MEMORANDUM

To: El Dorado Business Alliance

From: Jamie Gomes and Ellen Martin

Subject: El Dorado County Development Feasibility Study; EPS #19489

Date: October 7, 2010

The El Dorado Business Alliance requested Economic & Planning Systems, Inc., (EPS) complete an analysis of single-family and multifamily housing development feasibility in El Dorado County. This evaluation was completed as part of an overall review of development impact fees and infrastructure cost burdens in El Dorado County and the resulting impact of those burdens on development feasibility.

This memorandum includes the following items:

- An executive summary briefly describing the analysis framework and feasibility analysis results.
- A description of the analysis context and framework, including the development prototypes evaluated and a review of assumptions regarding El Dorado County market conditions.
- An overview of the evaluation metrics used in this analysis to assess development feasibility—the infrastructure cost burden indicator and residual land value indicator.
- An overview of the major assumptions on which the development feasibility is based.
- Detailed feasibility results for each development prototype analyzed based on application of the evaluation metrics used in this analysis.

Executive Summary and Analysis Findings

Summary

The analysis evaluated the feasibility of single-family and multifamily residential development in several areas of El Dorado County using specific proposed developments in each area as analysis prototypes.

The Economics of Land Use

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Single-family development prototypes in El Dorado Hills, Cameron Park, Diamond Springs, and the City of Placerville were analyzed.

For-sale attached multifamily products were evaluated for the Diamond Springs and Cameron Park communities, along with a proposed multifamily for-rent prototype located in El Dorado Hills.

Each development prototype represents homes that would be targeted to middle- to upper-middle-income home buyers that represent the majority of potential home buyers in El Dorado County. It is important to note that this analysis does not focus on the narrower portion of the market that serves higher income/higher net worth households (i.e., "equity immigrants").

The development feasibility analysis was predicated on the assumption of normalized market conditions—assuming a return to long-term sustainable relations between income levels and home sales prices. The analysis does not focus on the presently depressed market conditions or the unsustainable peak market conditions observed before the current market correction.

Two evaluation metrics were applied to each development prototype to examine the financial feasibility of development under normalized market conditions:

- The **infrastructure cost burden feasibility indicator** measures the total costs of backbone infrastructure and public facility improvements as a percentage of the final sales price or finished value of a residential unit. Typically, the maximum infrastructure cost burden a project can bear is 15 to 20 percent of the final home sales price or finished unit value.
- The **residual land value indicator** offers a more detailed assessment of the entire cost structure of a development project by taking the finished market value of a home and subtracting all costs incurred to achieve that finished value to derive the residual value of the land. The residual land value remaining must be sufficient to fund several development and entitlement costs beyond land acquisition. A project therefore must typically achieve a minimum residual land value of 10 to 15 percent of the finished home value.

Findings

Table 1 summarizes the feasibility analysis results for each land use category and development prototype using the evaluation metrics described above. For this segment of the new home market, all but one prototype fail the infrastructure cost burden feasibility test, and none of the projects analyzed achieve a residual land value within feasible ranges. Below is a list of major analysis findings:

1. ***Infrastructure cost burdens for residential development exceed feasible ranges.***

   For most development prototypes, infrastructure cost burdens are well beyond the range typically considered feasible. El Dorado County projects would have to have atypically lower costs for all other development cost components to achieve development feasibility.

2. ***Residual land values are below acceptable ranges.***

   Taking into consideration other development cost factors, all development prototypes evaluated in this analysis remain infeasible as indicated by residual land value results. While

infrastructure cost burdens contribute to these results, other cost factors, such as on-site infrastructure and limitations on achievable project densities, also influence the residual land values. Adjustments to infrastructure costs and other unit development cost factors are necessary to achieve development feasibility in El Dorado County.

3. ***Increases in achievable project densities may facilitate development feasibility.***

   Limitations on project densities constrain the financial feasibility of development because more infrastructure costs must be borne by fewer units. To the extent that certain infrastructure and site improvement costs are fixed, increasing project densities would help project feasibility.

4. ***Current development cost structure may limit development of new residential product to upper income–serving executive housing.***

   Absent significant changes in the cost structure of El Dorado County development, when market conditions return to normal, development of residential products for middle- to upper-income homebuyers in El Dorado County will remain infeasible. Development of more expensive residential products targeting a narrower group of higher income buyers may be feasible under normalized market conditions.

Analysis Context and Framework

Development Prototypes Evaluated

EPS evaluated the feasibility associated with multiple single-family and multifamily development prototypes targeted to middle- to upper-middle-income home buyers. For purposes of this analysis, EPS evaluated development prototypes for the following product types and geographies:

Land Use Category/Project	Location
Single-Family	
El Dorado Hills	El Dorado Hills, Unincorporated El Dorado County
Cameron Hills	Cameron Park, unincorporated El Dorado County
Oak Highlands	Diamond Springs, unincorporated El Dorado County
Placerville Estates	City of Placerville
Attached Multifamily For-Sale	
Oak Highlands	Diamond Springs, unincorporated El Dorado County
Cameron Park	Cameron Park, unincorporated El Dorado County
Multifamily For-Rent	
El Dorado Hills	El Dorado Hills, unincorporated El Dorado County

Real Estate Market Conditions

Development feasibility is sensitive to real estate market conditions. The ability of a development project to absorb infrastructure costs depends significantly on the finished home sales values achieved. During the 2000s, real estate professionals generally concur that the market experienced the following three periods:

- Normalized market conditions = 2002–03
- Peak market conditions = 2004–06
- Depressed market conditions = 2008–10

While analysts widely acknowledge that deteriorating real estate market conditions have negatively impacted the viability of residential real estate development, this analysis does not focus on development feasibility in the context of presently depressed market conditions. Instead, the analysis seeks to evaluate development feasibility under normalized market conditions, analogous to the conditions observed in 2002–03. The analysis is based on the assumption that long-term sustainable relations between median home sales prices and average income levels should be evaluated, rather than the peaks and troughs of the market.

Figures 1 and **2** illustrate the historical relation between new home prices and median household income in El Dorado County and the manner in which the relation was distorted during peak market conditions.

Under more normalized market conditions before 2004, the average new home price was roughly 8 times the median household income. During peak market conditions, as home prices rose at a much faster rate than income levels, the ratio increased to 12 times the median income. The present market correction reflects a return to more normalized market conditions, with the ratio between new home prices and median incomes projected to decrease to approximately 6:1.

The characteristic ratio between home prices and income observed throughout the region is 4 to 6 times the median income. Because the El Dorado market has been dominated by move-up buyers and out-of-area transplants from more expensive housing markets (each of which has significant existing equity to invest), the ratio between home prices and incomes was higher in El Dorado County than other areas of the region—even under normalized market conditions in 2002–03.

The present market correction resulting in an El Dorado County new home price to median income ratio of 6:1 is lower than that observed during the 2002–03 normalized market conditions. This relation suggests a decrease in equity buyers (particularly those from outside the Sacramento area) and a broader array of housing product that could serve middle and lower income buyers in El Dorado County.

Development Feasibility Indicators

The price of a home reflects multiple components, including land acquisition, home construction, infrastructure, site development, soft costs, sales commission, and builder profit. All cost components are necessary but must be within a reasonable range for a project to feasibly develop. This analysis evaluates development viability by applying two measures of

development feasibility—the infrastructure cost burden indicator and the residual land value indicator.

These evaluation metrics are used as performance indicators to evaluate the potential financial feasibility of a development project. Because these financial feasibility tools are based on several reasonable assumptions regarding infrastructure costs and market pricing for housing, they are not intended to provide an absolute yes or no answer regarding a project's likely financial feasibility. Rather, the indicators provide guidance to property owners, land use regulators, and public service providers about the likelihood that a project can be successfully implemented, given the cost structure of that project, including the backbone infrastructure requirements and other public facilities identified for the development project.

Infrastructure Cost Burden Feasibility Indicator

In general, new development can support a certain level of infrastructure, the cost of which is ultimately integrated into the home price. EPS's infrastructure cost burden feasibility test, based on pro forma experience, is used as a performance indicator. This test measures the total cost of backbone infrastructure and public facility improvements as a percentage of the final sales price of a property (e.g., residential unit or nonresidential building).[1] The total infrastructure cost burden consists of all backbone infrastructure and public facility costs (e.g., developer funding plus any non-overlapping bond debt related to special taxes and assessments for infrastructure) plus all applicable development fees (e.g., development impact fees or school mitigation fees).

Typically, these total infrastructure costs comprise up to a maximum of 15 to 20 percent of a home's final total sales price. Based on pro forma analyses of dozens of Specific Plans in California over the past 2 decades, the infrastructure cost burden feasibility performance test yields the following general conclusions:

- Burdens below 15 percent are generally considered financially feasible.
- Burdens between 15 and 20 percent may be feasible depending on the specific circumstances of the project.
- Burdens above 20 percent suggest that a project may not be financially feasible unless other components of the project pro forma are particularly advantageous to the developer, thus allowing the project to bear unusually high infrastructure costs.

It is important to note that the infrastructure cost burden feasibility indicator does not account for extraordinary project circumstances or conditions, such as these:

- Unique on-site development costs.
- Infrastructure phasing requirements.
- Development absorption rates.
- Demolition or toxic contamination remediation.

[1] Subdivision frontage costs and in-tract subdivision development costs are included in the site development component and not counted as backbone infrastructure costs.

- Changing market conditions.
- Litigation or other extraordinary project entitlement/development delays.

If the infrastructure cost burden analysis indicates that a project may be challenged, additional detailed analysis is warranted. One approach to a more comprehensive evaluation of development feasibility is the residual land value analysis, described in further detail below.

Residual Land Value

The residual land value indicator offers a more detailed appraisal of the entire cost structure of a development project and takes into account specific project circumstances, such as those cited above.

The price that a developer will pay for land generally relies on a land valuation method called a land residual analysis. The formula simply takes the finished market value of a home and subtracts all costs incurred to achieve that finished value to derive the residual value of the land. The value of land is subject to changes in market conditions that influence both the revenue and cost factors that are used to derive residual land values. If revenues from the sales of finished homes increase with no changes in costs, the residual land value would increase. Conversely, if development and other costs increase and there is no increase in expected finished home sale revenues, the residual land value would decrease.

The static residual land value calculations are derived using the following major assumptions:

- Finished market values (e.g., final home sales prices).
- Finished lot development costs.
- Vertical development costs (e.g., home construction).
- Development impact fees.
- Backbone infrastructure costs not funded through fees.

The residual land value remaining after taking account of the above factors must fund a variety of costs beyond the price of land acquisition. Generally, the residual land value must be sufficient to fund the following development and entitlement costs:

- Land Acquisition.
- Entitlement Costs.
- Environmental Impact Report.
- Planning Documents.
- Infrastructure Master Plan.
- Environmental Mitigation.
- Developer Overhead.
- Land Developer Profit.

Generally, a project must achieve a minimum residual land value ranging from 10 to 15 percent of the finished home value to be considered financially feasible and fund the items cited above. Significant departure from the typical costs observed for development and entitlement would create variation in the feasible residual land value range and merit additional analysis of project viability.

Major Analysis Assumptions

For each area analyzed, the feasibility analysis is based primarily on project pro formas for specific projects in the area. Residential densities, lot size, and standard unit square feet are based on data provided for each prototype project. **Tables 2** through **4** summarize the major project assumptions for each development prototype and land use category. Major assumptions are discussed briefly below:

- **Home Prices by For-Sale Prototype.** Unless otherwise noted, the assumed sales price per unit is based on a Gregory Group analysis of home sale prices by development area in 2002 and 2003. The assumed sales price for the Cameron Park multifamily prototype project was adjusted to reflect revised unit size assumptions requested by the builders' working group. The Oak Highlands attached product estimated sales price was estimated by that project's developer.

- **Multifamily For-Rent Value.** The value per unit for the El Dorado Hills multifamily for-rent product is based on the estimated capitalized value assuming a monthly rent of $1,400, monthly expenses of approximately $600 per unit, and a capitalization rate of 7.0 percent. **Table A-2** details these calculations.

- **Vertical Construction Costs. Tables 2**, **3**, and **4** show the vertical construction costs assumed in the analysis that range from $62 to $75 per building square foot for for-sale residential products. Vertical construction costs in for-rent project are assumed to be $85 per building square foot. These unit construction cost estimates were derived from prototype project pro formas provided by the development community.

Feasibility Analysis Results

Tables 5, **6**, and **7** summarize the feasibility analysis results for the single-family prototypes, attached multifamily for-sale prototypes, and multifamily for-rent prototypes respectively. As discussed above, the infrastructure cost burden and residual land value analysis indicators were evaluated for each project prototype and land use category. The results are discussed in further detail below.

Single-Family Prototypes

Table 5 summarizes the feasibility results for the single-family project prototypes.

Infrastructure Cost Burden

As discussed above, the target range for the infrastructure cost burden is 15 to 20 percent of finished home sales value. **Table A-1** in **Appendix A** details the cost components included in the infrastructure burden calculation for each project prototype.

As indicated in **Table 5**, the infrastructure cost burdens for the El Dorado Hills', Cameron Hills', and Oak Highlands' prototypes are estimated to be well beyond the targeted 15- to 20-percent infrastructure burden range, ranging from 26 to 29 percent of estimated finished home sales

prices. As discussed previously, infrastructure burdens above 20 percent suggest that a project may not be financially feasible unless other project costs are unusually low and allow the project to bear the higher infrastructure burden costs.

The infrastructure cost burden for the Placerville Estates project is estimated to be 19 percent, which falls at the upper end of the targeted feasibility range, suggesting that this prototype may be feasible depending on the specific project circumstances and structure of the remaining cost components.

Residual Land Value Indicator

The residual land value indicator extends the feasibility analysis to take into account additional cost items, including the cost of unit construction, in-tract subdivision infrastructure,[2] soft costs, and builder profit. As discussed previously, the residual land value must be sufficient to fund several development and entitlement costs beyond land acquisition. The minimum target range for the residual land value is approximately 10 to 15 percent of the finished home sales value.

The residual land value indicator shows that all single-family project prototypes evaluated fall outside the target residual land value range, ranging from negative 12 percent to 5 percent of the estimated finished home values. In addition to the infrastructure burdens discussed above, vertical construction and in-tract subdivision costs contribute to the low and negative residual land value results. This is particularly true in the case of the Placerville Estates project prototype—despite falling within the targeted infrastructure cost burden range, high vertical construction costs and extremely high in-tract subdivision costs result in a negative residual land value for this prototype.

Attached Multifamily For-Sale Prototypes

Table 5 summarizes the infrastructure cost burden and residual land value analysis results for the attached multifamily for-sale project prototypes.

Infrastructure Cost Burden Indicator

The infrastructure cost burden for the Cameron Park and Oak Highlands attached multifamily project prototypes is 30 percent and 28 percent, respectively. These burdens fall well outside the targeted feasibility range, indicating that financial feasibility is challenged unless other project costs are unusually low.

Residual Land Value Indicator

When taking into account additional project cost components, the residual land value analysis also indicates that both attached multifamily for-sale prototypes fall outside feasible ranges. The estimated residual land value for the Cameron Park project is $3,000, or 1 percent of the

[2] In-tract infrastructure costs reflect site improvement costs serving the entire development project that are not considered backbone infrastructure and are therefore not included in any existing fee programs. In-tract subdivision infrastructure costs are estimated based on costs provided for each development prototype and allocated on a per-unit basis for purposes of the residual land value analysis.

estimated home sales price. EPS estimates that the Oak Highlands project will generate a negative residual land value of approximately ($8,800), or negative 4 percent of the estimated finished home sales price.

Multifamily For-Rent Prototype

Table 6 summarizes the feasibility analysis results for the multifamily rental project prototype. This analysis evaluated the infrastructure cost burden and residual land value of a single rental prototype located in El Dorado Hills.

Infrastructure Cost Burden Indicator

EPS estimates that, for a multifamily for-rent unit constructed in El Dorado Hills, the infrastructure cost burden would constitute 45 percent of the estimated finished unit value—more than double the targeted infrastructure cost burden range.

Residual Land Value Indicator

The residual land value indicator for this prototype also is well outside the targeted feasibility range. When accounting for vertical construction, common area and in-tract site improvements, soft costs, and builder profit, the estimated resulting residual land value is ($77,037), or negative 51 percent of the estimated finished unit value.

Table 1
El Dorado County Feasibility Analysis
Summary of Feasibility by Land Use Category and Prototype [1]

Item	Single-Family				Attached Multifamily - For-Sale		Multifamily-For-Rent
	El Dorado Hills	Cameron Hills	Oak Highlands	Placerville Estates	Cameron Park	Oak Highlands	El Dorado Hills
Community	El Dorado Hills	Cameron Park	Diamond Springs	City of Placerville	Cameron Park	Diamond Springs	El Dorado Hills
Feasibility Performance Indicator Results							
				Percent of Home Sales Price			
Infrastructure Cost Burden *(Target - Maximum of 15% - 20% of Home Sales Price)*	26%	29%	27%	19%	30%	28%	45%
Indicator Result	***Fails***	***Fails***	***Fails***	***Marginal***	***Fails***	***Fails***	***Fails***
				Percent of Home Sales Price			
Residual Land Value *(Target - Minimum of 10% - 15% of Home Sales Price)*	5%	-9%	3%	-12%	1%	-4%	-51%
Indicator Result	***Fails***	***Fails***	***Fails***	***Fails***	***Fails***	***Fails***	***Fails***

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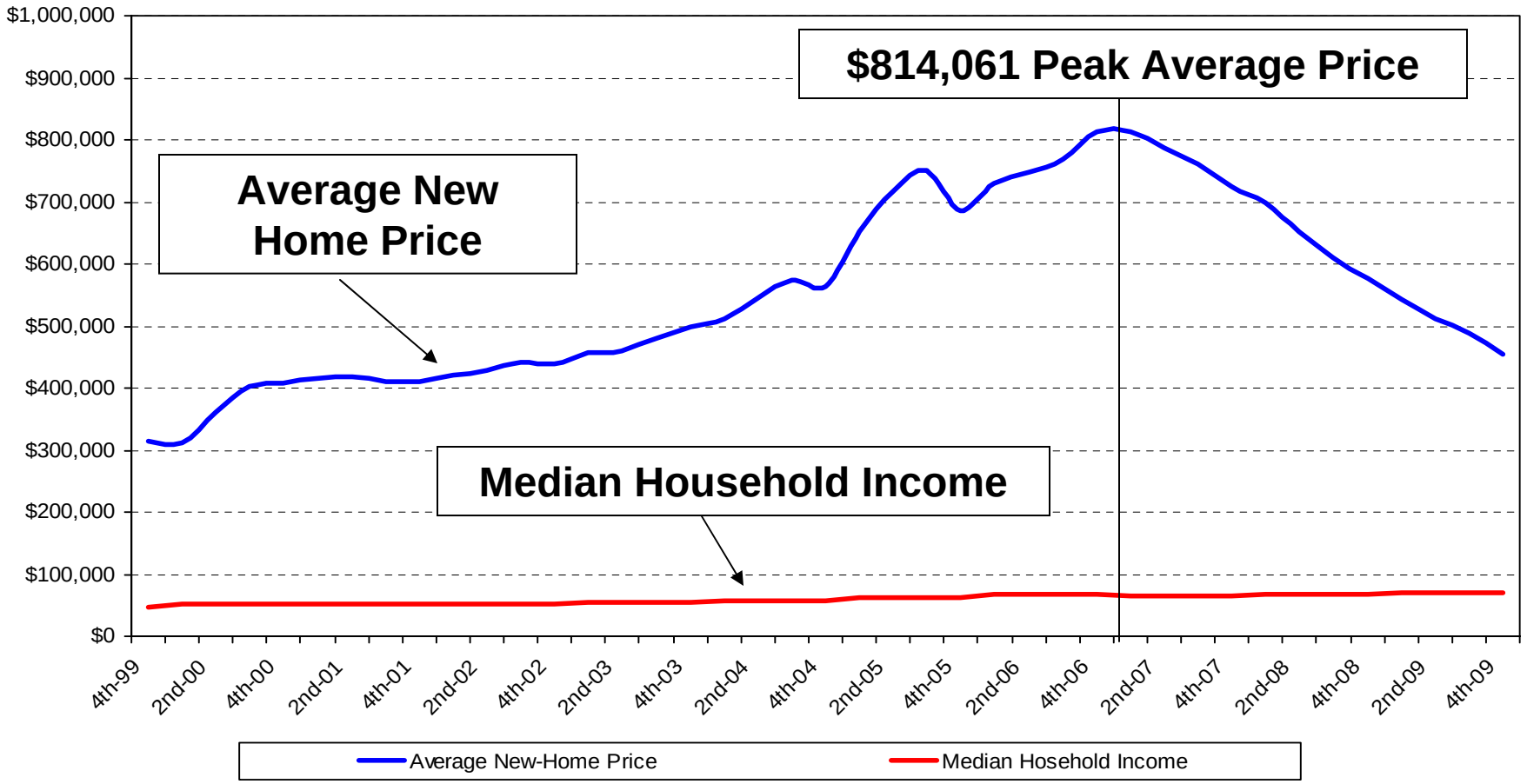
[1] Development prototypes represent homes targeted to middle-to-upper income home buyers. Analysis excludes homes targeted to higher-income households.

Figure 1
Estimated Average New Home Price and Median Household Income: El Dorado County

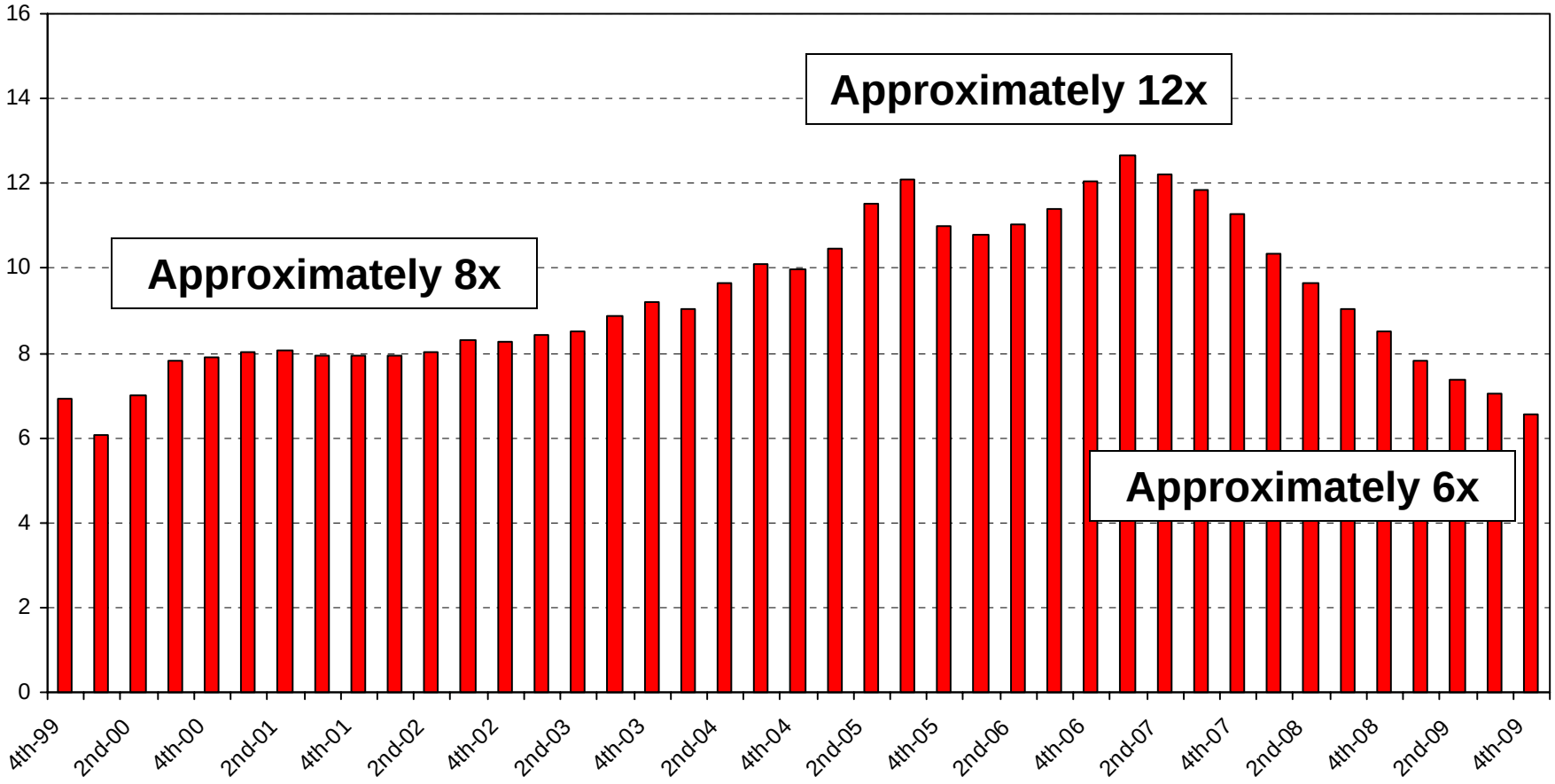
Note: Pricing after 4th Quarter 2007 reflects price estimated for projects to average 1.00 sales per week.



Source: The Gregory Group (Estimates 1999 and 2009), US Census, Census 2000, California Employment Development Department (2001 – 2007), American Community Survey (2008)

Figure 2
Ratio of New Home Price to Median Income (El Dorado County)

Note: Pricing (and ratio) after 4th Quarter 2007 reflects price estimated for projects to average 1.00 sales per week.



Source: The Gregory Group (Estimates 1999 and 2009), US Census, Census 2000, California Employment Development Department (2001 – 2007), American Community Survey (2008)

Table 2
El Dorado County Feasibility Analysis
Housing Feasibility Analysis
Single-Family Assumptions

Single-Family

Item	Single-Family Lot Assumptions			
	El Dorado Hills	**Cameron Hills**	**Oak Highlands [1]**	**Placerville Estates**
Community	El Dorado Hills	Cameron Park	Diamond Springs	Placerville
Building Type	Detached	Detached	Detached	Detached
Assumptions				
Density	6.5 DU/acre	2.0 DU/acre	5.0 DU/acre	2.0 DU/acre
Lot Size (sq. ft.)	4,500	10,000 [2]	4,500	20,000
Unit Square Feet	1,825	2,200	1,825	2,200
Net Sales Price Per Square Foot	$219	$155	$164	$161
Construction Cost Per Square Foot	$75	$65	$62	$65
Assumed Home Price [3]	**$400,000**	**$340,000**	**$300,000**	**$354,000**

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Source: Gregory Group and EPS.

[1] Based on the Move Up Family product type.
[2] Reflects minimum lot size - most lots in the Cameron Hills project are larger.
[3] Based on estimated 2003 home prices from the Gregory Group.

Table 3
El Dorado County Feasibility Analysis
Housing Feasibility Analysis
Multifamily Assumptions - For Sale

Attached Multifamily - For Sale

Item	Attached Multifamily Lot Assumptions: Cameron Park	Attached Multifamily Lot Assumptions: Oak Highlands [1]
Community	Cameron Park	Diamond Springs
Building Type	Attached	Attached
Assumptions		
Density	11.5 DU/acre	11.5 DU/acre
Unit Square Feet	1,100	1,122
Net Sales Price Per Square Foot	$218	$187
Construction Cost Per Square Foot	$75	$71
Assumed Home Price [2]	**$240,000**	**$210,000**

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Source: Loopnet, and EPS.

[1] Based on the stacked flats product type.
[2] Assumed home price for Cameron Park based on estimated 2003 home prices

Table 4
El Dorado County Feasibility Analysis
Housing Feasibility Analysis
Multifamily Assumptions - For-Rent

Multifamily - For-Rent

Item	El Dorado Hills
Community	El Dorado Hills
Building Type	Attached
Assumptions	
Density	20.0 DU/acre
Unit Square Feet	1,100
Net Value per Square Foot [1]	$137
Construction Cost per Square Foot	$85
Assumed Value per Unit [2]	**$151,000**

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Source: Loopnet and EPS.

[1] Based on the assumed value per unit and unit square feet.
[2] See Table A-2 for detail.

Table 5
El Dorado County Feasibility Analysis
Housing Feasibility Analysis
Residual Land Value Calculation for Single-Family Residential

Single-Family

Item	Residual Land Value							
	El Dorado Hills		Cameron Hills		Oak Highlands		Placerville Estates	
	Single Family	% of Selling Price	Single Family	% of Selling Price	Single Family	% of Selling Price	Single Family	% of Selling Price
Assumed Home Price [1]	$400,000	**100%**	$340,000	**100%**	$300,000	**100%**	$354,000	**100%**
Infrastructure Burden								
City/County, Plan Area, & School Fees [2]	$86,000	22%	$98,000	29%	$82,000	27%	$68,000	19%
Other Backbone Infrastructure Costs	$17,347	4%	-	-	-	-	-	-
Subtotal Infrastructure Burden	**$103,347**	**26%**	**$98,000**	**29%**	**$82,000**	**27%**	**$68,000**	**19%**
(Target 15%-20% Home Sales Price)								
Unit Development								
Cost of Unit Construction	$136,875	34%	$143,000	42%	$113,150	38%	$143,000	40%
In-tract Subdivision Infrastructure [3]	$60,412	15%	$55,018	16%	$35,993	12%	$101,534	29%
Soft Cost (20% of In-tract + Unit Const. Cost) [4]	$39,457	10%	$39,604	12%	$29,829	10%	$48,907	14%
Builder Profit (10% of Sale Price)	$40,000	10%	$34,000	10%	$30,000	10%	$35,400	10%
Subtotal Unit Development Cost	**$276,744**	**69%**	**$271,622**	**80%**	**$208,972**	**70%**	**$328,840**	**93%**
TOTAL COST OF UNIT	**$380,091**	**95%**	**$369,622**	**109%**	**$290,972**	**97%**	**$396,840**	**112%**
Residual Land Value (Paper Lot) [5]	**$19,909**	**5%**	**($29,622)**	**-9%**	**$9,028**	**3%**	**($42,840)**	**-12%**
Target Residual Land Value Range (10%-15% of Home Sales Price)								
10% of Home Sales Price	$40,000	10%	$34,000	10%	$30,000	10%	$35,400	10%
15% of Home Sales Price	$60,000	15%	$51,000	15%	$45,000	15%	$53,100	15%

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Source: Various Home Builders and EPS.

[1] Assumed home prices are based on new home sales prices in El Dorado County in 2002 and 2003.
[2] Includes fees due and payable at improvement plan or final map or building permit. Plan area fees include only shared infrastructure cost not included in lot costs or city/county fee programs.
[3] Estimated cost does not include fees that are payable at improvement plan, final map, or building permit. Costs include internal collector roadways, lot development costs, utility extensions, and stub outs to each lot and a share of common subdivision related infrastructure costs (e.g., large collector roads between subdivisions).
[4] Soft costs include corporate overhead, home warranty costs, financing costs, selling costs, and other miscellaneous items.
[5] Paper lot value in this analysis assumes that backbone & intract infrastructure costs are passed forward to the buyer of the lots. Residual land value typically funds land acquisition, entitlement costs, environmental impact report, planning documents, infrastructure master plan, environmental mitigation, developer overhead, and land developer profit.

Table 6
El Dorado County Feasibility Analysis
Housing Feasibility Analysis
Residual Land Value Calculation for Multifamily Residential - For-Sale

Attached Multifamily - For-Sale

Item	Residual Land Value			
	Cameron Park		Oak Highlands	
	Multi-Family	% of Selling Price	Multi-Family	% of Selling Price
Assumed Home Price [1]	$240,000	**100%**	$210,000	**100%**
Infrastructure Burden				
City/County, Plan Area, & School Fees [2]	$72,000	30%	$59,000	28%
Other Backbone Infrastructure Costs	-	-	-	-
Subtotal Infrastructure Burden	**$72,000**	**30%**	**$59,000**	**28%**
(Target 15%-20% Home Sales Price)				
Unit Development				
Cost of Unit Construction	$82,500	34%	$79,662	38%
In-tract Subdivision Infrastructure [3]	$35,000	15%	$35,993	17%
Soft Cost (20% of In-tract + Unit Const. Cost) [4]	$23,500	10%	$23,131	11%
Builder Profit (10% of Sale Price)	$24,000	10%	$21,000	10%
Subtotal Unit Development Cost	**$165,000**	**69%**	**$159,786**	**76%**
TOTAL COST OF UNIT	**$237,000**	**99%**	**$218,786**	**104%**
Residual Land Value (Paper Lot) [5]	**$3,000**	**1%**	**($8,786)**	**-4%**
Target Residual Land Value Range (10%-15% of Home Sales Price)				
10% of Home Sales Price	$24,000	10%	$21,000	10%
15% of Home Sales Price	$36,000	15%	$31,500	15%

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Source: Various Home Builders and EPS.

[1] Assumed home prices are based on new home sales prices in El Dorado County in 2002 and 2003.
[2] Includes fees due and payable at improvement plan or final map or building permit. Plan area fees include only shared infrastructure cost not included in lot costs or city/county fee programs.
[3] Estimated cost does not include fees that are payable at improvement plan, final map, or building permit. Costs include internal collector roadways, lot development costs, utility extensions, and stub outs to each lot and a share of common subdivision related infrastructure costs (e.g., large collector roads between subdivisions).
[4] Soft costs include corporate overhead, home warranty costs, financing costs, selling costs, and other miscellaneous items.
[5] Paper lot value in this analysis assumes that backbone & intract infrastructure costs are passed forward to the buyer of the lots. Residual land value typically funds land acquisition, entitlement costs, environmental impact report, planning documents, infrastructure master plan, environmental mitigation, developer overhead, and land developer profit.

Table 7
El Dorado County Feasibility Analysis
Housing Feasibility Analysis
Residual Land Value Calculation for Multifamily Residential - For-Rent

Multifamily - For-Rent

Item	Residual Land Value El Dorado Hills Multi-Family	% of Selling Price
Assumed Value Unit [1]	$151,000	**100%**
Infrastructure Burden		
City/County, Plan Area, & School Fees [2]	$60,000	40%
Other Backbone Infrastructure Costs	$8,487	6%
Subtotal Infrastructure Burden	**$68,487**	**45%**
(Target 15%-20% Home Sales Price)		
Unit Development		
Cost of Unit Construction	$93,500	62%
Common Area Improvements / Amenities [3]	$8,056	5%
In-tract Subdivision Infrastructure [4]	$20,162	13%
Soft Cost (20% of In-tract + Unit Const. Cost) [5]	$22,732	15%
Builder Profit (10% of Sale Price)	$15,100	10%
Subtotal Unit Development Cost	**$159,550**	**106%**
TOTAL COST OF UNIT	**$228,037**	**151%**
Residual Land Value (Paper Lot) [6]		
	($77,037)	**-51%**
Target Residual Land Value Range (10%-15% of Home Sales Price)		
10% of Home Sales Price	$15,100	10%
15% of Home Sales Price	$22,650	15%

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Source: Various Home Builders and EPS.

[1] Assumed value per unit is based on the capitalized value of each unit. See Table A-2 for additional detail
[2] Includes fees due and payable at improvement plan or final map or building permit. Plan area fees include only shared infrastructure cost not included in lot costs or city/county fee programs.
[3] Common area improvements / amenities are based on the cost for the clubhouse/workout room, pool, and tennis court.
[4] Estimated cost does not include fees that are payable at improvement plan, final map, or building permit. Costs include internal collector roadways, lot development costs, utility extensions, and stub outs to each lot and a share of common subdivision related infrastructure costs (e.g., large collector roads between subdivisions).
[5] Soft costs include corporate overhead, home warranty costs, financing costs, selling costs, and other miscellaneous items.
[6] Paper lot value in this analysis assumes that backbone & intract infrastructure costs are passed forward to the buyer of the lots. Residual land value typically funds land acquisition, entitlement costs, environmental impact report, planning documents, infrastructure master plan, environmental mitigation, developer overhead, and land developer profit.

APPENDIX A

Table A-1
EDH Feasibility Analysis
Housing Feasibility Analysis
Fee Breakdown

Item	Single-Family				Attached Multifamily - For-Sale		Multifamily-For-Rent
	El Dorado Hills	Cameron Hills	Oak Highlands	Placerville Estates	Cameron Park	Oak Highlands	El Dorado Hills
	Feb-10	*Feb-10*	*Feb-10*	*Feb-10*	*Feb-10*	*Feb-10*	*Feb-10*
Assumptions							
Lot Size	4,500	10,000 [1]	4,500	20,000	n/a	n/a	n/a
Project Density	6.5 DU/acre	2.0 DU/acre	5.0 DU/acre	2.0 DU/acre	11.5 DU/acre	11.5 DU/acre	20.0 DU/acre
Unit Square Feet	1,825	2,200	1,825	2,200	1,100	1,122	1,100
City/ County/ Other Agency Fees							
Processing Fees	$2,589	$2,589	$2,589	$3,350	$2,256	$2,256	$1,629
Sewer	$13,441	$9,449	$13,403	$6,355	$7,087	$10,052	$10,081
Water	$16,539	$16,539	$17,093	$17,093	$12,404	$12,820	$12,404
Regional Traffic	$32,420	$41,700	$41,700	$15,160	$27,180	$27,180	$21,160
Traffic	$0	$0	$0	$14,256	$0	$0	$0
Park [2]	$9,806	$8,021	$0	$1,320	$6,141	$0	$8,103
Fire/Police [3]	$2,117	$2,678	$657	$2,420	$2,678	$566	$1,276
Habitat/Greenbelt Preservation [4]	$885	$885	$386	$386	$664	$290	$664
Subtotal City/ County/ Other Agency Fees	**$77,797**	**$81,861**	**$75,828**	**$60,340**	**$58,410**	**$53,163**	**$55,317**
School Fees/Cost & Burden	**$7,756**	**$16,086**	**$6,552**	**$7,436**	**$13,865**	**$5,647**	**$4,675**
Total City/ County/ Other Agency and School Fees	**$85,554**	**$97,947**	**$82,380**	**$67,776**	**$72,274**	**$58,810**	**$59,992**
Total City/ County/ Other Agency and School Fees (Rounded)	**$86,000**	**$98,000**	**$82,000**	**$68,000**	**$72,000**	**$59,000**	**$60,000**

"sfr_breakdown"

Source: EPS.

[1] Reflects minimum lot size - most lots in the Cameron Hills project are larger.
[2] Oak Highlands is not located in the El Dorado Hills CSD; therefore, it is not subject to the park development impact fee. The El Dorado Hills project is located in the El Dorado Hills CSD and is subject to the park impact fee.
Cameron Hills/Park: Cameron Hills/Park is located in the Cameron Park CSD.
[3] Cameron Hills/Park: Cameron Hills/Park is located in the Cameron Park CSD, which has a fire development impact fee of $2,678 / unit. The El Dorado Hills project will be served by the El Dorado Hills Fire Department. Oak Highlands is subject to the county fire fee.
[4] Habitat Mitigation includes Rare Plant Mitigation Fee (by zone). An additional Oakland Mitigation Fee may also apply.

Table A-2
El Dorado County Feasibility Analysis
Housing Feasibility Analysis
Estimated Value - For Rent Unit

Item	Assumption	Per Unit	Total
Revenue Assumptions			
Gross Annual Rent Revenue	$1.27 / sq. ft. / month	$16,800	$3,024,000
Other Revenue	5.0%	$840	$151,200
Total Gross Revenues		**$17,640**	**$3,175,200**
(less) Vacancy	5.0%	($882)	($158,760)
(less) Operating Expenses	30.0%	($5,292)	($952,560)
(less) Capital Reserves	5.0%	($882)	($158,760)
Total Expenses		**($7,056)**	**($1,270,080)**
Net Operating Revenues		**$10,584**	**$1,905,120**
Capitalized Value (Rounded)	7.0%	**$151,000**	**$27,216,000**

"pro_forma"