%	16%	21%	12%
IZ BILL (50/30 AMI)	Density 323 SF FAR Ratio n/a Height 45 Ft Coverage 80% AMI 50%	Density 181 SF FAR Ratio n/a Height 55 Feet Coverage 80% AMI 50%	Density n/a FAR Ratio 650% Height n/a Coverage 80% AMI 50% Parking Ratio 3:10	Density n/a FAR Ratio 650% Height n/a Coverage 100% AMI 50% Parking Ratio 3:10	Density 327 SF FAR Ratio n/a Height 45 Feet Coverage 80% AMI 50%	Density 1440 SF FAR Ratio n/a Height 38 Feet Coverage 75% AMI 50%
YoC	6.7%	6.3%	4.9%	6.4%	6.7%	n/a
Profit %	3%	(3%)	(24%)	(2%)	4%	(1%)
PROPOSED ZONING BONUS ONLY (80/60 AMI)	Density 278 SF FAR Ratio n/a Height 45 Ft Coverage 80% AMI 60%	Density 155 SF FAR Ratio n/a Height 55 Ft Coverage 90% AMI 60%	Density n/a FAR Ratio 500% Height n/a Coverage 90% AMI 80% Parking Ratio 3:10	Density n/a FAR Ratio 500% Height n/a Coverage 100% AMI 80% Parking Ratio 0:00	Density 243 Feet FAR Ratio n/a Height 48 Feet Coverage 90% AMI 80%	Density 768 Feet FAR Ratio n/a Height 38 Feet Coverage 75% AMI 80%
YoC	7.3%	6.6%	7.6%	7.3%	7.3%	n/a
Profit %	22%	10%	27%	21%	22%	24%
ALTERNATIVE AMI INCREASE (60/50 AMI) + Per Unit Incentive $75,000	Density 323 SF FAR Ratio n/a Height 42 Ft Coverage 90% AMI 50%	Density 181 SF FAR Ratio n/a Height 55 Ft Coverage 90% AMI 50%	Density n/a FAR Ratio 500% Height n/a Coverage 80% AMI 50% Parking Ratio 3:10	Density n/a FAR Ratio 500% Height n/a Coverage 100% AMI 50% Parking Ratio 2:10	Density 243 Feet FAR Ratio n/a Height 42 Feet Coverage 90% AMI 50%	Density 768 Feet FAR Ratio n/a Height 38 Feet Coverage 75% AMI 50%
YoC	7.1%	6.8%	7.8%	7.4%	7.4%	n/a
Profit %	19%	13%	29%	23%	23%	15%

Key Assumptions: 6%-6.5% cap rate on exit/valuation, $2.5-3psf rents
Key Assumptions: CMX-2 & CMX-2.5 & RM-1 were modeled as corner properties, all units are assumed to be 18/18 for simplicity
Key Assumptions: Sale Price/SF +3,000SF = $275; 3,000<SF<2,000 = $300; <2,000 = $325
*In CMX-4 you can cover 100% of the lot if the project is 6+ stories, you can only build on 90% of the lot if you are building < or + to 5, making it impossible to max FAR without building at least six stories
http://library.amlegal.com/nxt/gateway.dll/Pennsylvania/philadelphia_pa/title14zoningandplanning?f=templates$fn=default.htm$3.0$vid=amlegal:philadelphia_pa

Construction Cost/SF Assumption	
<=3 Stories	$135
4 Stories	$150
5 Stories	$170
6 Stories	$200
7-10 Stories	$250