CITY OF GOLETA

Agenda Item F.2
PUBLIC HEARING
Meeting Date: June 18, 2019

TO: Mayor and Councilmembers

FROM: Peter Imhof, Planning and Environmental Review Director
Charles W. Ebeling, Public Works Director

CONTACT: Brian Hiefield, Associate Planner

SUBJECT: Establishment of Beneficial Projects Categories Eligible for Development Impact Fee Reductions or Waivers

RECOMMENDATION:

A. Hold a public hearing to consider categories of "beneficial projects" potentially eligible for Development Impact Fee (DIF) reductions or waivers and appropriate fee reductions by project category and provide direction to staff.

B. Adopt Resolution No. 19-___, entitled "A Resolution of the City Council of the City of Goleta, California, Adopting a Development Impact Fee Reduction Program for Beneficial Projects" (Attachment 1).

BACKGROUND:

In parallel with the City's new Development Impact Fees (DIFs), approved by Ordinance 19-04 (DIF Ordinance) on February 19, 2019, the City Council has been considering various categories of "beneficial projects" potentially eligible for DIF reductions or waivers and appropriate fee reductions by project category. The City Council held a workshop on February 6, 2019 and a subsequent public hearing on April 2, 2019 and provided direction with respect to several beneficial project categories.

Regarding affordable housing, the City Council requested additional information at the April 2, 2019 public hearing about establishing incentives to develop affordable units above and beyond what is already required by the City's inclusionary housing policy. The discussion centered around two, specific subsets of affordable housing: multi-family residential and Accessory Dwelling Units (ADUs).

For multi-family housing, Councilmembers asked for more information about the level of DIF reductions and/or other monetary incentives needed to incentivize additional voluntary deed-restricted affordable units for longer terms (e.g., 30 years).

Regarding ADUs, a majority of Council supported DIF waivers in exchange for a voluntary affordability restriction for a ten-year term and gave direction to staff to return with a tiered DIF reduction program based on ADU affordability and physical configuration. Councilmembers asked staff to incorporate available tenant protections for ADU tenants.

A majority of Councilmembers also decided to defer further discussion of beneficial projects within the Old Town area until an Old Town visioning process is completed that would help identify project categories worthy of DIF incentives.

Council also supported waiver of all DIFs for non-profit organizations, non-profit childcare, senior care and special needs projects and reduced DIFs for similar for-profit projects.

Council also agreed that DIF reductions and waivers, where applicable, should apply to all categories of DIFs, not merely transportation and parks fees.

DISCUSSION:

This item continues the discussion from the public hearing on April 2, 2019. It begins by providing additional information and analysis regarding effective incentives for development of voluntary, deed-restricted, affordable multi-family residential units and ADUs beyond those required by inclusionary housing policy.

<u>Multi-family</u>

At the April 2 hearing, Councilmembers asked for more information on options to incentivize longer term (e.g., 30-year) voluntary affordable deed restrictions for multi-family housing projects.

Multi-family residential development typically occurs on undeveloped land zoned for densities ranging from 20 to 30 units per acre. This type of residential development typically has large upfront costs that the developer is looking to recoup either with rental income or by selling the entitled units.

As stated above, incentives for affordable units focus on affordable units beyond those currently required by adopted inclusionary housing policy. Under the City's inclusionary housing requirements, for-sale residential development projects of two or more units must provide 20% affordable housing, either on site or by payment of an in-lieu fee. The City does not currently have inclusionary housing requirements for rental units. However, the lack of a rental inclusionary policy does not prevent the City from creating incentives for voluntary for-rent affordable units.

A typical multi-unit condominium complex would generate approximately $30,500 in DIFs per unit (not including school fees). As discussed in more detail below, this amount of DIFs, if reduced or waived, would not be sufficient to incentivize a voluntary commitment to restrict either for-sale or rental units to affordable levels for longer terms.

In deciding whether to restrict affordable rental units for a given term, developers will weigh the benefit of any DIF reductions against the amount of market rent lost during that term. Accounting for the high upfront costs and the generally higher market rents of this type of development, the DIF incentive is equivalent to only a few years of lost rent. For for-sale units, developers would voluntarily deed restrict units as affordable only where given a financial incentive at least equal to the difference between the market price and the specified affordable-level sales price of the unit. The value of waived DIFs in most cases likely represents only a fraction of this difference, i.e., would be an insufficient incentive by itself to achieve voluntary deed restrictions to affordable levels. In the case of for-sale units, both the market price and the affordable price are fact-dependent and specific to the particular development and prospective affordable unit buyer, making it difficult to predict these values generally in advance or to state generally applicable formulas or rules for calculating the difference between market and affordable for-sale prices.

In addition to waived DIFs, there are other mechanisms that might incentivize a developer to provide additional affordable units, such as shared public improvement costs, density bonuses, and parking reductions. Other incentives could include working with nonprofit affordable housing agencies that could administer an affordable housing program on behalf of the developer and have access to additional State and federal affordable housing funding sources. Given this plethora of incentive options, multi-family projects in most cases would require separate analysis for each development. As a result, effective incentives would most likely be achieved through approval of a Development Agreement tailored to each individual project.

<u>ADUs</u>

ADUs can provide affordability benefits simply because of their limited size, relatively low construction costs (relative to large, multifamily projects) and location. They are relatively affordable even without any subsidy, more easily qualify as affordable housing and therefore better suited to an incentive-based affordability program.

The State of California has recognized the community benefits of ADUs in both recently enacted legislation and bills currently under legislative review that have garnered broad legislative support. Applicable regulations and pending State legislation include the following:

- **California Government Code Section 65852.2 (ADUs):** The intent of this Government Code section, enacted into law in 2018, is to encourage a more efficient use of residentially zoned land use districts, which are seeing a decrease in household size, changes in social patterns, increasing housing costs, and decreased affordable housing stock. ADUs are recognized as providing a valuable alternative housing opportunity for the elderly, low-income, student, and other economic groups. Goleta's newly adopted regulations on ADUs (Ord. No. 18-01) are consistent with this Government Code.

- **State of California Senate Bill No. 13:** This bill is currently in committee. It is intended to augment existing State laws for ADUs. The bill proposes to place further limits on how local agencies regulate ADUs, including allowed zoning, parking, size, owner occupancy, application review timing, and (most importantly to this conversation) limits on the collection of DIFs.

As currently drafted, SB 13 would limit a local agency's ability to collect DIFs by requiring that an ADU less than 750 square feet will be charged zero DIFs, while an ADU of 750 square feet or more shall be charged 25% of the DIFs otherwise charged for a new single-family dwelling on the same lot. Currently, the DIFs for an ADU in the City of Goleta are approximately 60% of the DIFs otherwise charged for a new single-family dwelling. However, pursuant to the City's new DIF Ordinance, the maximum size of an ADU is limited to 800 square feet, so the City is not likely to see many applications for an ADU over 750 square feet.

Interestingly, existing and proposed State legislation on ADUs does not specifically include ADUs as a mechanism for providing additional units with restricted rents to affordable levels. However, it does champion the natural affordability of ADUs and related community benefits.

<u>Incentives</u>

On April 2, Council discussed with respect to rental units whether an effective incentive could be achieved through a reduction or waiver of DIFs that would otherwise be required pursuant to the current DIF Ordinance in exchange for a restrictive affordability covenant for a limited term, where the value of the incentive equaled or exceeded any potential loss of market-level rent. The following analysis looks more closely at the value of a DIF reduction relative to lost market rent. Essentially the same analysis applies to both multi-family units and ADUs.

On this analysis, the effectiveness of a DIF waiver incentive is highly sensitive to and dependent upon the market rent of the unit. A DIF waiver incentive is only effective where the market rent does not exceed the affordable level rent by a wide margin, as may be the case for at least some ADUs, but not generally for larger, multi-family housing project apartments.

Affordability levels are established by household size based on area median income (AMI). These levels are updated annually by the County of Santa Barbara based on State Department of Finance data. The first table below shows current affordable rent levels for a 2-person household in Goleta at different levels of affordability and compares these rent levels to a typical, 2-bedroom apartment that would normally generate $2,400 per month in market rate rent.

Staff estimates the same unit would generate approximately $30,500 in DIFs per unit (not including school fees), for a multi-family project and approximately $22,000 in DIFs (not including school fees) as an ADU. Using these estimates as a target DIF waiver incentive, an analysis of the difference between market-rate and affordable rent for a 2-person ADU illustrates what would be an effective term for a deed restriction by affordability level. For illustrative purposes, values that are less than the lower target DIF waiver are in green and values that are more are in red.

	Monthly rent (2-person household)			**Cost (lost rent)**			
	Affordable	**Market Rate**	**Difference**	**1-year deed**	**2-year deed**	**5-year deed**	**10-year deed**
Extremely Low	$477.75	2,400	1,922.25	23,067	46,134	115,335	230,670
Very Low	$796.25	2,400	1,603.75	19,245	38,490	96,225	192,450
Low	$1,274	2,400	1,126.00	13,512	27,024	67,560	135,120
Moderate	$1,911	2,400	489.00	5,868	11,736	29,340	58,680

This table shows that, at this market rate rent, even a 100% DIF waiver is an insufficient incentive for an owner to restrict a unit to affordable levels, except at the low income level for a very short term of one-to-three years, depending on DIFs owed. For longer terms, at this market rent level, the lost market rent exceeds the DIFs by a substantial margin. As shown in Attachment 2, the net present value of the lost market rent for a ten-year term, at a 4.0% capitalization rate, comes to $109,594. For thirty years, the net present value is over $233,000.

For a smaller, 2-person ADU, which could charge less rent on the open market, the difference between market rate and affordable rent decreases, while the effective deed restriction term increases. Taking the time value of money into account, Attachment 2 shows that the net present value of the lost market rent at the Low affordability level for a ten-year term, assuming a 4.0% capitalization rate, would be $21,997, just less than the assumed $22,000 DIFs required for this ADU. (For a 30-year term, the net present value is $46,896, more than the twice the current value of the DIFs.)

	Monthly rent (2-person household)			**Cost (lost rent)**			
	Affordable	**Market Rate**	**Difference**	**1-year deed**	**2-year deed**	**5-year deed**	**10-year deed**
Extremely Low	$477.75	1,500	1,022.25	12,267	24,534	61,335	122,670
Very Low	$796.25	1,500	703.75	8,445	16,890	42,225	84,450
Low	$1,274	1,500	226.00	2,712	5,424	13,560	27,120
Moderate	$1,911	1,500	-	-	-	-	-

For multi-family units commanding higher market rents, the lost market rent is an order of magnitude higher than the DIFs for the unit. In the absence of another substantial funding source, making up this difference to arrive at a meaningful incentive to enter into an affordable deed restriction for a longer term is probably out of reach. DIFs alone are an insufficient incentive. For this reason, as discussed above, staff recommends considering packages of incentives on a project-by-project basis through Development Agreements tailored to individual multi-family projects.

By contrast, for smaller units, such as ADUs of 800 SF or less and possibly some other, smaller "affordable-by-design" multi-family rental projects, DIF waivers may be an effective incentive for an owner to enter into an affordable deed restriction. For these smaller units, market rent is lower and may bear a closer relationship to DIFs.

City staff has not performed a formal rental market survey to establish local rents. However, basic assumptions about the rental market suggest that DIF waivers may be effective to incentivize voluntary deed restrictions for at least some ADUs. A commitment to a 10-year Low affordable rent restriction may be attractive to ADU owners and some other small unit projects. Other factors may also play a role, especially in the case of ADUs. For example, where the property owner lives in ADU or the owner plans to let a family member live in the ADU at a reduced rent anyway, a DIF waiver may be ample incentive to agree to restrict the unit for a 10-year term. Ultimately, the rental market will determine how effective such waivers may be.

Given this information and analysis, staff continues to recommend the City Council offer 100% DIF waivers for any rental unit (small multi-family or ADU) above and beyond those units subject to rental inclusionary programs, where the owner agrees to enter into a deed restriction limiting rent to Low affordability levels for at least 10-year term. If the State enacts legislation, such as SB 13, that substantially limits the City's ability to impose DIFs on ADUs, then State law would supersede the City's adopted DIFs for ADUs and the DIF waiver incentive would cease to exist. However, so long as the City may impose reasonable DIFS on ADUs, a City DIF waiver program may continue to generate new affordable units.

<u>Tenant Protections</u>

The draft resolution builds in tenant protections discussed by Council on April 2. These protections include a requirement that landlords disclose the affordable deed restriction term and allowable rent level in the lease. In addition, the draft Resolution structures the DIF waiver initially as a DIF deferral that does not vest until the end of the ten-year term where the full amount of DIFs becomes due and payable immediately if the City finds the property owner to be in violation of the terms of the deed restriction.

The Resolution, as drafted, also allows DIF deferrals/waivers to apply retroactively to ADUs approved prior to the adoption of the Resolution. To encourage the creation of as much affordable housing as possible, property owners with previously approved ADUs, who wish to participate in the DIF deferral/waiver program, would be entitled to refunds of DIFs previously paid in exchange for an affordable deed restriction on the same terms as new ADU applicants.

<u>Tiered Incentive Structure</u>

Consistent with previous City Council direction, the draft Resolution includes the following four tiers of DIF reduction/waiver particular to ADUs:

1) Any unit, including but not limited to ADUs, that agrees to a restrictive covenant for affordability at a level of Low or below will receive a 100% DIF reduction. The restrictive covenant shall be for a period not less than ten years.
2) ADUs that are located within the footprint of the existing primary dwelling on the site, but that do not have a restrictive covenant, will receive a 50% DIF reduction.
3) ADUs that change the footprint of the existing primary dwelling, e.g., by adding to it, but that do not have a restrictive covenant, will receive a 30% DIF reduction.
4) ADUs that are detached from the existing primary dwelling, but that do not have a restrictive covenant, will receive a 10% DIF reduction.

The exact percentage reduction for these tiers is a topic for Council discussion.

FISCAL IMPACTS:

The cost to the City of a beneficial projects DIF program depends on the categories of development projects, Council's action on reduction rates, impact fees eligible for waiver or reduction, and the rate of development that qualifies. Depending on these factors, costs could amount to hundreds of thousands of dollars per year. Council has discretion to set the reduction rates as it deems appropriate.

At the April 2 workshop, the City Council asked for further analysis of lost market-rate rent for ADUs as compared to restricted affordable rents, which is provided above. Because the net fiscal impact is difficult to predict in advance, Council could consider the following measures in connection with DIF reductions for ADUs:

- Council could implement the requirement for yearly reporting of DIF reductions to assess fiscal impacts and adjust as necessary.
- Council could consider capping the number of ADUs per year that receive a DIF reduction or full waiver.

These alternatives could prove especially prudent given pending legislation that may limit the City's ability to collect DIFs for ADUs.

ALTERNATIVES:

Available alternatives include the following:

a. The City Council could choose not to adopt any beneficial projects resolution and instead subject all development projects approved within the City of Goleta to full development impact mitigation fees per the adopted DIF ordinance.

b. The Council could adopt a beneficial projects resolution, including a DIF waiver incentive program for affordable units, but adjust details, such as DIF reduction percentage.

c. The Council could adopt a beneficial projects resolution, but not include a DIF waiver incentive program for affordable units.

Legal Review By:

Michael Jenkins
City Attorney

Approved By:

Michelle Greene
City Manager

ATTACHMENTS:

1. Resolution No. 19-___, entitled “A Resolution of the City Council of the City of Goleta, California, Adopting a Development Impact Fee Reduction Program for Beneficial Projects”

2. Net Present Value DIF vs. Lost Market Rent Comparisons

Attachment 1

Resolution No. 19-___, entitled "A Resolution of the City Council of the City of Goleta, California, Adopting a Development Impact Fee Reduction Program for Beneficial Projects"

RESOLUTION NO. 19-__

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GOLETA, CALIFORNIA ADOPTING A DEVELOPMENT IMPACT FEE REDUCTION PROGRAM FOR BENEFICIAL PROJECTS

WHEREAS the City of Goleta's General Plan includes policies encouraging the development of incentives for development of projects deemed beneficial within the City of Goleta; and

WHEREAS, on February 19, 2019, the City Council adopted the Development Impact Fee (DIF) Ordinance, which became effective on April 20, 2019; and

WHEREAS the adopted DIF Ordinance established the City Council's ability to adopt a resolution to reduce, adjust or waive DIFs for categories of projects deemed beneficial by the City Council; and

WHEREAS the purpose of establishing DIF reductions for projects deemed beneficial is to identify specific types of development that reflect City policy priorities and need relief from paying DIFs.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GOLETA AS FOLLOWS:

SECTION 1. Recitals

The City Council hereby finds and determines that the foregoing recitals, which are incorporated herein by reference, are true and correct.

SECTION 2. Adoption

The City Council hereby finds and declares the categories of projects listed and defined in Exhibit "A", attached hereto and incorporated herein, to be beneficial projects for purposes of the DIF Ordinance.

SECTION 3. Documents

The documents and other materials, which constitute the record of proceedings upon which this decision is based, are in the custody of the City Clerk, City of Goleta, 130 Cremona Drive, Suite B, Goleta, California, 93117.

SECTION 4. Certification

The City Clerk shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions.

PASSED, APPROVED AND ADOPTED this ___ day of ________ 2019.

____
PAULA PEROTTE
MAYOR

ATTEST:

____
DEBORAH S. LOPEZ
CITY CLERK

APPROVED AS TO FORM:

____
MICHAEL JENKINS
CITY ATTORNEY

STATE OF CALIFORNIA)
COUNTY OF SANTA BARBARA) ss.
CITY OF GOLETA)

I, DEBORAH S. LOPEZ, City Clerk of the City of Goleta, California, DO HEREBY CERTIFY that the foregoing Resolution No. 19-__ was duly adopted by the City Council of the City of Goleta at a regular meeting held on the __ day of ____________ 2019, by the following vote of the Council:

AYES:

NOES:

ABSENT:

ABSTAIN:

(SEAL)

____
DEBORAH S. LOPEZ
CITY CLERK

Exhibit A
Resolution No. 19-__

DIF Ordinance Beneficial Project Categories

DEVELOPMENT IMPACT FEE REDUCTION BENEFICIAL PROJECT CATEGORIES

Section 1. Definitions

For purposes of beneficial project transportation fee reductions, the following terms shall be defined as follows:

"Accessory Dwelling Unit (ADU)": As presently defined, or may hereafter be amended, in the City of Goleta's Inland and Coastal Zoning Ordinances, which qualify as affordable housing, as defined herein.

"Affordable Housing": For purposes of this Resolution, this term means affordable housing units that meet at a minimum affordability threshold qualifying as low, very low, or extremely low-income housing, as used in the General Plan Housing Element.

"Child Care Facility": As presently defined, or may hereafter be amended, in the City of Goleta's Inland and Coastal Zoning Ordinances.

"Mobile Home": As presently defined, or may hereafter be amended, in the City of Goleta's Inland and Coastal Zoning Ordinances. Fee reductions shall apply only to new mobile homes developed or placed on existing vacant lots and qualifying as affordable housing, as defined herein.

"Non-Profits": Any 501(c)(3) non-profit entity or governmental agency which provides public access to sites of significant historical, cultural or natural resource value, and/or provides essential health, safety, welfare or other community service needs, such as community recreational facilities.

"Senior Care Facility": Any Senior Care Facility that provides non-medical care to the elderly in need of personal services, supervision, or assistance essential for sustaining the activities of the individual on less than a 24-hour basis.

"Special Needs Facilities": A Special Needs Facility shall be defined as a living environment that provides certain amenities, physical attributes, and/or services to persons or groups of persons such as the disabled, elderly, single-parent households, and homeless. Special Needs Facilities include, but are not limited to, single-room occupancy facilities, special care homes, transitional homes, emergency shelters, sanitariums, hospices, and assisted living for the elderly.

Section 2. All qualifying Affordable Housing rental units beyond those required by inclusionary housing policy, including without limitation ADUs and Mobile Homes, which qualify as Affordable Housing as defined herein, shall receive a 100% Development Impact Fee deferral, provided that the owner agrees to record a restrictive covenant for affordability restricting the use of the housing unit to Affordable Housing as defined in this resolution and limiting rent to affordable levels for a term of not less than 10 years.

A 100% Development Impact Fee deferral shall delay the time of payment when DIFs would otherwise be owed until the expiration of the ten-year term. At the end of the ten-year deed restriction term, the DIF deferral shall vest and become a permanent waiver of DIFs otherwise owed for the unit. If, however, the property owner is found by the City to be in violation of the terms of the deed restriction at any time during its term, then the full amount of DIFs at the time of the violation shall become due and payable immediately.

Section 3. ADUs that do not have an Affordable Housing restrictive covenant shall receive a Development Impact Fee reduction as follows:

1) ADUs that are located entirely within the footprint of the existing primary dwelling on the property will receive a 50% DIF reduction.

2) ADUs that change the footprint of the existing primary dwelling on the property, e.g., by adding to its floor area, will receive a 30% DIF reduction.

3) ADUs that are detached from the existing primary dwelling will receive a 10% DIF reduction.

Section 4. In addition to the requirements of Sections 2 and 3, Accessory Dwelling Units qualifying for a Development Impact Fee reduction shall agree to all of the following additional terms in exchange for a reduction in DIFs:

1. Property owners shall provide notice in the lease of the affordable deed restriction, its term, and allowable rent levels thereunder.

2. ADU owners shall record a restrictive covenant agreeing not to rent the ADU as a short-term rental (for less than 30 days).

3. As a condition of approval, ADU owners shall agree to provide the City of Goleta documentation of ADU rents, where applicable, meeting the requirements of the State Housing and Community Development Department on an annual or other periodic basis.

Section 5. All projects by qualifying Non-Profit Organizations, as defined herein, shall receive a 100% Development Impact Fee reduction up to the first 15,000 square feet of the project.

An applicant receiving a DIF beneficial reduction for a project qualifying as a non-profit organization as defined in this resolution shall record a restrictive covenant on the subject property limiting its use to non-profit purposes in exchange for the DIF reduction. Upon change of non-profit status or acquisition of the property by a for-profit entity that does not qualify as a beneficial project, the for-profit entity shall pay the difference between the full amount of DIFs at the time the DIF was discounted and the reduced DIFs previously paid, plus annual adjustments for each year the discount was applied. Each annual adjustment shall be in accordance to a percentage equal to the appropriate Engineering Cost Index as published by Engineering News Record, or its successor publication, for the preceding 12 months for which the ECI is available and such ECI shall be specific to California or the nearest region. Such difference in DIFs shall be paid prior to close of escrow before transfer of ownership or possession. For a change of use to another beneficial project category, the applicant shall pay the difference for any greater amount of DIFs owed under the new beneficial project category.

Section 6. All qualifying non-profit Child Care, Senior Care and Special Needs Facilities projects shall receive an 100% Development Impact Fee reduction.

All other for-profit Child Care, Senior Care and Special Needs Facilities projects shall receive an 85% Development Impact Fee reduction.

An applicant receiving a DIF beneficial reduction for a project qualifying as either a non-profit or for-profit Child Care, Senior Care and Special Needs Facility as defined in this resolution shall record a restrictive covenant on the subject property limiting its use to either a non-profit or for-profit Child Care, Senior Care and Special Needs Facility in exchange for the DIF reduction. Upon change of use or non-profit status, the applicant or its successor in interest shall pay the difference between the full amount of DIFs at the time the DIF was discounted and the reduced DIFs previously paid, plus annual adjustments for each year the discount was applied. Each annual adjustment shall be in accordance to a percentage equal to the appropriate Engineering Cost Index as published by Engineering News Record, or its successor publication, for the preceding 12 months for which the ECI is available and such ECI shall be specific to California or the nearest region. Such difference in DIFs shall be paid prior to close of escrow before transfer of ownership or possession. For a change of use to another beneficial project category, the applicant shall pay the difference for any greater amount of DIFs owed under the new beneficial project category.

Section 7. All requests for DIF reductions shall be made prior to the time of a project's planning approval or, where no planning permit is required, prior to building permit issuance. An untimely DIF reduction request shall be denied.

Section 8. Any ADU project approved since adoption of the current ADU regulations (Ord. 18-01) that subsequently agrees to record an Affordable Housing restrictive covenant pursuant to this Resolution shall be entitled to a refund of all Development Impact Fees paid for the project, subject to the terms of the deed restriction as outlined in this Resolution.

Attachment 2

Net Present Value DIF vs. Lost Market Rent Comparisons

Net Present Value Comparison

Montly rent

Market rate	**1,500**	
Low Income	1,274	
Difference	226	Monthly
	2,712	Annual

Montly rent

Market rate	**2,400**	
Low Income	1,274	
Difference	1,126	Monthly
	13,512	Annual

Value of Lost Market Rent

Discount rate	4.00%		
Sum	27,120		81,360
NPV	21,997		46,896
Year		Year	
1	2,712	1	2,712
2	2,712	2	2,712
3	2,712	3	2,712
4	2,712	4	2,712
5	2,712	5	2,712
6	2,712	6	2,712
7	2,712	7	2,712
8	2,712	8	2,712
9	2,712	9	2,712
10	2,712	10	2,712
		11	2,712
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		22	2,712
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		24	2,712
		25	2,712
		26	2,712
		27	2,712
		28	2,712
		29	2,712
		30	2,712

Value of Lost Market Rent

Discount rate	4.00%		
Sum	135,120		405,360
NPV	109,594		233,650
Year		Year	
1	13,512	1	13,512
2	13,512	2	13,512
3	13,512	3	13,512
4	13,512	4	13,512
5	13,512	5	13,512
6	13,512	6	13,512
7	13,512	7	13,512
8	13,512	8	13,512
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		30	13,512