



DISCUSSION ITEMS

Agenda Item # 7

AGENDA REPORT SUMMARY

Meeting Date: May 9, 2017

Subject: Affordable Housing Linkage Fees

Prepared by: David Kornfield, Planning Services Manager—Advance Planning

Reviewed by: Jon Biggs, Community Development Director

Approved by: Chris Jordan, City Manager

Attachments:

1. Planning and Transportation Commission Memorandum dated March 16, 2017
2. Planning and Transportation Commission Minutes dated March 16, 2017
3. Correspondence
4. Summary; Residential; and Non-Residential Nexus Analyses and Study, Keyser Marston Associates, dated December 2016

Initiated by:

City Council

Previous Council Consideration:

None

Fiscal Impact:

There would be administrative costs associated with collecting and dispersing affordable housing linkage fees; however, the fees themselves may be used to make up for such costs.

Environmental Review:

Not applicable

Policy Questions for Council Consideration:

- Should Los Altos adopt affordable housing linkage fees?
- If linkage fees are adopted, to what land use should they apply?
- If linkage fees are adopted for a land use type, what is the appropriate level?
- If linkage fees are adopted, how should the City use them?

Summary:

- The affordable housing nexus studies support adopting development fees.
- Los Altos has a strong affordable housing program producing actual housing units.
- Los Altos does not have the development potential to support using such fees to construct affordable housing units within the City.

Staff Recommendation:

Move to direct staff to prepare an ordinance requiring residential and commercial linkage fees.



Subject: Affordable Housing Linkage Fees

Purpose

The purpose of this topic is to consider the appropriateness of adopting affordable housing linkage fees for commercial and/or residential development. The consideration of adopting such fees implements Program No. 4.3.7 of the 2015-2023 Housing Element of the City's General Plan.

Background

The City's 2015-2023 Housing Element Program No. 4.3.7 sets forth a requirement to consider adopting affordable housing linkage fees for commercial development. On May 26, 2016, the City Council expanded the scope of this program to include residential development. To help establish a basis to consider such fees, the City joined a multi-jurisdictional study organized by the Silicon Valley Community Foundation. The resulting study is made up of three reports prepared by Keyser Marston Associates (Attachment 3):

1. Summary, Context Materials and Recommendations Affordable Housing Nexus Studies;
2. Residential Nexus Analysis; and
3. Non-Residential Nexus Analysis.

Page 6 of the Summary, Context Materials and Recommendations report outlines the consultant's program recommendations.

On March 16, 2017, the Planning and Transportation Commission held a hearing and concurred with staff's basic recommendations to:

- Maintain the multiple-family affordable housing requirements per Chapter 14.28 of the Code; and
- Adopt a fee of \$45 per square foot to allow developers of larger multiple-family rental projects (10 or more units) to pay a fee in-lieu of providing affordable rental units per Chapter 14.28 of the Code.

The Commission added recommendations to:

- Adopt a fee for new development and additions in the range of:
 - \$20 to \$25 per square foot for office; and
 - \$10 to \$15 per square foot for other non-residential, *excepting retail*; and
- Consider adopting a fee for lower density residential projects (1 to 4 dwellings per acre) as per the consultant's recommendations.



Subject: Affordable Housing Linkage Fees

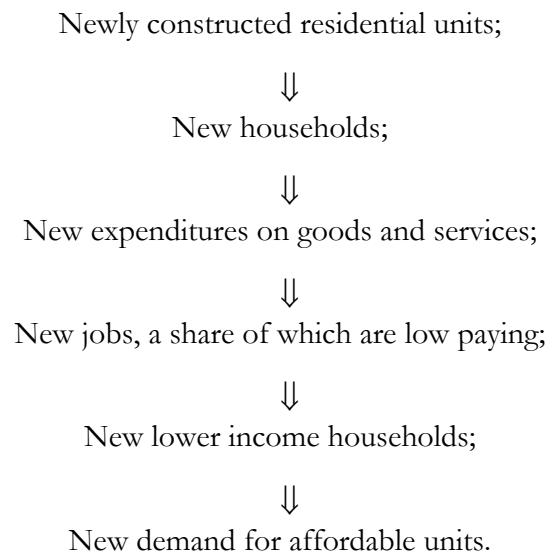
The attached memorandum to the Planning and Transportation Commission summarizes the City's affordable housing regulations and program, and discusses the application of linkage fees (Attachment 1). Attachment 2 provides the Commission's meeting minutes.

Discussion/Analysis

What are affordable housing linkage fees?

Affordable housing linkage fees are development fees that may be used to develop affordable housing, rehabilitate affordable housing, and provide limited administration costs as they relate to building and maintaining affordable housing.

To adopt affordable housing linkage fees the City must determine a nexus, or connection, between development and the need for affordable housing. For residential development, the nexus analysis concept is as follows:



For commercial development, the nexus analysis concept is similar: new commercial buildings add new workers; new workers create a need for additional housing in proximity to the jobs; a portion of the new housing needs to be affordable to workers in lower income households.

The commissioned nexus reports demonstrate a clear basis to adopt affordable housing linkage fees should the City Council desire it. The reports demonstrate the high range of possible fees and recommend lower justifiable amounts.

Build Units Not Fees

The first recommendation is to maintain the City's multiple-family affordable housing requirement as outlined in Chapter 14.28 of the Municipal Code. This takes a position that the City wants affordable



Subject: Affordable Housing Linkage Fees

housing units built and sold with multiple-family development rather than allow fees in-lieu of providing such units. This is appropriate because the City does not have a significant amount of development potential to justify a realistic opportunity to gather a significant amount of revenue from fees and develop affordable housing. The attached memorandum to the Planning and Transportation Commission contains an analysis of the potential fees.

Multiple-Family Rental Fee

The recommended linkage fee of \$45 per total square foot for multiple-family *rental* projects is important as a tool to help facilitate the inclusion of affordable rental units in projects rather than collecting a fee. This recommended fee is set high enough to encourage developers to build affordable rental units; and this fee structure allows a developer the choice to pay a fee in-lieu of required affordable rental units should they not wish to avail themselves of the State density bonus law. This helps the City avoid a legal issue where it cannot require affordable rental units due to the *Palmer* case law conflict with the Costa Hawkins Act that prohibits rent control on units built after 1995.

Commercial Fee

The recommended commercial linkage fee for new development and additions would help create parity with other cities in the region that require fees. The Planning and Transportation Commission recommended the following range of fees as recommended by the consultant:

- \$20 to \$25 per square foot for office; and
- \$10 to \$15 per square foot for other non-residential, *excepting retail*.

If desired by the City Council, staff recommends adopting the commercial fees at the high end of the recommended range. Although adopting such fees add to the cost of development, per the Study, setting the fee at the high end of the range is still not an impediment to development. The Commission exempted retail from a commercial linkage fee to facilitate retail development when appropriate. The attached memorandum to the Planning and Transportation Commission contains a summary of development back to 2010 showing that if the City had the recommended non-residential fees in place it could have collected approximately \$500,000 in linkage fees.

Fee for Lower Density Residential Projects

The Planning and Transportation Commission recommended that the Council consider adopting a fee for lower density residential projects (1-4 dwellings per acre) per the consultant's recommendations (\$35 per square foot at the low end and nine (9) percent of the sales cost at the high end). The Commission's intent is to consider applying the fee to single-family residential projects to spread the burden because maintaining lower density districts such as single-family takes away from the opportunity for more affordable housing types at higher densities.

Staff does not recommend an impact fee for single-family residential projects. Although such a fee is technically justified, the amount recommended by the consultant, even at the lower end of \$35 per



Subject: Affordable Housing Linkage Fees

square foot, would add at least \$120,000 to the cost of a single-family dwelling. Applying the higher end fee of nine (9) percent of sales cost would add approximately \$234,000 to \$360,000 depending on the condition of the house, old or new, respectively. While this could add substantial sums to an affordable housing fund, with the already very high cost of single-family housing in the community staff does not see this as politically tenable.

How to Use a Housing Fee

Affordable housing linkage fees, by statute, may only be used to develop affordable housing, to rehabilitate affordable housing, and to provide limited administration costs as they relate to building and maintaining affordable housing.

Since the City likely will not generate substantial sums, collecting affordable housing fees would likely benefit affordable housing in the region because the City would probably leverage such fees to the Santa Clara County Housing Trust or some other similar organization. Under the current State regulations, the City would obtain some credit for supporting regional housing needs but not tally credit toward our assigned Regional Housing Needs Assessment. In staff's view, it would take a significantly long period to generate enough fees for an affordable housing development, and once there was a critical sum, the very high land cost in the community would make it difficult to purchase land or justify donating City land for an affordable housing project.

Options

- 1) Option #1 as recommended by the Planning and Transportation Commission:
 - a. Maintain the multiple-family affordable housing requirements per Chapter 14.28 of the Code;
 - b. Adopt a fee of \$45 per square foot for multiple-family rental projects in-lieu of providing required affordable rental units per Chapter 14.28 of the Code; and
 - c. Adopt a fee for new development and additions in the range of:
 - i. \$20 to \$25 per square foot for office; and
 - ii. \$10 to \$15 per square foot for other non-residential, *excepting retail*; and
 - iii. Consider adopting a fee for lower density residential projects (1 to 4 dwellings per acre) as per the consultant's recommendations.

Advantages: May provide a substantial amount of fee revenue. Cures a legal question regarding the City's rental affordable housing requirement.

Disadvantages: Adopting fees for single-family development might be politically difficult. Might provide enough fees to justify keeping the fees to develop affordable housing within the City limits; however, at the very high cost of acquiring land, which would diminish the return. Housing fees could also be used to construct



Subject: Affordable Housing Linkage Fees

housing in the region, which does not directly satisfy the City's affordable housing goals.

- 2) Option #2 as recommended by staff:
- a. Maintain the multiple-family affordable housing requirements per Chapter 14.28 of the Code; and
 - b. Adopt a fee of \$45 per square foot for multiple-family rental projects in-lieu of providing required affordable rental units per Chapter 14.28 of the Code; and
 - c. Adopt a fee for new development and additions for:
 - i. \$25 per square foot for office; and
 - ii. \$15 per square foot for other non-residential, *excepting retail*.

Advantages: May provide a meaningful amount of fee revenue in step with some surrounding communities. Cures a legal question regarding the City's rental affordable housing requirement. Supports regional housing needs outside of Los Altos.

Disadvantages: None.

Recommendation

The staff recommends Option 2.



DATE: March 16, 2017

AGENDA ITEM # 3

AGENDA REPORT

TO: Planning and Transportation Commission
FROM: David Kornfield, Planning Services Manager—Advance Planning
SUBJECT: Affordable Housing Linkage Fees

BACKGROUND

Basis for Nexus Studies

In accordance with Program 4.3.7 of the City's adopted 2015-2023 Housing Element, the City is to consider adopting a commercial development linkage fee for affordable housing. At its May 26, 2015 meeting the City Council expressed an interest in expanding this consideration to residential development. To help provide a basis for such fees the City joined a multi-city nexus study headed by the Silicon Valley Community Foundation. Keyser Marston Associates prepared the technical study for the 12 participating jurisdictions in Alameda and Santa Clara counties, with each community receiving specific recommendations. The affordable housing nexus study is made up of the following three reports:

1. Summary, Context Materials and Recommendations Affordable Housing Nexus Studies;
2. Residential Nexus Analysis; and
3. Non-Residential Nexus Analysis.

The nexus reports are attached for reference with the Summary, Context Materials and Recommendations report serving as an executive summary.

City Affordable Housing Program Summary

Los Altos has had a strong affordable housing program since 1995. Affordable housing units are deed restricted units limited to below-market sales or rental values. Affordable housing units fall within the following income categories: Moderate, Low, Very-Low and Extremely-Low, and are based on a percentage of the County's median household income. The Santa Clara County area median income (AMI) is currently \$107,100 for a four-person household. The City's Multiple-Family Affordable Housing regulations (Chapter 14.28) require multiple-family residential developments to provide affordable housing units within their projects as follows:

- a. Developments with one to four units—affordable housing *not* required;
- b. Developments with five to nine units—affordable housing required if financially feasible; and
- c. Developments with 10 or more units—affordable housing required.

When affordable housing is required, developers have the option to provide for-sale units or rental units. For-sale projects must provide a minimum of 10 percent affordable units at the moderate



income level. Furthermore, when more than one for-sale affordable housing unit is required, then at least one must be designated at the low income level. Rental projects must provide a minimum of either 15 percent low income units or 10 percent very-low income units. However, a court ruling—the *Palmer* case—has suspended this requirement. When developments provide affordable housing units they qualify for state density bonus considerations including development incentives and waivers as dictated by state law. The City’s code references the state density bonus regulations as a means to encourage the inclusion of affordable housing in projects. The City does not allow fees in-lieu of providing the affordable housing units. To date, the City has achieved 108 affordable multiple-family units entitled including 32 rentals and 22 senior units.

Another source of affordable housing in the City is second living units (also known as accessory dwelling units). Second living units are stand-alone dwellings on single-family properties, either integral to the principal living unit or detached as accessory structures. In accordance with Municipal Code Chapter 14.14 second living units are currently limited to larger single-family properties with a minimum of 15,000 square feet for detached units and a minimum of 13,000 square feet for integral units. The City’s second living units are limited to low and very-low income households when rented. As a separate effort, the City will soon be considering changes to its second living unit regulations in accordance with recent changes to state laws to facilitate their construction as well as allowing them on smaller properties in accordance with the City’s Housing Element Program 4.2.2. To date, since the mid-1990s, the City has achieved approximately 50 affordable second living units; additionally, the City has scores of non-conforming second living units that predate the City.

Regional Housing Needs Assessment

As part of the state’s housing policy, each jurisdiction is required to provide the development opportunity for a certain amount of housing units across all income levels. This housing requirement is determined by the Association of Bay Area Government (ABAG) and called a Regional Housing Needs Assessment (RHNA). For the 2015-2023 Housing Element period, the City has Regional Housing Needs Assessment allocation of 477 housing units within the following categories:

Income Category	Income Level¹	No. of Units	Percent of Total
Extremely Low	0-30 % of AMI	84	18 %
Very Low	30-50 % of AMI	85	18 %
Low	50-80 % of AMI	99	21 %
Moderate	80-120 % of AMI	112	23 %
Above Moderate	120 % + of AMI	97	20 %
Total		477	100 %

¹ The Area Median Income (AMI) is calculated annually by the state typically in April of each year. Currently the 2016 figures are in effect with a base AMI of \$107,100 for a household of four.

Affordable Housing Linkage Fees



For the current Housing Element period the City has created a total of 186 housing units through 2016. This data includes those projects entitled and/or permitted after January 2014 through 2016:

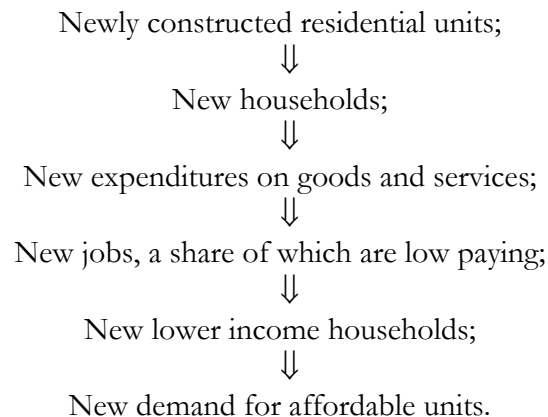
- 44 market-rate, multiple-family units;
- 5 affordable, multi-family units (2 moderate, 3 low);
- 131 market-rate, single-family units; and
- 6 affordable, second living units (1 low, 5 very-low).

The City has already exceeded its above moderate income (market rate) RHNA housing requirement of 97 units. Los Altos is on track to miss its lower income housing goals; however, the state recognizes that providing the opportunity in the housing policies is what is important and ultimately housing development is subject to market forces and developer preferences.

DISCUSSION

Affordable Housing Linkage Fees

To adopt affordable housing linkage fees the City must determine a nexus, or connection, between development and the need for affordable housing. For residential development the nexus analysis concept is as follows:



For commercial development the nexus analysis concept is similar: new commercial buildings add new workers; new workers create a need for additional housing in proximity to the jobs; a portion of the new housing needs to be affordable to workers in lower income households.

The technical affordable housing nexus reports by Keyser Marston Associates, dated December 2016, provide the City's basis to adopt affordable housing fees, if desired. Section II of the attached Summary report provides the key findings and recommendations. Section III of the Summary report summarizes the nexus analysis. Section IV of the Summary provides context for the policy decisions including the residential financial feasibility analysis, on-site compliance cost analysis, residential

Affordable Housing Linkage Fees



affordable housing requirements in other jurisdictions, non-residential development costs, and jobs-housing linkage fee programs in other jurisdictions. Attachments A and B contain the full Residential Nexus Analysis report and the full Non-Residential Nexus Analysis reports, respectively.

The Nexus studies establish the maximum fees that may be charged in the context of the City's development economy considering the City's housing policies and the current requirements of neighboring communities. If adopted, the study recommends setting fees high enough to provide a meaningful contribution to affordable housing in Los Altos but not so high as to discourage development.

Statutorily, affordable housing linkage fees may be used to develop affordable housing, rehabilitate affordable housing, and provide limited administration costs as they relate to building and maintaining affordable housing.

Affordable Housing Linkage Fee Policy Considerations

It is clear from the nexus analysis that there is a basis to adopt affordable housing linkage fees for residential and commercial development if desired by the City. There are a few important policy considerations, however, to determine if it is appropriate to adopt such fees:

1. Should Los Altos adopt affordable housing linkage fees?
2. If linkage fees are adopted, to what land use should they apply?
3. If linkage fees are adopted for a land use type, what is the appropriate level?
4. If linkage fees are adopted, how should the City use them?

Should Los Altos Adopt Affordable Housing Linkage Fees?

There are a few key considerations in determining the best fit for Los Altos to adopt affordable housing linkage fees. Most communities that adopt such fees give developers the choice to build the affordable units or pay the fee. Los Altos does not own, have equity in or finance its affordable housing units; rather, they are built by developers at the developer's expense within otherwise market rate projects. In part, due to the very high land costs in the City, historically Los Altos has not seen requests from affordable housing developers to build purely affordable housing projects in Los Altos for which we could use such linkage fees. To date, Los Altos' policy has been to require affordable housing units rather than accept in-lieu fees.

When Cities allow in-lieu fees and/or linkage fees they typically set them at levels commensurate with their housing policy. When cities prefer the construction of actual affordable housing units they set fees higher, if they have fees at all, to encourage the housing units over collecting the fee. Some cities set them lower to facilitate generating funds that they can leverage. Most fee options are seen as less costly to developers than providing on-site affordable units.

A small city such as Los Altos does not have the administrative potential to administrate an affordable housing linkage fee program unless it is a pass-through to another organization such as the Santa Clara

Affordable Housing Linkage Fees



County Housing Trust. Los Altos does not own any affordable housing units or an affordable housing rehabilitation program.

Several cities in the region have affordable housing linkage fees including Cupertino, Mountain View, San Jose and Sunnyvale (see page 33 of the Summary nexus report). According to the Summary report, rental impact fees cluster in the \$15 to \$20 per square foot range. Fees for for-sale units range greatly reflecting different approaches in each city. Typically, a fee is based on a percentage of sales price; however, this is noted as unique for the region. Discussions with jurisdictions that use the fee structure as a percentage of sales price note that it is harder to administrate this as a condition of sale; but this structure tends to generate more fees than a per square foot method and that overall such a fee resulted in fewer on-site affordable units. Adopting affordable housing linkage fees does not seem to discourage general housing development as evidenced by the trends in Palo Alto, Mountain View and Sunnyvale. It might be appropriate to adopt such fees for multiple-family residential rental projects as discussed below.

If linkage fees are adopted, to what land use should they apply?

If affordable housing linkage fees are adopted, should they be for single-family developments? Multi-family developments? Commercial developments including retail, office, mixed-use, and hotels? Los Altos sees very little net new single-family development although there are significant reconstructions of single-family houses. According to the Summary report it is not typical to charge fees for additions or reconstructions of single-family homes; however, given that this is significant amount of development that takes place in Los Altos it may have the potential to generate affordable housing funds.

From staff's perspective, it does not seem appropriate to charge linkage fees for for-sale multiple-family development. Typical fee structures are set below the actual cost to provide for-sale units. And with this structure, developers might elect to pay fees rather than develop on-site affordable housing for-sale units. Besides it would be likely that the fee, if imposed, would be used to help develop affordable housing in the region but not within Los Altos due to high land costs in the City. With the high land values, the Summary nexus report notes that, even with modest fees, developers may still choose to develop on-site affordable housing units to obtain the benefits of the state density bonus laws. Additionally, the City could consider adopting linkage fees for smaller residential projects that are not otherwise subject to the affordability requirements (e.g., projects with fewer than five units) so that all multiple-family projects contribute; this would, however, not generate significant fees as the City sees very few small multiple-family projects.

Adopting linkage fees for multiple-family rental projects might be desirable to cover instances where developers wish to develop retail projects and not benefit from the state density bonus laws. The recently developed rental housing in the City has been in either very small projects (i.e., fewer than five units) or in one case a large project (i.e., Colonnade with 167 units) where the developer preferred the benefits of the state density bonus law. When a developer develops rental housing and does not take advantage of the state density bonus laws the City cannot require affordable rental units due to



the *Palmer* case law conflict with the Costa Hawkins Act that prohibits rent control on units built after 1995.

Adopting commercial linkage fees might be deemed appropriate to create parity with other cities in the region. However, this would likely only benefit affordable housing in the region assuming that the City would share any fees obtained since the City is likely to receive insignificant sums.

If linkage fees are adopted, how should the City use them?

Affordable housing linkage fees are limited to constructing affordable housing and rehabilitating affordable housing and limited administrative costs of providing such housing. It does not seem realistic to set aside fee revenue in hopes to build affordable housing within the City since there is not a significant amount of development and the land prices are very high in Los Altos. If the City adopts affordable housing linkage fees then it would be appropriate to contribute them for regional housing solutions such as with the County Housing Trust. Another option would be to pool affordable housing linkage fees with nearby cities. It is not clear if the City would receive credit toward its RHNA allocation from the state for donating or pooling such fees for regional use.

If linkage fees are adopted for a land use type, what is the appropriate level?

The Keyser Marston Associates (KMA) nexus report recommends the following residential fees (see Program Recommendations, page 6 of Summary report):

1. Residential

- a. *For-Sale Requirement* – maintain the 10 percent on-site affordable housing requirement as a minimum. Currently the City’s program does not include a fee option as an alternative to providing affordable units on-site. If the City wishes to add a fee option, consider a fee level which approximates the cost of providing affordable units on-site as quantified in Table 2 of the Summary report (page 26). In terms of fee structure, consider setting fees as a percentage of sales price as is the practice in the nearby cities of Palo Alto, Mountain View, Sunnyvale and Menlo Park. The cost of complying with the City’s 10 % requirement equates to a fee level of 8 % - 9 % of sales price for single family units and 7 % of sales price for attached units based on the analysis in Table 2. It should be noted that, even if a fee option is offered, some projects would likely continue to provide units on-site for purposes of qualifying for the state density bonus.
- b. *Fee for Small Projects (4 units or less)* – For small projects, potentially including single units, consider a fee in the range of \$40 per square foot. For lower density single family projects with 4 dwelling units per acre or less, a fee in the range of \$35 per square foot is recommended. The indicated fee levels are based on the maximums supported by the nexus. These fee levels are well below the cost associated with complying with the City’s existing on-site affordable unit requirements applicable to projects with five or more units.



Phasing in the requirement based on the number of units in the project could be considered if there is a desire to charge one and two unit projects a lesser amount.

- c. *Lower-Density For-Sale Projects (4 units per acre or less)* – Currently the City exempts projects of four dwelling units per acre or less (i.e., single-family development) from the City’s 10 % inclusionary requirement. These projects have some of the highest values and generally can support a strong affordability requirement; however, on-site units are often not a good fit for this housing type. One option is to apply the City’s 10 % requirement but allow payment of an in-lieu fee as an alternative. If a generally applicable fee is introduced, it could apply to lower density projects as well, or a fee option could be included just for lower density projects set at, say, 8 % - 9 % of the sales price. Another option would be to establish an impact fee for lower density projects (rather than an in-lieu fee), which could be up to \$35 per square foot based on the nexus analysis findings, a requirement far less than 8 % - 9 % of sales price.
- d. *Additions* – The nexus analysis enables the City to consider applying affordable housing impact fees to additions to existing structures and the incremental residential area resulting from “Teardown / Rebuild” activity. San Carlos is an example of a program that applies a reduced fee for additions over 1,000 square feet. However, charging for additions is not common. If the City applies fees to additions, consider fees at a similar per square foot fee level to that applied small projects (see (b) above) or perhaps at a reduced rate. Inclusion of a minimum size threshold for fee application will avoid the administrative burden of charging very small additions.
- e. *Rentals Requirements* – Keyser Marston Associates recommends that an impact fee be added for rental projects and for the City to continue encouraging on-site units as an alternative to the fee. Despite the effect of the Palmer decision (where it was held that local inclusionary requirements imposed on rental housing violate State law), developers of recent rental projects have still chosen to comply with the City’s on-site affordability requirements as a way to become eligible for a state density bonus. Even with introduction of a new fee, the on-site solution is likely to remain an attractive option for rental projects due to the state density bonus benefit. Setting the fee near the nexus maximums, up to \$45 per square foot, may encourage projects to provide on-site units as an alternative to paying the fee. Setting a lower fee more consistent with nearby jurisdictions, say in the \$20 to \$25 per square foot range, would likely result in projects choosing to pay the fee in situations where a state density bonus is not being sought.



2. Non-Residential (see page 10 of Summary report)

- a. Given the maximums established by the nexus analysis, the strength of Los Altos’ office, retail and hotel markets, and the fees in neighboring jurisdictions, if the City decides to proceed with a non-residential affordable housing fee, Keyser Marston Associates recommends consideration of fees within the range of \$20 to \$25 per square foot for office and \$10 to \$15 per square foot for other non-residential development.

Applying KMA Recommended Fees to Past Development

Staff summarized the City’s development since 2010 to get a sense of the affordable housing linkage fees that might be possible. This was a particularly productive period for the City and likely represents a maximum development pattern over the last six years. Applying the recommended fees, the City could have collected approximately \$19M in multiple-family residential fees if the City waived the affordable housing units; however, only approximately \$500K would have been from residential projects exempt from affordable housing. The fees from commercial projects and additions including hotels, retail, and office would have totaled \$2.26M. The following table summarizes the projects since 2010:

DEVELOPMENT SUMMARY 2010 TO 2016								
Address	Type	(e) Area	(p) Area	Net Addition	Units	BMR	Fee Rate	Fee
100 First Street	M-F		94,445	82,100	48 condos	4 M 1 L	7 % of sales	\$3.7M
1 Main Street	Hotel		12,087	12,087	19 rooms		\$15 psf	\$181.3K
715 Altos Oaks Drive	Office	5,530	8,785	3,255			\$25 psf	\$81.4K
396 First Street	M-F		29,694	29,694	20 condos	1 M 1 L	7 % of sales	\$1.54M
160 First Street	Com.	22,585	47,684	25,099			\$15 psf	\$376.5K
400 Main Street	Mixed-Use		19,000 office 13,000 retail	19,000 office 13,000 retail			\$25 psf \$15 psf	\$475K \$195K



Address	Type	(e) Area	(p) Area	Net Addition	Units	BMR	Fee Rate	Fee
4750 El Camino	Mixed-Use	5,000	17,260 retail	12,260 retail 222,205 res.	167 apts.	16 L 1 VL	\$15 psf \$45 psf	\$184K \$10M
86 Third Street	Mixed-Use		5,525 office 28,135 res.	5,525 office 28,135 res.	20 condos	1 M 1 L	\$25 psf 7 % of sales	\$138K \$1.54M
467 First Street	Office		15,241	15,241			\$25 psf	\$381K
4940 El Camino Real	Office			3,679			\$25 psf	\$92K
897 N. San Antonio Road	Mixed-Use 2014		2,056 office 5,939 res.	2,056 office 5,939 res.	4 condos		\$25 psf 7 % of sales	\$51K \$308K
4700 El Camino Real	Retail	4,723	8,355	3,632			\$15 psf	\$54.5K
342 First Street	Retail		3,000	3,000			\$15 psf	\$45K
1540 Miramonte Avenue	Mixed-Use	1,256	1,594 retail 5,071 res.	338 retail 5,071 res.	4 apts.		\$15 psf \$45 psf	\$5K \$228K
4880 El Camino Real	M-F		30,798 res.	30,798 res.	21 condos	1 M 2 L	7 % of sales	\$1.62M

Notes:

- A. (e) means existing; (p) means proposed; BMR means below-market-rate unit; M means moderate income; L means low income, VL means very-low income, psf means per square foot;
- B. Residential fee calculations assume highest recommended values per KMA report, Table 2, page 26 of the Summary report;
- C. Non-residential fee calculations assume highest recommended values per KMA report, page 10 of Summary report; and
- D. \$K is thousands of dollars; \$M is millions of dollars.



RECOMMENDATION

1. Maintain the multiple-family affordable housing requirements per Chapter 14.28 of the Code;
2. Allow a fee of \$45 per square foot for multiple-family rental projects in-lieu of providing affordable rental units per Chapter 14.28 of the Code; and
3. Consider non-residential affordable housing linkage fees for new development and additions.

Attachments

- A. Summary, Context Materials and Recommendations Affordable Housing Nexus Studies, Keyser Marston Associates, dated December 2016
- B. Residential Nexus Analysis, Keyser Marston Associates, dated December 2016
- C. Non-Residential Nexus Analysis, Keyser Marston Associates, dated December 2016

**MINUTES OF A REGULAR MEETING OF THE PLANNING AND
TRANSPORTATION COMMISSION OF THE CITY OF LOS ALTOS, HELD ON
THURSDAY, MARCH 16, 2017 BEGINNING AT 7:00 P.M. AT LOS ALTOS CITY HALL,
ONE NORTH SAN ANTONIO ROAD, LOS ALTOS,
CALIFORNIA**

ESTABLISH QUORUM

PRESENT: Chair Moison, Vice Chair Meadows, and Commissioners Bressack, Bodner
McTighe, Oreizy and Samek

STAFF: Community Development Director Biggs and Advance Planning Services Manager
Kornfield

PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

Resident Paula Rim, representing the Public Art Commission, asked to be put on a future agenda to go over the Arts Master Plan with the Commission.

ITEMS FOR CONSIDERATION/ACTION

CONSENT CALENDAR

1. Planning and Transportation Commission Minutes

Approve the minutes of the February 16, 2017 Regular Meeting and the March 2, 2017 Study Session.

Action: Upon motion by Commissioner McTighe, seconded by Vice Chair Meadows, the Commission unanimously approved the minutes of the February 16, 2016 Regular Meeting with changes to agenda item #2 regarding the CT Zone District Amendments.

Action: Upon motion by Commissioner McTighe, seconded by Vice Chair Meadows, the Commission approved the minutes of the March 2, Study Session as written by the following vote: AYES: Chair Moison, Vice Chair Meadows, and Commissioners McTighe, Samek and Oreizy; NOES: None; ABSTAIN: Commissioners Bressack and Bodner; ABSENT: None.

PUBLIC HEARING

2. 17-CA-01 – Amendments to the CT Zone District – El Camino Real Corridor

Continued public hearing of Proposed Amendments to Chapter 14.50, CT Commercial Thoroughfare Zone District, of the Los Altos Municipal Code that reflect modified height limits, setback requirements, open space requirements, standards for mechanical parking systems, standards for on-site areas to accommodate delivery, service, and refuse vehicle, standards for rooftop uses, among other standards. The Planning and Transportation Commission will review the proposed amendments and develop a recommendation to the City Council. *Project Manager: Biggs*

Community Development Director Biggs presented the staff report, summarizing the last meeting and revised recommendations.

Public Comment

Residents David Walther, Emily Walther, Darren Jones, Roberta Phillips, and Mary Skougaard spoke with concern about the CT zone amendments.

Architect Jeff Potts and Mircea (property owner of 4846-4856 El Camino Real) spoke in support of the CT zone amendments.

Discussion

The Commission discussed the proposed changes to the CT zone along El Camino Real. The following is a summary of the Commission's comments and input on modifications to the proposed CT zone district amendments:

- Amend the purpose section to reflect the change allowing residential as a permitted use;
- Modify the order of permitted uses, with uses of the same general character being last in the series;
- Allow minimum average side yard widths of four feet;
- Require that private open space have minimum dimensions of at least six feet by six feet;
- Reduce increments or amounts between the common open space brackets;
- Clarify that solid waste containers shall be stored in a "concealed" space;
- Clarify that accessible parking cannot be sited in a mechanical parking space; and
- Allow elevator and other mechanical enclosures to be as tall as minimally necessary, subject to confirmation by staff.

Action: The Commission unanimously continued application 17-CA-01 for amendments to the CT Zone District along the El Camino Real Corridor to a future meeting of the Planning and Transportation Commission based on their discussion.

DISCUSSION

3. Affordable Housing Fees

Advance Planning Services Manager Kornfield presented the staff report discussing impact fees and their feasibility. Consultant Joshua Abrams of Baird + Driskell Community Planning outlined that the City could get program credit from the state by collecting and distributing fees but not "tally" credit for housing unit production unless they were used to build affordable housing in the community.

Public Comment

The League of Woman Voters (representative Sue Russell) spoke in support of higher rental fees to encourage developers to build units, to consider non-residential fees for development and that City land could be used to help generate affordable housing. Resident David Walther said to consider allocating City funds to initiate the Affordable Housing program.

The Commission discussed the Affordable Housing Linkage fees.

Action: Upon motion by Chair Moison, seconded by Commissioner Bressack, the Commission unanimously recommended approval of the adopting affordable housing linkage fees to the City Council as follows:

1. Maintain the multiple-family affordable housing requirements per Chapter 14.28 of the Code;

2. Adopt a fee of \$45 per square foot for multiple-family rental projects in-lieu of providing affordable rental units per Chapter 14.28 of the Code;
3. Adopt a fee for new development and additions as follows:
 - a. \$20 to \$25 per square foot for office; and
 - b. \$10 to \$15 per square foot for other non-residential, excepting retail; and
4. Consider adopting a fee for lower density residential projects (1 to 4 dwellings per acre) as per the consultant's recommendations.

COMMISSIONERS' REPORTS AND COMMENTS

Chair Moison reported on the March 14, 2017 City Council meeting in which the Council extended the moratorium on development along the El Camino Real Corridor – CT zone and appointed Anita Enander to the Planning and Transportation Commission as Chair Moison's replacement.

POTENTIAL FUTURE AGENDA ITEMS

Per Paula Rim's comments (representing the Public Arts Commission) the Commission agreed to put the review of the Arts Master Plan with the Planning and Transportation Commission on a future agenda. Reorganization of the Commission including the election of a new Chair and Vice Chair will be on the next agenda for the first meeting in April.

ADJOURNMENT

Chair Moison adjourned the meeting at 10:33 P.M.

David Kornfield
Advance Planning Services Manager



LEAGUE OF WOMEN VOTERS
of the Los Altos-Mountain View Area

March 15, 2017

Chair Moison and Members of the Planning and Transportation Committee
City of Los Altos
1 N. San Antonio Road
Los Altos, CA 94022

Re: PTC Meeting - March 16th

Agenda Item #3 - Affordable Housing Fees

The LWV supports affordable housing and also inclusionary zoning, which means including below-market-rate units (BMRs) within rental and for-sale complexes. Over 170 jurisdictions in California have used inclusionary zoning as a key tool for building affordable housing, beginning in 1970. The LWV believes that dispersing BMRs within a larger complex has been shown to be a socioeconomic and political success in California.

We commend the staff on an excellent report. As staff points out, Los Altos has relied upon inclusionary zoning as its main program for producing affordable units because the City has had little money to contribute to a nonprofit which might build an all-affordable project, as such projects need some local contribution in order to make them financially feasible.

We generally support the staff recommendations. We encourage the City to adopt **non-residential** affordable housing linkage fees in the range recommended by KMA on page 10 of the Summary. This will not only provide funds for affordable housing for which such non-residential development creates a need, but will level the playing field between Los Altos and neighboring cities which assess similar fees for such development.

We also urge the City to consider rental housing impact fees on projects with fewer than five units. This fee should perhaps be lower than the \$45 per square foot fee recommended by staff for larger rental projects. We agree with staff's proposal of a high fee in order to encourage projects to provide BMR units rather than pay fees, but even with larger projects the proposed fee might be higher than needed to accomplish this. And we urge the City to consider assessing fees for smaller **for-sale** developments, as well as teardowns and additions.

Finally, with regard to the use of the fees collected, we hope the City could work with the Housing Trust Silicon Valley so that fees collected in Los Altos could be used in Los Altos, assuming there were appropriate uses. One possibility is for aid to first-time homebuyers. In addition, we are optimistic that the City might consider a public/private partnership where City-owned land (downtown parking lot perhaps) could be leased by the City to a nonprofit which could build underground parking with affordable housing above the parking. This type of project is being planned for Burlingame. If this should happen, any fees collected in Los Altos could be used to help finance such a project.

In any case, affordable housing is a regional problem. It is appropriate for Los Altos to collect fees comparable to neighboring cities and then use these funds to help neighboring cities build affordable housing.

Sue Russell
Co-Chair, Housing Committee
LWV of the Los Altos-Mountain View Area

Cc: Chris Jordan Jon Biggs David Kornfield Jon Maginot



KEYSER MARSTON ASSOCIATES

SUMMARY, CONTEXT MATERIALS AND RECOMMENDATIONS AFFORDABLE HOUSING NEXUS STUDIES

Prepared for:
City of Los Altos

Prepared by:
Keyser Marston Associates, Inc.

December 2016

TABLE OF CONTENTS

	<i>Page</i>
I. INTRODUCTION.....	1
A. Background and Context.....	1
B. Organization of this Report	2
II. SUMMARY OF FINDINGS AND RECOMMENDATIONS	3
A. Residential Findings and Recommendations	3
B. Non-Residential Affordable Housing Impact Fees	8
III. SUMMARY OF NEXUS ANALYSES.....	11
A. Residential Nexus Analysis Summary	11
B. Non-Residential Nexus Analysis Summary.....	15
IV. CONTEXT MATERIALS	18
A. Multifamily Apartment Financial Feasibility Analysis	18
B. On-Site Compliance Cost Analysis	25
C. Residential Affordable Housing Requirements in Other Jurisdictions	29
D. Non-Residential Development Cost Context.....	36
E. Jobs Housing Linkage Fees in Other Jurisdictions	39

LIST OF TABLES

Table 1: Summary of Apartment Feasibility Analysis	22
Table 2: Cost of Onsite Compliance and Equivalent In-Lieu Fees	26
Table 3: Comparison of Affordable Housing Requirements – Residential	32
Table 4: Summary of Jobs Housing Linkage Fee Programs, California	43

ATTACHMENT A – RESIDENTIAL NEXUS ANALYSIS REPORT

ATTACHMENT B – NON-RESIDENTIAL NEXUS ANALYSIS REPORT

I. INTRODUCTION

This Summary, Context Materials, and Recommendations report (“Summary Report”) provides a concise version of the affordable housing nexus studies prepared by KMA and presents analyses designed to provide context for policy decisions. It also outlines recommendations for the City of Los Altos regarding updates to the City’s affordable housing requirements for residential development and consideration of a potential new affordable housing impact fee for non-residential development.

The report has been prepared by Keyser Marston Associates, Inc. (KMA) for the City of Los Altos, pursuant to contracts both parties have with the Silicon Valley Community Foundation. The report was prepared as part of a coordinated work program for twelve jurisdictions in Alameda and Santa Clara Counties. Silicon Valley Community Foundation with Baird + Driskell Community Planners organized and facilitated this multi-jurisdiction effort. Silicon Valley Community Foundation, which engaged KMA to prepare the analyses, serves as the main contracting entity with each participating jurisdiction, and has provided funding support for coordination and administration of the effort.

Two separate nexus technical reports are attached to this Summary Report, Attachment A: Residential Nexus Analysis and Attachment B: Non-Residential Nexus Analysis. The two nexus reports provide the technical analyses and documentation to support adoption of affordable housing impact fees on residential and non-residential development in the City of Los Altos.

A. Background and Context

The City of Los Altos has an existing inclusionary housing policy requiring residential projects in the City to include a 10% share of units as affordable. The City does not have an affordable housing requirement that applies to non-residential projects; however, the analyses that have been prepared for the City will enable consideration of a new affordable housing impact fee applicable to non-residential development in the City as well.

The City’s Multiple Family Affordable Housing Regulations were adopted in 1995 and updated in 2009 (Code Chapter 14.28). The regulations require that projects exceeding four units per acre include at least 10% of the units (rounded to the next whole number) at affordable prices. The regulations apply to projects with five or more units. The inclusionary program has not included a fee option. Since the 2009 *Palmer* court decision (described further in the Residential Nexus Analysis), the City has not had the ability to mandate compliance with its inclusionary requirements for rental projects. However, the City has continued to implement its inclusionary program for rental projects through voluntary agreements with projects also receiving a density bonus under State Density Bonus law. It is possible that future legislation could restore the ability of California cities to apply inclusionary requirements to rental projects.

The analyses summarized in this report will enable the City to consider adoption of an affordable housing impact fee applicable to rental apartments, a jobs housing linkage fee applicable to non-residential development and other updates to its affordable housing requirements.

B. Organization of this Report

This report is organized into the following sections:

- Section I provides an introduction;
- Section II presents a summary of KMA's findings and recommendations;
- Section III summarizes the nexus analyses;
- Section IV presents analyses and materials prepared to provide context for policy decisions, including:
 - A. Multifamily Apartment Financial Feasibility Analysis – presents the analysis and findings of the real estate financial feasibility analysis for apartments;
 - B. On-site compliance cost analysis – analysis of the forgone revenue experienced by market rate residential projects in complying with the City's inclusionary requirements;
 - C. Residential affordable housing requirements in other jurisdictions – provides a summary of existing inclusionary and impact fee requirements for 18 jurisdictions in Alameda and Santa Clara counties;
 - D. Non-Residential Development Costs – Analysis of development costs for various types of non-residential development as context for consideration of potential impact fee levels for non-residential development; and
 - E. Jobs housing linkage fee programs in other jurisdictions – provides information regarding 34 adopted linkage fee programs in jurisdictions throughout the Bay Area and elsewhere in California.
- Attachment A is the full Residential Nexus Analysis report.
- Attachment B is the full Non-Residential Nexus Analysis report.

II. SUMMARY OF FINDINGS AND RECOMMENDATIONS

In this section, KMA provides a summary of the analysis findings and recommendations for the City of Los Altos' consideration for updates to the City's affordable housing requirements applicable to residential and non-residential development. Recommendations reflect consideration of the following factors:

1. The findings of the nexus analysis. The nexus study establishes the maximum fee that may be charged to mitigate the impacts of new development on the need for affordable housing. Impact fees for rentals and non-residential development are limited to the maximums identified by the nexus. For-sale inclusionary requirements are generally not bound by nexus findings.
2. The City's policy objectives specified in the Housing Element.
3. The current requirements in neighboring jurisdictions.
4. Setting fees and requirements high enough to support a meaningful contribution to affordable housing in Los Altos.
5. Setting a fee low enough to not discourage development.

A. Residential Findings and Recommendations

KMA's recommendations for updates to the City's Affordable Housing Ordinance, including a new impact fee for rentals, are presented in this section, along with a summary of the factors considered by KMA.

1. Nexus Analysis Findings

The findings of the residential nexus analysis are summarized below. The findings per square foot refer to net residential area (exclusive of parking, corridors and other common areas).

Maximum Supported Residential Impact Fees, City of Los Altos						
	<i>Single Family Detached</i>	<i>Single Family - Small Lot</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
Per Market Rate Unit	\$137,500	\$104,400	\$71,300	\$67,800	\$53,400	\$48,000
Per Square Foot	\$39.40	\$52.30	\$47.50	\$52.10	\$48.50	\$53.30

Source: Attachment A, Residential Nexus Analysis.

KMA recommends that impact fees for rental projects be set below the levels shown above and that in-lieu fees applicable to for-sale projects that have ten or fewer units in the project be set below the levels identified above.

2. Affordable Housing Requirements in Other Jurisdictions

KMA assembled and summarized the affordable housing requirements for 18 jurisdictions in Santa Clara and Alameda Counties including those participating in the multi jurisdiction work program plus nine additional cities selected by the participants. The following is a condensed version focusing on selected comparisons. A complete summary is provided in Section IV, Table 3.

Rentals: Overview of Adopted Rental Housing Impact Fees in Santa Clara County

The chart below shows selected examples of cities that have adopted impact fees for rental development following the 2009 *Palmer* decision (which eliminated the ability to apply inclusionary requirements to rental projects). Requirements are clustered around \$17 per square foot, with Mountain View, Sunnyvale, and Fremont all following San Jose's lead in establishing a rental impact fee requirement at this level. Cupertino's fees are \$20 per square foot for projects up to 35 dwelling units per acre and \$25 per square foot for projects over 35 units per acre. The minimum size project subject to the fee ranges from five units for Mountain View down to single units for Cupertino. Los Altos does not currently have an impact fee for rentals.

Impact Fees in Other Jurisdictions – Rental Units		
<i>City</i>	<i>Impact Fee</i>	<i>Min. Project Size Subject to Fee</i>
Cupertino	\$20 / sq. ft. (\$25 for projects over 35 du/acre)	1 unit
San Jose	\$17/sq. ft.	3 units
Mountain View	\$17/sq. ft.	5 units
Sunnyvale	\$17/sq. ft. (\$8.50 for projects with 4 – 7 units)	4 units
Fremont	\$17.50/sq. ft.	2 units

*See Table 3 for more detail.

Ownership Affordable Housing Requirements

For ownership projects, Los Altos' onsite requirements are fairly consistent with the other cities'. The onsite requirements for the cities analyzed are in the 10% – 15% range, with the exception of Fremont, which has a combined onsite obligation and fee payment. The following table briefly summarizes the programs.

Inclusionary Requirements in Other Jurisdictions - Ownership Units				
<i>City</i>	<i>Percent</i>	<i>Affordability Level</i>	<i>Fee</i>	<i>Fee by Right?</i>
Los Altos	10%	Low and Moderate	None	N/A
Campbell	15%	Low and Moderate	\$34.50	Only projects 6 du/ ac. or less
Santa Clara	10%	Very Low to Moderate	None	N/A
Cupertino	15%	½ Moderate, ½ Median	\$15 detached; \$16.50 attached \$20 multifamily	Projects under 7 units only
San Jose*	15%	Moderate	Affordability gap based on attached unit re-sales.	Yes
Mountain View	10%	Median	3% of sales price	Projects under 10 units only
Sunnyvale	12.5%	Moderate	7% of sales price	Projects under 20 units only
Fremont	Attached 3.5% + fee Detached: 4.5% + fee	Moderate	With on-site units: Attached: \$18.50 psf Detached: \$17.50 psf If no on-site units: Attached: \$27 psf Detached: \$26 psf	Yes

*Suspended during litigation but to be reinstated in 2016
See Table 3 for more detail.

3. Multifamily Apartment Financial Feasibility

The analysis indicates that the economics of multifamily rental projects is currently robust and projects are generally feasible in the West Valley. Even in a strong market, rising land costs tend to absorb any “surplus” projects may have in their pro formas; however, the market is able to adjust to new costs such as increased fees in a variety of ways. One way markets can adjust is through downward pressure on land prices created when developers price new fees into the economics of their projects and adjust what they can afford to pay for land. When market rents are rising, this condition helps projects absorb increased fees. The table below illustrates how relatively modest improvements in project economics are sufficient to absorb illustrative fee levels of \$10, \$20, \$30 and \$40 per square foot. Calculations are also shown for each \$1 in new fees so calculations can be made for any fee level that may be considered.

Potential Market Adjustments to Absorb New Fees

Potential Market Adjustments to Absorb Illustrative Fee Levels					
	Each \$1 Fee	\$10 Fee	\$20 Fee	\$30 Fee	\$40 Fee
Increase in Rents/Income	0.11%	1.1%	2.2%	3.3%	4.5%
Decrease in Direct Costs	0.43%	4.3%	8.7%	13.0%	17.4%
Decrease in Land Values (based on \$119/sf)	0.42%	4.2%	8.5%	12.7%	16.9%

Adjustments are not additive. Each would independently be sufficient to absorb new fees. Depending on the market cycle and other factors, a combination of the above market adjustments would be expected to contribute in absorbing a new fee.

4. Market Context

Los Altos has the highest median home price in Santa Clara County, exceeding \$2.6 million in December 2015. With many recently built single family units in excess of 4,000 square feet, the total price of new units is often over \$4 million, with values averaging over \$1,000 psf. The median price has increased substantially every year since 2009.

There have also been a handful of condominium and townhome projects in recent years. Sales prices for these projects have averaged in the range of \$1,000 per square foot. Although, given there are relatively few projects on which to base estimates and to ensure the analysis captures the least expensive units likely to be built in Los Altos, the analysis uses a more conservative sales price estimate of approximately \$800 psf for townhomes and \$850 psf for condominiums.

There has been an absence of new rental apartment projects in recent years in Los Altos, but should they be developed, evidence of market strength in the neighboring communities would suggest rents on the order \$3,600 for a 900 square foot unit would be achievable.

5. Program Recommendations

Following are KMA's recommendations for updating the affordable housing requirements in Los Altos. These recommendations are based on Los Altos' residential market, the multifamily financial feasibility analysis, nexus analysis results, input from City staff, and programs in nearby jurisdictions.

- a. *For-Sale Requirement* – Maintain Los Altos' 10% on-site requirement as a minimum. Currently the City's program does not include a fee option as an alternative to providing affordable units on-site. If the City wishes to add a fee option, consider a fee level which approximates the cost of providing affordable units on-site as quantified in Table 2 of this report. In terms of fee structure, consider setting fees as a percentage of sales price as is the practice in the nearby cities of Palo Alto, Mountain View, Sunnyvale and Menlo Park. The cost of complying with the City's 10% requirement equates to a fee level of 8% - 9% of sales price for single family units and 7% of sales price for attached units based on the analysis in

Table 2. It should be noted that, even if a fee option is offered, some projects would likely continue to provide units on-site for purposes of qualifying for the State Density Bonus.

- b. *Fee for Small Projects (4 units or less)* – For small projects, potentially including single units, consider a fee in the range of \$40 per square foot. For lower density single family projects with 4 dwelling units per acre or less, a fee in the range of \$35 per square foot is recommended. The indicated fee levels are based on the maximums supported by the nexus. These fee levels are well below the cost associated with complying with the City’s existing on-site affordable unit requirements applicable to projects with five or more units. A phase in of the requirement based on the number of units in the project could be considered if there is a desire to charge one and two unit projects a lesser amount.
- c. *Lower-Density For-Sale Projects (4 units per acre or less)* – Currently the City exempts projects of four dwelling units per acre or less from the City’s 10% inclusionary requirement. These projects have some of the highest values and generally can support a strong affordability requirement; however, on-site units are often not a good fit. One option is to apply the City’s 10% requirement but allow payment of an in-lieu fee as an alternative. If a generally applicable fee is to be introduced, it could be applied to lower density projects as well, or a fee option could be included just for lower density projects set at, say, 8% - 9% of sales price. Another option would be to establish an impact fee for lower density projects (rather than an in-lieu fee), which could be up to \$35 per square foot based on the nexus analysis findings, a requirement far less than 8% - 9% of sales price.
- d. *Additions* – The nexus analysis enables the City to consider applying affordable housing impact fees to additions to existing structures and the incremental residential area resulting from “Teardown / Rebuild” activity. San Carlos is an example of a program that applies a reduced fee for additions over 1,000 square feet. However, charging for additions is not common. If the City applies fees to additions, consider fees at a similar per square foot fee level to that applied small projects (see above) or perhaps a reduced rate. Inclusion of a minimum size threshold for fee application will avoid the administrative burden of charging very small additions.
- e. *Rentals Requirements* – We recommend that an impact fee be added for rental projects and for the City to continue encouraging on-site units as an alternative to the fee. Despite the Palmer decision, recent projects have complied with the City’s on-site requirements to become eligible for a State Density Bonus. Even with introduction of a new fee, the on-site solution is likely to remain an attractive option for projects due to the State Density Bonus benefit. Setting the fee near the nexus maximums, up to \$45 per square foot, would provide added encouragement for projects to provide on-site units as an alternative to paying the fee. Setting a lower fee more consistent with nearby jurisdictions, say in the \$20 to \$25 PSF range, would likely result in projects choosing to pay the fee in situations where a State Density Bonus is not being sought.

B. Non-Residential Affordable Housing Impact Fees

The analysis prepared by KMA will enable the City of Los Altos to consider adoption of a new affordable housing fee applicable to non-residential development in the City. The following section provides KMA's recommendations regarding a fee range should the City choose to move forward with establishing a new jobs housing linkage fee, along with a summary of the factors considered by KMA.

1. Nexus Analysis Findings

The KMA non-residential nexus analysis found very high supportable fee levels. The high fee levels supported by the analysis are not unusual for high cost areas such as Los Altos. The nexus analysis establishes only the maximums for impact fees and will bear little relationship to the fee levels the City may ultimately select. The table below indicates the nexus analysis results.

Building Type	Maximum Supported Fee Per Square Foot
Office	\$140.10
Retail	\$260.70
Hotel	\$125.50

Note: Nexus findings are not recommended fee levels.
See Attachment B, Non-Residential Nexus Analysis for detail.

In our opinion, fee levels for cities should be selected based on a combination of the strength of the local real estate for the building types that will pay the fee, and local policy objectives. We also believe it is appropriate to take into account the fee levels in neighboring jurisdictions and cities that are comparable to Los Altos in real estate demand.

2. Fees in Other Jurisdictions

The chart below summarizes fee levels for jurisdictions in Santa Clara County and the Peninsula that have adopted non-residential fees. Neighboring jurisdictions to Los Altos have some of the highest affordable housing fees in the Bay Area, including Mountain View, Palo Alto, and Sunnyvale with fees on office at \$25, \$20, and \$15 psf, respectively. Other nearby cities that do not currently have affordable housing fees on non-residential development but may consider a new fee as part of this multi-jurisdiction effort include Santa Clara, Campbell, Saratoga, Fremont, Milpitas, and Santa Clara County. San Jose has determined that it will not pursue a fee on non-residential development at this time. More details can be found in Section IV and Table 4.

Non-Residential Housing Impact Fees – Santa Clara Co. & Peninsula

Non-Residential Fees	Office \$/SF	Retail \$/SF	Hotel \$/SF	Industrial \$/SF
Mountain View	\$25.00	\$2.68	\$2.68	\$25.00
Cupertino	\$20.00	\$10.00	\$10.00	\$20.00
Palo Alto	\$19.85	\$19.85	\$19.85	\$19.85
Sunnyvale	\$15.00	\$7.50	\$7.50	\$15.00
San Francisco	\$24.61	\$22.96	\$18.42	\$19.34
Redwood City	\$20.00	\$5.00	\$5.00	N/A
Menlo Park	\$15.57	\$8.45	\$8.45	\$8.45

See Table 4 for more details including features such as exemptions and size thresholds.

3. Total Development Costs

KMA estimated the total development cost associated with each building type and examined fee levels in the context of total costs. Total costs include construction, all permits and fees, land, financing and other. This facilitates an evaluation of whether the amount is likely to affect development decisions. Four non-residential prototype projects were selected for review of total development costs. The prototypes include office, hotel, retail, and light industrial. Los Altos is not anticipating light industrial development in the future and therefore that category was not included in this summary. The cost estimates were prepared based on local information and our firm's extensive work with real estate projects throughout Silicon Valley and the Bay Area. More detail on the analysis can be found in Section IV. The results are summarized below:

Total Development Costs – Non-Residential	
Building Type	Cost
Office	\$525 - \$625 per sq.ft.
Hotel	\$325 - \$425 per sq.ft.
Retail / Restaurant / Service	\$400 - \$500 per sq.ft.

One useful way to evaluate alternative fee levels is to examine them as a percent of total development costs. For example, at 2% to 5% of costs, we would see the following fee levels:

Fees as a Percent of Development Costs				
Building Type	2%	3%	4%	5%
Office	\$11 psf	\$17 psf	\$23 psf	\$29 psf
Hotel	\$7 psf	\$11 psf	\$15 psf	\$19 psf
Retail / Restaurant	\$9 psf	\$13 psf	\$18 psf	\$22 psf

4. Market Context

Los Altos non-residential development activity is predominantly smaller scale and locally serving in nature, consistent with the City's status as a predominantly residential community. The high income of the population makes the City a desirable location for retailers even if not a major shopping destination. The City is not a major tech center or office center, but what office space there is commands premium rent levels.

5. Recommended Fee Levels for Non-Residential

Given the maximums established by the nexus analysis, the strength of Los Altos' office, retail and hotel markets, and the fees in neighboring jurisdictions, should the City decide to proceed with a non-residential affordable housing fee, KMA recommends consideration of fees within the range of \$20 to \$25 per square foot for office and \$10 to \$15 per square foot for other non-residential development. The table below presents the recommended range:

KMA Recommended Fee Range, Non-Residential, City of Los Altos	
<i>Land Use</i>	<i>Recommended Fee</i>
Office	\$20.00 to \$25.00 psf
Other Non-Residential	\$10.00 to \$15.00 psf

III. SUMMARY OF NEXUS ANALYSES

This section provides a concise summary of the residential and non-residential nexus analyses prepared for the City of Los Altos. The analyses provide documentation necessary for adoption of new affordable housing impact fees applicable to residential and non-residential development. The analyses establish maximum supportable impact fee levels based on the impact new residential and non-residential development has on the need for affordable housing. Findings represent the results of an impact analysis only and are not recommended fee levels.

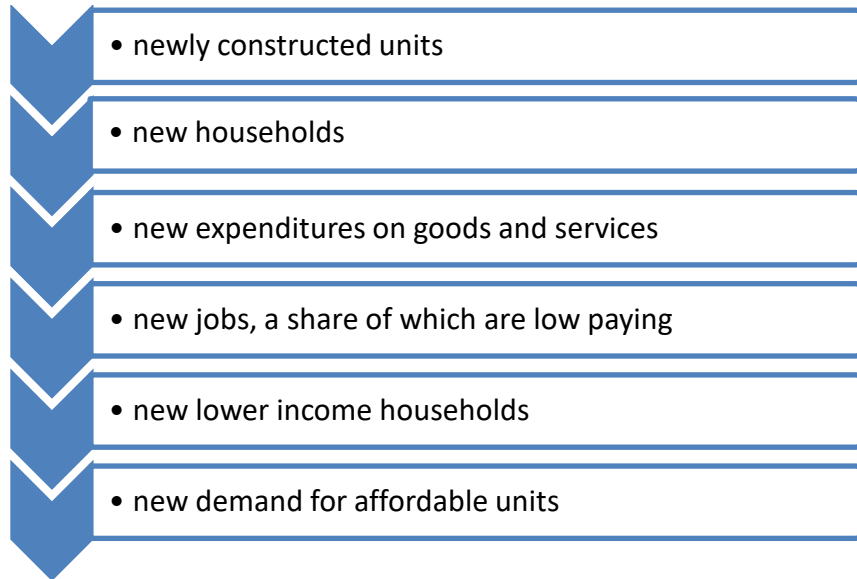
While nexus findings represent upper limits for impact fee-type requirements, inclusionary program requirements, including applicable in-lieu fees, are not bound by nexus findings based on the ruling by the California Supreme Court in the San Jose inclusionary housing case. Under current law, inclusionary units cannot be mandated for rental projects; however, this could change with future State legislation.

Full documentation of the analyses can be found in the reports titled Residential Nexus Analysis and Non-Residential Nexus Analysis.

A. Residential Nexus Analysis Summary

The residential nexus analysis establishes maximum supportable impact fee levels applicable to residential development. The underlying concept of the residential nexus analysis is that the newly constructed units represent net new households in Los Altos. These households represent new income in the City that will consume goods and services, either through purchases of goods and services or “consumption” of governmental services. New consumption generates new local jobs; a portion of the new jobs are at lower compensation levels; low compensation jobs relate to lower income households that cannot afford market rate units in Los Altos and therefore need affordable housing.

Nexus Analysis Concept



1. Market Rate Residential Prototypes

In collaboration with City staff, a total of six market rate residential prototypes were selected: four ownership prototypes and two rental prototypes. The intent of the selected prototypes is to identify representative development prototypes likely to be developed in Los Altos in the immediate to mid-term future.

A summary of the six residential prototypes is presented below. Market survey data, City planning documents and other sources were used to develop the information. Market sales prices and rent levels were estimated based on KMA's market research.

Prototypical Residential Units for City of Los Altos						
	<i>Single Family Detached</i>	<i>Single Family - Small Lot</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
Avg. Unit Size	3,500 SF	2,000 SF	1,500 SF	1,300 SF	1,100 SF	900 SF
Avg. No. of Bedrooms	4.00	3.00	2.50	3.00	2.00	1.50
Avg. Sales Price / Rent Per Square Foot	\$3,500,000 / \$1,000 /SF	\$2,200,000 / \$1,100 /SF	\$1,200,000 / \$800 /SF	\$1,100,000 / \$846 /SF	\$4,000 /mo. / \$3.64 /SF	\$3,600 /mo. / \$4.00 /SF

Estimates for the Townhome and Condominium are somewhat below sales prices achieved in recent projects to ensure that the analysis captures the least expensive new market rate

ownership units likely to be built in Los Altos. The analysis and findings are conservative given many projects are likely to exceed these estimates.

2. Household Expenditures and Job Generation

Using the sales price or rent levels applicable to each of the six market rate residential prototypes, KMA estimates the household income of the purchasing/renting household. Household income is then translated to income available for expenditures after deducting taxes, savings and household debt, which becomes the input to the IMPLAN model. The IMPLAN model is used to estimate the employment generated by the new household spending. The IMPLAN model is an economic model widely used for the past 35 years to quantify the impacts of changes in a local economy. For ease of presentation the analysis is conducted based on an assumed project size of 100 market rate units.

A 20% downward adjustment is made to the IMPLAN employment estimates based on the expectation that a portion of jobs may be filled by existing workers who already have housing locally. The 20% adjustment is based upon job losses in declining sectors of the local economy over a historic period. Workers from declining sectors are assumed to fill a portion of the new jobs in sectors that serve residents.

The translation from market rate sales prices and rent levels for the prototypical units to the estimated number of jobs in sectors such as retail, restaurants, health care and others providing goods and services to new residents is summarized in the table below.

Household Income, Expenditures, Job Generation, and Net New Worker Households						
	<i>Single Family Detached</i>	<i>Single Family - Small Lot</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
Avg. Sales Price / Rent	\$3,500,000	\$2,200,000	\$1,200,000	\$1,100,000	\$4,000	\$3,600
Gross Household Income	\$616,000	\$353,000	\$237,000	\$225,000	\$164,000	\$147,000
Net Annual Income available	\$264,900	\$201,200	\$137,500	\$130,500	\$103,000	\$94,000
Total Jobs Generated [from IMPLAN] (100 Units)	159.7	121.3	82.9	78.7	62.1	55.8
Net New Jobs after 20% reduction for declining industries (100 units)	127.8	97.0	66.3	62.9	49.7	44.7

See Attachment A Residential Nexus Analysis report for full documentation.

3. Compensation Levels of Jobs and Household Income

The output of the IMPLAN model – the numbers of jobs by industry – is then entered into the Keyser Marston Associates jobs housing nexus analysis model to quantify the compensation levels of new jobs and the income of the new worker households. The KMA model sorts the jobs by industry into jobs by occupation, based on national data, and then attaches local wage distribution data to the occupations, using recent Santa Clara County data from the California Employment Development Department (EDD). The KMA model also converts the number of employees to the number of employee households, recognizing that there is, on average, more than one worker per household, and thus the number of housing units in demand for new workers is reduced. For purposes of the adjustment from jobs to housing units, the average of 1.72 workers per working household in Santa Clara County is used.

Adjustment from No. of Workers to No. of Households						
	<i>Single Family Detached</i>	<i>Single Family - Small Lot</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
Net New Jobs (100 Units)	127.8	97.0	66.3	62.9	49.7	44.7
Divide by No. of Workers per Worker Household	1.72	1.72	1.72	1.72	1.72	1.72
Net new worker households (100 Units)	74.4	56.5	38.6	36.7	28.9	26.0

The output of the model is the number of new worker households by income level (expressed in relation to the Area Median Income, or AMI) attributable to the new residential units and new households in Los Altos. Four categories of addressed: Extremely Low (under 30% of AMI), Very Low (30% to 50% of AMI), Low (50% to 80% of AMI) and Moderate (80% to 120% of AMI).

Following are the numbers of worker households by income level associated with the Los Altos prototype units.

New Worker Households per 100 Market Rate Units						
	<i>Single Family Detached</i>	<i>Single Family - Small Lot</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
Extremely Low (0%-30% AMI)	13.3	10.1	6.9	6.5	5.2	4.7
Very Low (30%-50% AMI)	20.1	15.3	10.4	9.9	7.8	7.0
Low (50%-80% AMI)	17.1	13.0	8.9	8.4	6.6	5.9
Moderate (80%-120% AMI)	10.9	8.3	5.7	5.4	4.2	3.8
Total, Less than 120% AMI	61.4	46.7	31.9	30.3	23.9	21.4
Greater than 120% AMI	13.0	9.9	6.7	6.4	5.0	4.6
Total, New Households	74.4	56.5	38.6	36.7	28.9	26.0

See Attachment A Residential Nexus Analysis report for full documentation.

Housing demand is distributed across the lower income tiers. The finding that the greatest number of households occurs in the Very Low and Low income tiers is driven by the fact that a large share of the jobs most directly associated with consumer spending tend to be low-paying, such as food preparation, administrative, and retail sales occupations.

4. Nexus Supported Maximum Fee Levels

The next step in the nexus analysis takes the number of households in the lower income categories associated with the market rate units and identifies the total subsidy required to make housing affordable. This is done for each of the prototype units to establish the ‘total nexus cost,’ which is the Maximum Supported Impact Fee conclusion of the analysis. For the purposes of the analysis, KMA assumes that affordable housing fee revenues will be used to subsidize affordable rental units for households earning less than 80% of median income, and to subsidize affordable ownership units for households earning between 80% and 120% of median income.

Affordability gaps, or the needed subsidy amounts, are calculated for each of the income tiers. Then the affordability gaps (which is the difference between total development cost and unit value based on the affordable rent or sales price) are multiplied by the number of households in each income tier to produce the total nexus cost (i.e. mitigation cost.).

The Maximum Supported Impact Fees are calculated at the per-unit level and the per-square-foot level and are shown in the table below. The findings per square foot refer to net residential area (exclusive of parking, corridors and other common areas).

Maximum Supported Residential Impact Fees, City of Los Altos						
	<i>Single Family Detached</i>	<i>Single Family - Small Lot</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
Per Market Rate Unit	\$137,500	\$104,400	\$71,300	\$67,800	\$53,400	\$48,000
Per Square Foot	\$39.40	\$52.30	\$47.50	\$52.10	\$48.50	\$53.30

These costs express the maximum supported impact fees for the six residential prototype developments in Los Altos. These findings are **not** recommended fee levels.

B. Non-Residential Nexus Analysis Summary

The non-residential nexus analysis quantifies and documents the impact of the construction of new workplace buildings (office, retail, hotels, etc.) on the demand for affordable housing. It is conducted to support the consideration of a new affordable housing impact fee or commercial linkage fee applicable to non-residential development in the City of Los Altos.

Full documentation of the nexus analysis is contained in the report entitled Non-Residential Nexus Analysis.

The workplace buildings that are the subject of this analysis represent a cross section of typical commercial buildings developed in Los Altos in recent years and expected to be built in the near term future. For purposes of the analysis, the following three building types were identified:

- Office
- Hotel
- Retail / Restaurant / Service

The nexus analysis links new non-residential buildings with new workers; these workers demand additional housing, a portion of which needs to be affordable to the workers in lower income households. The analysis begins by assuming a 100,000 square foot building for each of the three building types and then makes the following calculations:

- The total number of employees working in the building is estimated based on average employment density data.
- Occupation and income information for typical job types in the building are used to calculate how many of those jobs pay compensation at the levels addressed in the analysis. Compensation data is from California EDD and is specific to Santa Clara County. Worker occupations by building type are derived from the 2014 Occupational Employment Survey by the U.S. Bureau of Labor Statistics.
- New jobs are adjusted to new households, using Santa Clara County demographics on the number of workers per household. We know from the Census that many workers are members of households where more than one person is employed and there is also a range of household sizes; we use factors derived from the Census to translate the number of workers into households of various size. Household income is calculated depending on the number of workers per household.
- The number of Extremely Low-, Very Low-, Low-, and Moderate-Income households generated by the new development is calculated and divided by the 100,000 square foot building size to arrive at coefficients of housing units per square foot of building area. The household income categories addressed in the analysis are the same as those in the Residential Nexus Analysis.
- The number of lower income households per square foot is multiplied by the affordability gap, or the cost of delivering housing units affordable to these income groups. This is the Maximum Supported Impact Fee for the non-residential land uses.

The Maximum Supported Impact Fees for the three building types are as follows:

Building Type	Maximum Supported Fee Per Square Foot
Office	\$140.10
Retail	\$260.70
Hotel	\$125.50

Note: Nexus findings are not recommended fee levels.
See Attachment B Non-Residential Nexus Analysis for detail.

The results of the analysis are heavily driven by the density of employees within buildings in combination with the occupational make-up of the workers in the buildings. Retail has both high employment density and a high proportion of low paying jobs.

These figures express the maximum supported impact fee per square foot for the three building types. They are not recommended levels for fees; they represent only the maximums established by this analysis, below which impact fees may be set.

Overlap Analysis

There is a potential for some degree of overlap between jobs counted in the Non-Residential Nexus Analysis and jobs counted in the Residential Nexus Analysis. The potential for overlap exists in jobs generated by the expenditures of City residents, such as expenditures for food, personal services, restaurant meals and entertainment. Retail is the building type that has the greatest potential for overlap to occur because it is often oriented to serving local residents. On the other hand, the potential for overlap is far less with office, industrial, warehouse and hotel buildings that often house businesses that serve a much broader, sometimes national or international, market and that are not focused on services to local residents. Appendix B to the Non-Residential Nexus Analysis provides additional discussion and an analysis demonstrating that, even in the improbable and theoretical case of complete overlap between jobs counted in the two nexus analyses, impact fees at the recommended levels would remain below the maximums supported by the nexus.

IV. CONTEXT MATERIALS

The purpose of this section is to provide information that may be useful to policy makers in considering potential amendments to the City's affordable housing requirements for residential development and potential adoption of a new affordable housing impact fee applicable to non-residential development. The following analyses and summary materials are included:

- **Multifamily Apartment Feasibility Analysis** – Section A. presents the analysis and findings regarding the financial feasibility of new multifamily market rate apartments;
- **Inclusionary Program Compliance Costs** – Section B. analyzes the cost to a market rate residential project of complying with the City's existing inclusionary requirements on-site;
- **Residential Affordable Housing Requirements in Other Jurisdictions** – Section C. provides a summary of inclusionary and impact fee requirements in other Santa Clara and Alameda county jurisdictions;
- **Non-Residential Development Cost Context** – Section D. evaluates total development costs associated with four prototypical building types to facilitate an evaluation of whether fee amounts are likely to affect development decisions; and
- **Jobs Housing Linkage Fee Programs in Other Jurisdictions** – Section E. provides information regarding adopted linkage fee programs in jurisdictions throughout the Bay Area and elsewhere in California.

A. Multifamily Apartment Financial Feasibility Analysis

In adopting or amending affordable housing requirements, cities typically consider a variety of public policy goals including seeking a balance between producing a meaningful amount of new affordable units and establishing requirements at a level that can be sustained by new market rate projects. This section addresses the potential impacts that new housing impact fees could have on the feasibility of new multi-family apartment projects. The analysis is specific to the West Valley cities of Campbell, Saratoga, and Los Altos.

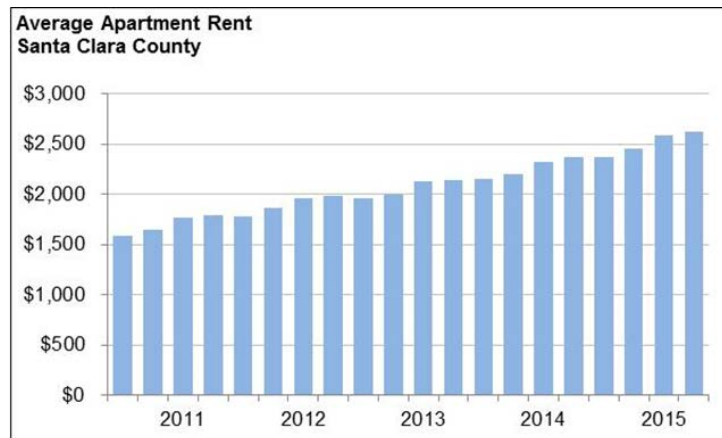
The financial feasibility analysis is focused on rental projects because the City's inclusionary housing requirements for rental projects have not been enforceable since the 2009 *Palmer* decision and adoption of a new rental impact fee would represent an additional cost that would need to be absorbed within the economics of rental projects. In contrast, feasibility of for-sale projects was not analyzed as the City's inclusionary housing policy is already reflected in development economics of new for-sale projects.

Before describing the feasibility analysis, it is useful to put the feasibility analysis into perspective by summarizing how it can be used and where limitations exist in its ability to inform a longer-term policy direction:

- **Prototypical Nature of Analysis** – This financial feasibility analysis, by its nature, can only provide a general assessment of development economics because it is based on prototypical projects rather than specific projects. Every project has unique characteristics that will dictate rents supported by the market as well as development costs and developer return requirements. This feasibility analysis is intended to reflect prototypical apartment projects in the cities of Campbell, Saratoga, and Los Altos but it is recognized that the economics of some projects will likely look better and some likely worse than those of the prototype analyzed.
- **Near Term Time Horizon** – This feasibility analysis is a snapshot of real estate market conditions as of early 2016. The analysis is most informative regarding near term implications a housing impact fee could have for projects that have already purchased sites and are currently in the pre-development stages. Real estate development economics are fluid and are impacted by constantly changing conditions regarding rent potential, construction costs, land costs, and costs of financing. A year or two from now, conditions will undoubtedly be different.
- **Adjustments to Land Costs over Time** – Developers purchase development sites at values that will allow for financially feasible projects. If a housing fee is put in place, developers will “price in” the requirement when evaluating a project’s economics and negotiating the purchase price for development sites. Given that the requirements will apply to all or most projects, it is possible that downward pressure on land costs could result as developers adjust what they can afford to pay for land. This downward pressure on land prices can, at least to some degree, bring costs back into better balance with the overall economics supported by projects.

Apartment Market Context

Like most parts of the Bay Area, Santa Clara County has experienced improving apartment market conditions (for new development) in recent years as exhibited by rising rents and occupancy rates. The improvement in market conditions is attributable to robust regional job growth and the overall strength of the regional economy.



Source: RealAnswers

Many parts of Santa Clara County have experienced significant new investment in market rate apartment development in recent years due to the rapid rise in job growth and apartment rental rates as well as the availability of low cost investment capital (debt and equity).

Financial Feasibility Analysis

The financial feasibility analysis estimates the costs to develop a new apartment project and the rental income that could be generated by the project upon completion. If the rental income is sufficient to support the development costs and generate a sufficient profit margin, the project is considered feasible. This approach to financial feasibility, known as a pro forma approach or income approach, is common practice in the real estate industry and is utilized in one form or another by all developers when analyzing new construction projects.

This analysis organizes the pro forma as a “land residual analysis”, meaning the pro forma solves for what the project can afford to pay for a development site based on the income projections and the non-land acquisition costs of the project. It then compares the residual land values with land costs in the current market in order to test whether developers can afford to buy land and develop projects. The following describes the assumptions utilized in the analysis and the conclusions drawn therefrom.

- The direct construction costs of development include all contractor labor and material costs to construct the project including general requirements, contractor fees, and contingencies. As shown in Table 1 below, the direct construction costs are estimated at \$253,000/unit. This estimate has been made based on third party construction data sources, such as RS Means, and by cost estimates for similar building types elsewhere in the market. Indirect costs of development include architecture and engineering (A&E) costs, municipal fees and permits costs, taxes, insurance, overhead, and debt financing costs. These costs have been estimated at \$103,000/unit.

- Rental income for the apartment prototype has been estimated based on apartment rent comps. Rents are estimated at \$3,900/month, or \$3.55/square foot/month. After a vacancy factor, operating expenses, and property taxes, the net operating income (NOI) is estimated at \$33,900/unit/year. Using this NOI and applying a 5.5% project return, the project value/supported investment is estimated at \$616,000/unit.
- The residual land value is derived by subtracting the development costs before land acquisition from the project value/supported investment. As shown in Table 1, the residual land value without a housing fee for the apartment prototype at 20 units per acre is approximately \$260,000/unit or \$119/square foot of land area.

Once the residual land values have been estimated, the values can be compared to prevailing land values in the market to determine whether the prototypes are financially feasible. In other words, if the residual land values are equal to or higher than market land values, then projects are generally feasible. Conversely, if the residual land values are less than market land values, some improvement in market conditions (lower development costs or higher housing values) will be needed for feasibility.

Land Value Supported

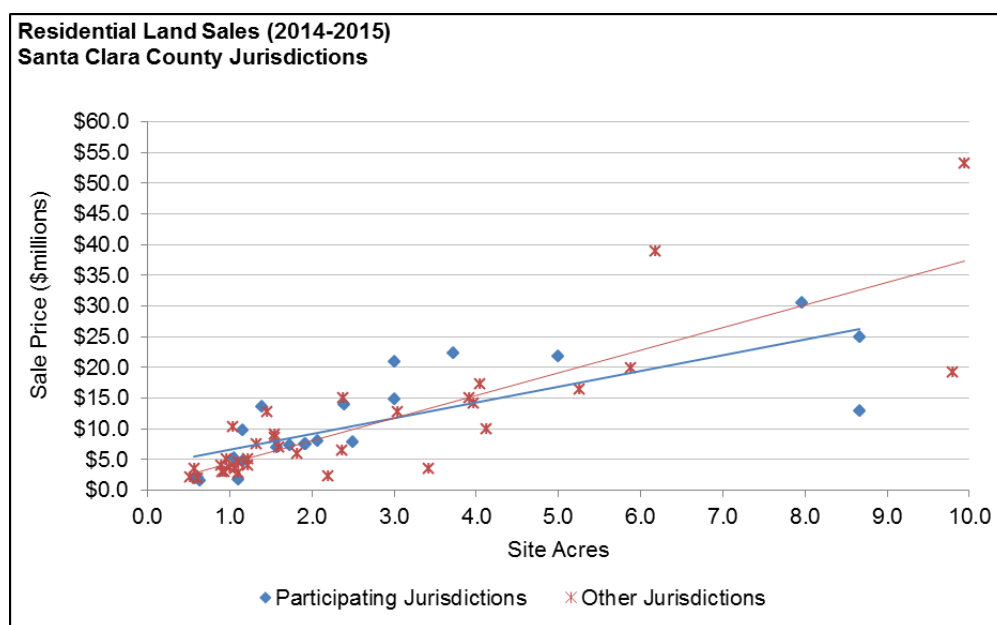
The feasibility analysis summarized in Table 1 on the next page indicates that apartment projects in the West Santa Clara County jurisdictions (cities of Campbell, Saratoga, and Los Altos), assumed at 20 units per acre on average, can afford to pay on average \$119/square foot for land with no affordable housing fee in place. The analysis also tested the land value supported with illustrative fee scenarios of \$10 to \$40 per net square foot. As shown, the supported land value decreases by approximately \$5 per square foot of land for each \$10 per square foot in fees added. The highest illustrative fee tested of \$40 per square foot, which is approaching the maximum supported by the nexus, is estimated to bring the residual land values to just under \$100 per square foot.

**Table 1. Summary of Apartment Feasibility Analysis
West Santa Clara County Jurisdictions**

Program		
Average Unit Size	1,100 sf (NSF)	
Average Bedrooms	2 bedrooms	
Density	20 du/acre	
Parking	Surface	
Development Costs	\$/NSF	\$/Unit
<u>Directs</u>	\$230	\$253,000
<u>Indirects</u>		
A&E	\$12	\$13,000
Fees & Permits (excl. Affordable)	\$36	\$40,000
Overhead & Administration	\$9	\$10,000
Other Indirects	\$21	\$23,000
Debt Financing Costs	\$15	\$17,000
Total Indirects	\$94	\$103,000
Total Costs before Land	\$324	\$356,000
Operating Income	\$/NSF	\$/Unit
Gross Income (\$3,900 rent + other income)	\$44	\$48,100
(Less) Vacancy (5%)	(\$2)	(\$2,400)
(Less) Operating Expenses & Taxes	(\$11)	(\$11,800)
Net Operating Income (NOI)	\$31	\$33,900
Threshold Return on Cost	5.50% ROC	
Total Supported Private Investment	\$560	\$616,000
Residual Land Value with Illustrative Fees	\$/Land SF	\$/Unit
Land Value: No Affordable Housing Fee	\$119	\$260,000
<u>Land Values With Illustrative Fee Scenarios</u>		
<i>Illustrative Fee at \$10/square foot</i>	\$114	\$249,000
<i>Illustrative Fee at \$20/square foot</i>	\$109	\$238,000
<i>Illustrative Fee at \$30/square foot</i>	\$104	\$227,000
<i>Illustrative Fee at \$40/square foot</i>	\$99	\$216,000

Prevailing Land Values

In order to assess prevailing land values for residential development in the Santa Clara County jurisdictions, KMA reviewed relevant land sale comparables (comps) in 2014 and 2015 as well as recent residential land appraisals. The median sale price of the land comps located within the participating Santa Clara County jurisdictions was \$92/square foot. In general, land values will be higher in superior locations such as those with convenient proximity to job centers, public transit, retail and commercial services, and freeway access, as well as for sites that are of ideal size and configuration and have appropriate entitlements for near-term residential development.



Land sales in participating jurisdictions include cities of Santa Clara, Milpitas, Campbell, and Saratoga.
Median sale price in participating jurisdictions = \$92/square foot.
Land sales in other jurisdictions include Mountain View, Sunnyvale, San Jose, and Cupertino.

Based on the fact that the land sales reviewed for this analysis occurred in 2014 and 2015, the values today would be higher after accounting for land value appreciation. In general, values for the West County jurisdictions of Campbell, Los Altos, and Saratoga will also likely be higher than in Santa Clara and Milpitas given the higher residential values in these cities; however, information is limited due to the very few recorded land transactions occurring in these cities. We estimate land values are in the \$100 to \$120 per square foot range, or within the same range as the \$119 per square foot land value supported by the economics of new multifamily apartment projects as estimated in Table 1. As noted in the beginning of this section, due to the prototype approach to this analysis, some apartment projects will probably support a somewhat higher land value and some projects will support a somewhat lower land value based on location, site, and other individual project considerations.

Feasibility Conclusion

The analysis indicates that the economics of multifamily rental projects are strong under current market conditions and that projects are generally feasible. This finding is consistent with recent development activity in Campbell and Los Altos which includes several recently completed and approved apartment projects.

Potential Market Adjustments to Absorb New Fees

In a strong market, developers are often faced with increasing competition for building sites. These conditions can drive up the cost of land and will have a tendency to absorb any “surplus” projects might have had in their economics. Construction costs can also rise when development activity is strong. As a result, even under the strongest of conditions, projects usually do not have a “surplus” in their pro formas available to absorb new fees. However, markets are able to adjust to new fees just as they adjust to other changing market conditions such as rents and construction costs. Just as strong feasibility conditions contribute to increasing land prices, a new fee can contribute to downward pressure on land prices as developers must build the new fee into the economics of their projects and may adjust what they are willing to pay for land as a result. This can help offset, at least to some degree, the increased cost of a new fee.

Since the feasibility analysis is a snapshot in time analysis based on current market conditions, it can be instructive to consider how relatively modest improvements in project economics (e.g. continued strong increases in rents paired with more moderated increases in construction costs) can help to absorb a new fee. By way of illustration, a \$20/square foot fee could be absorbed by any of the following market adjustments:

- An approximately 2% increase in rents
- An approximately 8.7% decrease in direct construction costs
- An approximately 8.5% decrease in land costs

Additional examples of potential market adjustments at illustrative fee levels of \$10, \$30 and \$40 per square foot are shown in the table below. These calculations can be made for any fee level that may be considered. Note that adjustments are not additive. Each would be independently sufficient to absorb the fee increase. Depending on the market cycle and other factors, a combination of the above market adjustment would be expected to contribute to absorbing the new fee.

Potential Market Adjustments to Absorb New Fees

Potential Market Adjustments to Absorb Illustrative Fee Levels					
	Each \$1 Fee	\$10 Fee	\$20 Fee	\$30 Fee	\$40 Fee
Increase in Rents/Income	0.11%	1.1%	2.2%	3.3%	4.5%
Decrease in Direct Costs	0.43%	4.3%	8.7%	13.0%	17.4%
Decrease in Land Values (based on \$119/sf)	0.42%	4.2%	8.5%	12.7%	16.9%

B. On-Site Compliance Cost Analysis

The inclusionary program in Los Altos requires developers of new for-sale projects to set aside 10% of units for Moderate and Low income households. KMA estimated the foregone revenue for the developer when units are sold at affordable prices; this is referred to as the 'onsite compliance costs.' KMA notes that the 'cost' is compared to the hypothetical condition of no requirement. As Los Altos has long had its inclusionary program in place, land values for residential development have adjusted to absorb this cost, as developers acquiring land know how the obligation will affect their project's economics. A primary purpose of the onsite compliance analysis is to enable an understanding of the cost associated with complying with the City's existing inclusionary requirements, which is often useful as context for consideration of potential fee obligations.

KMA notes that the City offers development incentives designed to reduce the onsite compliance costs; use of the State density bonus program would also reduce onsite compliance costs. This analysis does not take into account those factors. KMA also notes that the City's program exempts projects with densities less than four units to the acre or with fewer than five units total; as a result, it is likely that the single family detached prototypes would be exempt from the current program.

KMA modeled the two scenarios – 10% of units at Moderate and 10% of units at Low. The City's current program requires units up to Moderate with at least one unit at Low. Table 2 presents our estimates of onsite compliance costs for ownership units. With current market rate sales prices, the cost to a developer associated with designating 10% of units at Moderate ranges from \$72,000 to \$305,000 per market rate unit or \$55 to \$89 per square foot residential area, depending on the prototype. The cost to a developer associated with designating 10% of units at Low Income ranges from \$94,000 to \$327,000 per market rate unit or \$68 to \$99 per square foot, depending on the prototype.

Rental projects were not included in the analysis because inclusionary requirements for rentals have not been enforceable since the 2009 Palmer decision.

These figures should not be interpreted as recommended fee levels.

**TABLE 2
COST OF ONSITE COMPLIANCE AND EQUIVALENT IN-LIEU FEES
RESIDENTIAL NEXUS ANALYSIS
CITY OF LOS ALTOS, CA**

		Prototype 1 Single Family Detached		Prototype 2 Small Lot Single Family Detached		Prototype 3 Townhome		Prototype 4 Condominium	
Unit Size ¹		3,500 sq ft		2,000 sq ft		1,500 sq ft		1,300 sq ft	
Number of Bedrooms ¹		4		3		2.5		3	
Market Rate		Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Sales Prices ¹		\$1,000	\$3,500,000	\$1,100	\$2,200,000	\$800	\$1,200,000		\$1,100,000
Affordable Prices²			Per Unit		Per Unit		Per Unit		Per Unit
At Moderate Income (110%)			\$454,650		\$423,150		\$377,050		\$375,850
At Low Income (70%)			\$225,050		\$210,500		\$175,050		\$163,150
Affordability Gap³			Per Unit		Per Unit		Per Unit		Per Unit
Per Affordable Moderate Unit			\$3,045,350		\$1,776,850		\$822,950		\$724,150
Per Affordable Low Income			\$3,274,950		\$1,989,500		\$1,024,950		\$936,850
Cost of Onsite Compliance⁴		Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Inclusionary Percentage @	10.0% Mod	\$87	\$304,535	\$89	\$177,685	\$55	\$82,295	\$56	\$72,415
	10.0% Low	\$94	\$327,495	\$99	\$198,950	\$68	\$102,495	\$72	\$93,685

1. See Residential Nexus Analysis Table A-1.
2. Estimate calculated by KMA based on standard affordable pricing assumptions and may not reflect City's methodology.
3. The difference between the market rate sales prices and the restricted affordable price.
4. Equivalent cost per market rate unit or square foot.

TABLE 2A
ESTIMATED AFFORDABLE HOME PRICES - Moderate Income
RESIDENTIAL NEXUS ANALYSIS
CITY OF LOS ALTOS, CA

Unit Size Household Size	Condo	Townhome	Townhome	SFD	SFD
	3-Bedroom Unit 4-person HH	2-Bedroom Unit 3-person HH	3-Bedroom Unit 4-person HH	3-Bedroom Unit 4-person HH	4-Bedroom Unit 5-person HH
100% AMI Santa Clara County 2016	\$107,100	\$96,400	\$107,100	\$107,100	\$115,650
Annual Income @ 110%	\$117,810	\$106,040	\$117,810	\$117,810	\$127,215
% for Housing Costs	35%	35%	35%	35%	35%
Available for Housing Costs	\$41,234	\$37,114	\$41,234	\$41,234	\$44,525
(Less) Property Taxes	(\$4,500)	(\$4,272)	(\$4,776)	(\$5,076)	(\$5,460)
(Less) HOA	(\$6,000)	(\$3,600)	(\$3,600)	\$0	\$0
(Less) Utilities	(\$1,416)	(\$1,416)	(\$1,776)	(\$3,144)	(\$3,552)
(Less) Insurance	(\$700)	(\$700)	(\$800)	(\$800)	(\$900)
(Less) Mortgage Insurance	(\$4,820)	(\$4,563)	(\$5,103)	(\$5,427)	(\$5,832)
Income Available for Mortgage	\$23,798	\$22,563	\$25,179	\$26,787	\$28,781
Mortgage Amount	\$357,100	\$338,600	\$377,800	\$402,000	\$431,900
Down Payment (homebuyer cash)	\$18,750	\$17,800	\$19,900	\$21,150	\$22,750
Supported Home Price	\$375,850	\$356,400	\$397,700	\$423,150	\$454,650
Key Assumptions					
- Mortgage Interest Rate ⁽¹⁾	5.30%	5.30%	5.30%	5.30%	5.30%
- Down Payment ⁽²⁾	5.00%	5.00%	5.00%	5.00%	5.00%
- Property Taxes (% of sales price) ⁽³⁾	1.20%	1.20%	1.20%	1.20%	1.20%
- HOA (per month) ⁽⁴⁾	\$500	\$300	\$300	\$0	\$0
- Utilities (per month) ⁽⁵⁾	\$118	\$118	\$148	\$262	\$296
- Mortgage Insurance (% of loan amount)	1.35%	1.35%	1.35%	1.35%	1.35%

(1) Mortgage interest rate based on 15-year Freddie Mac average; assumes 30-year fixed rate mortgage.

(2) Down payment amount is an estimate for Moderate Income homebuyers.

(3) Property tax rate is an estimated average for new projects.

(4) Homeowners Association (HOA) dues is an estimate for the average new project.

(5) Utility allowances from Santa Clara County Housing Authority (2016).

TABLE 2B
ESTIMATED AFFORDABLE HOME PRICES - Low Income
RESIDENTIAL NEXUS ANALYSIS
CITY OF LOS ALTOS, CA

	Condo	Townhome	Townhome	SFD	SFD
Unit Size	3-Bedroom Unit	2-Bedroom Unit	3-Bedroom Unit	3-Bedroom Unit	4-Bedroom Unit
Household Size	4-person HH	3-person HH	4-person HH	4-person HH	5-person HH
100% AMI Santa Clara County 2016	\$107,100	\$96,400	\$107,100	\$107,100	\$115,650
Annual Income @ 70%	\$74,970	\$67,480	\$74,970	\$74,970	\$80,955
% for Housing Costs	30%	30%	30%	30%	30%
Available for Housing Costs	\$22,491	\$20,244	\$22,491	\$22,491	\$24,287
(Less) Property Taxes	(\$1,956)	(\$1,980)	(\$2,220)	(\$2,520)	(\$2,700)
(Less) HOA	(\$6,000)	(\$3,600)	(\$3,600)	\$0	\$0
(Less) Utilities	(\$1,416)	(\$1,416)	(\$1,776)	(\$3,144)	(\$3,552)
(Less) Insurance	(\$700)	(\$700)	(\$800)	(\$800)	(\$900)
(Less) Mortgage Insurance	(\$2,093)	(\$2,106)	(\$2,376)	(\$2,700)	(\$2,889)
Income Available for Mortgage	\$10,327	\$10,442	\$11,719	\$13,327	\$14,246
Mortgage Amount	\$155,000	\$156,700	\$175,900	\$200,000	\$213,800
Down Payment (homebuyer cash)	\$8,150	\$8,250	\$9,250	\$10,500	\$11,250
Supported Home Price	\$163,150	\$164,950	\$185,150	\$210,500	\$225,050
Key Assumptions					
- Mortgage Interest Rate ⁽¹⁾	5.30%	5.30%	5.30%	5.30%	5.30%
- Down Payment ⁽²⁾	5.00%	5.00%	5.00%	5.00%	5.00%
- Property Taxes (% of sales price) ⁽³⁾	1.20%	1.20%	1.20%	1.20%	1.20%
- HOA (per month) ⁽⁴⁾	\$500	\$300	\$300	\$0	\$0
- Utilities (per month) ⁽⁵⁾	\$118	\$118	\$148	\$262	\$296
- Mortgage Insurance (% of loan amount)	1.35%	1.35%	1.35%	1.35%	1.35%

⁽¹⁾ Mortgage interest rate based on 15-year Freddie Mac average; assumes 30-year fixed rate mortgage.

⁽²⁾ Down payment amount is an estimate for Low Income homebuyers.

⁽³⁾ Property tax rate is an estimated average for new projects.

⁽⁴⁾ Homeowners Association (HOA) dues is an estimate for the average new project.

⁽⁵⁾ Utility allowances from Santa Clara County Housing Authority (2016).

C. Residential Affordable Housing Requirements in Other Jurisdictions

The affordable housing requirements adopted by other jurisdictions are almost always of interest to decision making bodies. Cities inevitably want to know what their neighbors have in place for affordable housing requirements, and often want to examine other cities that are viewed as comparable on some level. The body of information on other programs not only presents what others are adopting, but also illustrates the broad range in program design and customized features available to meet local needs.

The work program design for Multi Jurisdiction Nexus Studies anticipated wide interest in the comparison jurisdictions to be covered. To keep the comparison task manageable, the participating cities and counties voted as to which cities were of greatest interest for inclusion in the comparison survey. For the most part, the participants selected their neighbors and the larger cities of the local region as being of most interest. It was a given that the existing requirements of all participant cities and counties would also be included. Ultimately, eight cities in Santa Clara County and ten cities in Alameda County were selected for inclusion in the comparison material.

A four-page chart summarizes the key features of the eighteen cities in the survey (Table 3). Neither of the two participating counties have yet adopted affordable housing requirements. The chart was designed to focus on the major components of each city's program that would be most relevant to decision making by the participating jurisdictions, primarily the thresholds, the fee levels and on-site affordable unit requirements.

1. Findings from the Survey

Thresholds for On-Site Affordable Requirement

- Whether or not for-sale development projects have the choice “as of right” between paying a fee or doing on-site units is a critical feature of any program. In the eight Santa Clara jurisdictions, six require on-site units and offer no fee “buy out” without a special City Council procedure. Only San Jose and Milpitas offer the fee choice at this time. In contrast, of the ten Alameda jurisdictions, most offer fee payment “as of right.”
- Most fee options are less costly to the developer than providing on-site units. High fees are necessary if the choice between building units or paying fees is to be at all competitive. The high fee cities, such as Fremont, aim to present a real choice and achieve some on-site compliance units as well as fee revenues.
- With the loss of redevelopment and tax increment resources dedicated to housing, many cities have revised their programs to generate more fee revenues. Programs can be

revised to so as to alter options or incentives for projects to provide on-site units versus pay a fee based on the City's preferences.

- The loss of redevelopment has also motivated some cities to lower minimum project sizes to collect fees on very small projects, even single units. Several Santa Clara cities in the chart have adjusted their thresholds down to three to five units for fee payment, and the recently updated Cupertino program goes down to single units. The nexus analysis fully demonstrates the impact generated by single units, and as a result, some cities view charging very small projects and single units a matter of fairness and equity in an “everybody contributes” approach to meeting affordable housing challenges.
- Following the *Palmer* decision, impact fees have been the only avenue for instituting affordable housing requirements on rentals. On-site affordable units are sometimes permitted or encouraged as an alternative to fee payment.

Fee Levels

- Impact fee levels for rentals in the cities of north and west Santa Clara County cluster in the \$15 to \$20 per square foot range for rentals, notably San Jose, Mountain View, Sunnyvale, and Cupertino. Most other cities have not yet adopted impact fees on rentals.
- Fees on for sale units, where permitted, in the Santa Clara cities reflect a range of approaches and levels. Several Silicon Valley cities charge fees as a percent of sales price, a practice not used much outside of Silicon Valley. The percent of sales prices reflects the higher impacts of higher priced units, borne out in the nexus analysis. The approach also scales fees in proportion to the revenue projects would forgo were a portion of units to be made affordable on-site.
- In the East Bay, Fremont is notable for its higher fees and obligation to provide both units and pay fees. Hayward has a lower fee structure. Oakland is a new adoption that will phase in fees up to \$23,000 per market rate unit, less than Berkeley but higher than neighbors to the south.
- East of the hills, some programs like Pleasanton, have been in place for decades but are more modest than most of the newer ones. Dublin is, in many ways, its own special case, with vigorous development activity and affordable unit requirements.

On-Site Requirements

- The Santa Clara cities (excluding Milpitas) have programs in the 10% to 20% range, with 15% most common.

- For the Santa Clara County programs, the affordability level applicable to for-sale projects is usually in the moderate income range, with pricing of on-site units ranging from 90% to 120% AMI, depending on the city. A few cities do seek some units down to Low Income.
- In Alameda cities, on-site requirements are most commonly at the 15% level. Berkeley has a 20% requirement, while Hayward and Oakland have lower requirements. The Fremont percentage is lower but a fee is owed in addition to on-site units.

2. Other General Comments

- Impact / in-lieu fees are presented at adopted levels. Where a multi-year phase-in has been adopted, such as the new Oakland program, the full phase in amount is shown with clarification in the bottom comment section of the chart. Fees on rentals are included only when they have been adopted as impact fees, following the *Palmer* California Supreme Court ruling which precludes on-site requirements and their in-lieu fee alternatives.
- Fees are expressed in different ways from one city to the next. Some fees are charged per square foot, some are a flat fee per market rate unit, and some are charged per affordable unit owed, which is almost always over \$100,000 in the Bay Area. To convert per unit owed to per market rate unit, one can multiply the per unit amount by the percentage requirement.
- On-Site Requirement/Option for Rentals. Many city codes continue to include on-site requirement language for rental projects because codes have not been updated since the *Palmer* ruling and requirements are not being applied (except through negotiation). These requirements are not included in the chart.
- The income levels of the affordable units that are required are summarized in terms of both “eligibility” or “qualifying” levels and the pricing level that is used to establish the purchase price or rent level of the unit. The pricing level is the critical one insofar as the developer’s obligation is concerned. The most typical choice for pricing level is to be consistent with the affordable housing cost definitions in the California Health & Safety Code 50052.5 and 50053.
- Virtually all cities that have on-site requirements for for-sale residential projects without the choice of fee payment, do allow fee payment with special City Council approval. Therefore, the chart notes this feature only by way of a footnote. The City’s practice in granting such approvals may be more consequential than what may be written.

For more complete information on the programs, please consult the website and code language of the individual cities.

**TABLE 3
COMPARISON OF AFFORDABLE HOUSING REQUIREMENTS - RESIDENTIAL
PARTICIPATING JURISDICTIONS: SANTA CLARA COUNTY¹
AFFORDABLE HOUSING NEXUS ANALYSES**

	Campbell	Los Altos	Milpitas	Santa Clara City
Year Adopted / Updated	2006	Est. 1995, update 2009	2015	Est. 1991, update 2006
Minimum Project Size				
For In-lieu/Impact Fee	FS, <6du/Ac: 10 units FS, >6 du/Ac: n/a	n/a	FS/R: 5 units	n/a
For Build Requirement	FS, <6du/Ac: n/a FS, >6du/Ac: 10 units	FS: 5 units	no build req.	FS: 10 units
Impact / In-Lieu Fee	FS: \$34.50 /sf	none	FS/R: 5% building permit value	FS: Fractional units only (Market Value - Affordable Price) x fractional unit
Onsite Requirement/Option				
Percent of Total Units	FS: 15%	FS: 10%	FS/R: 5%	FS: 10%
Income Level for Qualification	FS: Moderate	FS: Moderate If <10 units, one unit at Low.	FS/R: Low and Very Low	FS: Moderate
Income Level for Pricing(% AMI)	FS: Moderate @ 110%	Not Specified.	Not specified.	Not specified.
Fractional Units	<0.5: round down, >0.5: round up	provide unit	not specified	pay fee or provide unit
Comments		<4 du/Ac: no requirement. Also, requirements may be waived by City Council for projects of 9 units or less.	In-lieu/impact fee introduced as temporary measure while City prepares formal nexus study. Fee has not yet been assessed.	

Abbreviations: R = Rental FS = For Sale /sf = per square foot MF = Multi-Family
du = Dwelling Unit Ac = Acre AMI =Area Median Income SF = Single Family

1. Santa Clara County and Saratoga do not currently have an inclusionary housing requirement.

Notes: This chart presents an overview, and as a result, terms are simplified. For use other than general comparison, please consult the code and staff of the jurisdiction. Virtually all cities that do not allow fee payment by right allow developers to seek Council approval of fee payment instead of on-site units, in addition to providing options for off-site construction and land dedication.

**TABLE 3
COMPARISON OF AFFORDABLE HOUSING REQUIREMENTS - RESIDENTIAL
NON-PARTICIPATING JURISDICTIONS: SANTA CLARA COUNTY
AFFORDABLE HOUSING NEXUS ANALYSES**

	Cupertino	Mountain View	San Jose	Sunnyvale
Year Adopted / Updated	Est. 1992, update 2015	Est. 1999, rental impact fee in 2012, update 2015	Est. 2010. Rental Fee 2014.	Update 2015
Minimum Project Size For In-lieu/Impact Fee	FS/R: 1 unit	FS: 3 units R: 5 units	FS: 20 units R: 3 units	FS: 8 units R: 4 units
For Build Requirement	FS: 7 units	Mixed FS/R: 6 units FS: 10 units	no build req.	FS: 20 units
Impact / In-Lieu Fee	FS: Detached \$15/sf, Attached \$16.50/sf, MF \$20/sf R: <35 du/Ac \$20/sf, >35 du/Ac \$25/sf	FS: 3% of sales price R: \$17/sf	FS: based on affordability gap R: \$17 /sf	FS: 7% of sales price R: \$8.50/sf (4-7 units), \$17/sf (8+ units)
Onsite Requirement/Option Percent of Total Units	FS/R: 15%	FS/R: 10%	FS: 15%	FS: 12.5% R: On-site credits (see below)
Income Level for Qualification	FS: 1/2 Median 1/2 Moderate R: 40% Low, 60% Very Low	FS: Median R: Low	FS: Moderate	FS: Moderate
Income Level for Pricing(% AMI)	FS: Moderate @ 110%, Median @ 90% R: Low @ 60%, Very Low @ 50% AMI	FS: One unit: 90% AMI Multiple units: 80 - 100% AMI R: Ranges btwn 50-80% AMI	Moderate @ 110% AMI	Moderate @ 100% AMI
Fractional Units	<.5 unit owed: pay fee .5+ unit owed: round up	pay fee or provide unit	R: pay fee FS: pay fee or provide unit	pay fee or provide unit
Comments			Inclusionary zoning to be reinstated 2016. Downtown highrises exempt from impact fee for five years.	On-site rental: developer credited \$300,000/du (Very Low), \$150,000/du (Low). Projects with fewer than 20 units are eligible to pay in-lieu fee.

Abbreviations:

R = Rental
du = Dwelling Unit

FS = For Sale
Ac = Acre

/sf = per square foot
AMI =Area Median Income

MF = Multi-Family
SF = Single Family

Notes: This chart presents an overview, and as a result, terms are simplified. For use other than general comparison, please consult the code and staff of the jurisdiction.

Virtually all cities that do not allow fee payment by right allow developers to seek Council approval of fee payment instead of on-site units, in addition to providing options for off-site construction and land dedication.

**TABLE 3
COMPARISON OF AFFORDABLE HOUSING REQUIREMENTS - RESIDENTIAL
PARTICIPATING JURISDICTIONS: ALAMEDA COUNTY¹
AFFORDABLE HOUSING NEXUS ANALYSES**

	Albany	Fremont	Hayward	San Leandro	Union City
Year Adopted / Updated	2005	Est. 2002, update 2015, full phase-in 2017	Update 2015	2004	Est. 2001, update 2006
Minimum Project Size For In-lieu/Impact Fee For Build Requirement	FS: 5 units FS: 7 units	FS/R: 2 units no build req.	FS/R: 20 units no build req.	FS: 2 units FS: 7 units	n/a FS: 1 unit
Impact / In-Lieu Fee	FS: (Market Value - Affordable Price) x units owed	FS: Attached \$27.00 no units, \$18.50 w/ aff units Detached \$26.00 no units, \$17.50 w/ aff units, R: \$17.50 no map, \$27.00 w/ map	FS: Attached \$3.24/sf, Detached \$4/sf R: \$3.24/sf	FS: (Median Sale Price - Affordable Price) x units owed	FS: <7 units: \$160,000 /du owed, 7+ units: \$180 /sf owed
Onsite Requirement/Option Percent of Total Units	FS: 15%	FS: Attached 3.5% plus \$18.50/sf Detached 4.5% plus \$17.50/sf R: 12.9%	FS: Attached 7.5%, Detached 10% R: Attached 7.5%, Detached 10%	FS: 15%	FS: 15%
Income Level for Qualification	FS: <10 units: Low 10+ units: 50% Low, 50% Very Low	FS: Moderate Income R: 19% Extremely Low, 33% Very Low, 25% Low, 24% Moderate	FS: Moderate Income R: 50% Low, 50% Very Low	FS: 60% Moderate, 40% Low	FS: 60% Moderate, 30% Median, 10% Low.
Income Level for Pricing(% AMI)	Not specified.	FS: Moderate @ 110% AMI (120% w/approval) R: Low @ 60% AMI, Very Low @ 50% AMI, Extremely Low @ 30% AMI	FS: Moderate @ 110% AMI R: Low @ 60% AMI Very Low @ 50% AMI	FS: Moderate @ 110% AMI, Low @ 70% AMI	FS: Moderate @ 110% AMI, Median not specified (80-100%) Low @ 70% AMI
Fractional Units	<0.5: pay fee, >0.5: provide unit	pay fee or provide unit	pay fee or provide unit	<0.5: round down, >0.5: round up	pay fee or provide unit
Comments		Full phase-in levels shown. Rental projects with a subdivision map pay the higher fee. FS projects req. to provide onsite units and pay fee.		Fee calculated based on current median sales price. No fees owed since 2008.	Fee payment with City approval only. Single-unit, owner occupied projects exempt.

Abbreviations: R = Rental /sf = per square foot MF = Multi-Family
du = Dwelling Unit Ac = Acre AMI =Area Median Income SF = Single Family

1. Alameda County (not displayed) does not currently have an affordable housing requirement.

Notes: This chart presents an overview, and as a result, terms are simplified. For use other than general comparison, please consult the code and staff of the jurisdiction.

Virtually all cities that do not allow fee payment by right allow developers to seek Council approval of fee payment instead of on-site units, in addition to providing options for off-site construction and land dedication.

**TABLE 3
COMPARISON OF AFFORDABLE HOUSING REQUIREMENTS - RESIDENTIAL
NON-PARTICIPATING JURISDICTIONS: ALAMEDA COUNTY
AFFORDABLE HOUSING NEXUS ANALYSES**

	Alameda (city)	Berkeley	Dublin	Oakland	Pleasanton
Year Adopted / Updated	2003	Est. 1986, rental fee 2011, update proposed 2016	Est. 1997, update 2005	2016	Est. 1978, update 2000.
Minimum Project Size For In-lieu/Impact Fee For Build Requirement	FS: 5 units FS: 10 units	FS/R: 5 units no build req.	FS/R: 20 units FS/R: 20 units (partial)	FS/R: 1 unit no build req.	FS/R: 15 units no build req.
Impact / In-Lieu Fee	FS: \$18,431/du	FS: 62.5% x (Sale Price - Affordable Price) x units owed R: Current \$28,000/du <i>Proposed</i> \$34,000/du	FS/R: \$127,061 per aff unit owed (in addition to on-site)	FS/R: MF \$12,000-\$22,000, SF Attached \$8,000-\$20,000, SF Detached \$8,000-\$23,000	FS/R: MF \$2,783/du, SF <1,500 sq ft: \$2,783/du, >1,500 sq ft: \$11,228/du
Onsite Requirement/Option Percent of Total Units	FS: 15%	FS: 20% R: Current 10%, <i>Proposed</i> 20% FS: Low	FS/R: 7.5%, plus fee (12.5% without fee)	FS/R: Option A 5% or Option B 10%	FS/R: MF 15% SF 20%
Income Level for Qualification	FS: 47% Moderate, 27% Low, 27% Very Low	R: Current Very Low <i>Proposed</i> 1/2 Very Low, 1/2 Low	FS: 60% Moderate, 40% Low R: 50% Moderate, 20% Low, 30% Very Low	FS/R: Option A Very Low Option B Low and Moderate	FS: MF Low SF Moderate
Income Level for Pricing(% AMI)	FS: Moderate @ 110%, Low @ 70%, Very Low @ 50%	FS: Low @ 80% R: Low at 81%, Very Low at 50%.	FS: Moderate @ 110%, Low @ 70% R: Moderate @ 110%, Low @ 80%, Very Low @ 50%	FS: Moderate @ 110%, Low @ 70%, Very Low @ 50% R: Moderate 110%, Low @ 60%, Very Low @ 50%	FS: MF 80% AMI SF 120% AMI
Fractional Units	<0.5: round down, >0.5: round up	pay fee	<0.5: round down, >0.5: round up	pay fee or provide unit	<0.5: round down, >0.5: round up
Comments		Council has directed City Manager to draft ordinance with proposed changes to rental program.		Fees vary by neighborhood. Fees phased in through 2020. Full fee levels shown. On-site: May choose Option A or B. Based on draft ordinance prepared for April 19, 2016 council meeting.	

Abbreviations:

R = Rental
du = Dwelling Unit

FS = For Sale
Ac = Acre

/sf = per square foot
AMI =Area Median Income

MF = Multi-Family
SF = Single Family

Notes: This chart presents an overview, and as a result, terms are simplified. For use other than general comparison, please consult the code and staff of the jurisdiction.

Virtually all cities that do not allow fee payment by right allow developers to seek Council approval of fee payment instead of on-site units, in addition to providing options for off-site construction and land dedication.

D. Non-Residential Development Cost Context

The non-residential development cost context analysis considers the impacts a new affordable housing fee could have on the cost of development for new office, retail, hotel, and light industrial projects in Santa Clara County. The analysis enables an understanding of the relative cost burdens new fees have on various types of commercial and industrial development projects and can be useful in scaling fees by type of project.

For commercial and industrial development, the analysis considers the potential fee as a percentage of total development costs rather than the full feasibility analysis included for the multi-family apartments. One of the primary reasons a full feasibility analysis is not performed for the commercial land uses is because there is typically greater variation in the cost and rent structures for commercial projects than for housing projects. Development costs and rents can vary widely for office and retail projects due to the specialized nature of tenant improvements and lease terms from one tenant to another. Costs and revenues also vary widely for hotel projects due to the fact that hotel products range from lower cost limited service and budget hotels to highly amenitized full service and boutique hotels. Finally, affordable housing requirements applicable to non-residential development typically represents a smaller percentage of overall project cost compared to residential requirements. For these reasons, the utility of a full feasibility analysis for commercial projects is generally more limited than for housing projects. Instead an understanding of the total development cost context has generally proved sufficient to guide the selection of fee levels on non-residential projects.

1. Commercial Market Context

Like the residential market, commercial projects in Santa Clara County have experienced strengthening conditions in recent years due to robust job growth and the strength of the overall regional economy. According to a recent market report from Newmark Cornish & Carey, as of Q1 2016 there was about 9.5 million square feet of office development in construction in Silicon Valley out of a total office inventory of 75 million square feet. New retail, hotel and industrial projects are also being built or are in the planning stages in various parts of the county.

2. Development Cost Analysis

For the development cost analysis, KMA utilized the following four commercial prototypes.

- Office development with structured parking at 1.00 floor area ratio (FAR)
- Hotel development with surface and structured parking at 1.00 FAR
- Retail development with surface parking at 0.30 FAR
- Light industrial development with surface parking at 0.40 FAR

In preparing these prototypes it is acknowledged that there could be some differences in overall density from one jurisdiction to another as these prototypes are intended to reflect averages for

the participating jurisdictions in Santa Clara County. However, for purposes of the development cost assessment it is not necessary to analyze every variation of project density or building prototype being built or proposed to be built. The utility of the analysis lies with an understanding of the general range of development costs for new commercial projects and the impact that a new fee can have relative to those costs.

The estimates of total development costs for the commercial prototypes are shown in the following table. The costs include estimates for land acquisition, direct construction costs, and indirect and financing costs of development. In assembling the development cost estimates, KMA utilized a variety of data sources, including the following:

- Land appraisals, CoStar land comps;
- Third party construction cost data sources such as RS Means and Engineering News Record (ENR);
- Pro forma data for current non-residential projects in the Bay Area.

**Non-Residential Development Costs
Santa Clara County Participating Jurisdictions**

	Office		Hotel		Retail		Light Industrial	
Building Square Feet	100,000		75,000		75,000		100,000	
Hotel Rooms			125 rooms					
Parking	Structure		Surface & Structure		Surface		Surface	
FAR	1.00 FAR		1.00 FAR		0.30 FAR		0.40 FAR	
Land Area	2.30 acres		1.72 acres		5.74 acres		5.74 acres	
	<u>\$/SF</u>	<u>Total</u>	<u>\$/SF</u>	<u>Total</u>	<u>\$/SF</u>	<u>Total</u>	<u>\$/SF</u>	<u>Total</u>
<u>Land Acquisition</u>	\$115	\$11,500,000	\$45	\$3,380,000	\$200	\$15,000,000	\$88	\$8,750,000
	\$115 /land sf		\$45 /land sf		\$60 /land sf		\$35 /land sf	
<u>Directs</u>	\$348	\$34,750,000	\$227	\$17,000,000	\$175	\$13,130,000	\$143	\$14,250,000
<u>Indirects</u>								
A&E	\$21	\$2,090,000	\$14	\$1,020,000	\$11	\$790,000	\$9	\$860,000
FF&E/Tenant Improvements	\$59	\$5,850,000	\$58	\$4,380,000	\$36	\$2,700,000	\$19	\$1,900,000
Fees & Permits (excl. Afford)	\$5	\$540,000	\$8	\$590,000	\$7	\$520,000	\$5	\$480,000
Other Indirects & Financing	\$33	\$3,280,000	\$21	\$1,580,000	\$26	\$1,930,000	\$16	\$1,570,000
Total Indirects & Financing	\$118	\$11,760,000	\$101	\$7,570,000	\$79	\$5,940,000	\$48	\$4,810,000
Total Costs	\$580	\$58,010,000	\$373	\$27,950,000	\$454	\$34,070,000	\$278	\$27,810,000
Total Cost Range	\$525 - \$625/sf		\$325 - \$425/sf		\$400 - \$500/sf		\$250 - \$300/sf	

As shown, total development costs for the non-residential prototypes range from a low of approximately \$250-\$300/square foot for the light industrial prototype to a high of approximately \$525-\$625 for the office prototype.

3. Affordable Housing Fees Supported

In general, affordable housing fees on non-residential projects fall within a range of 1% to 5% of total development costs, with the upper portion of the range generally reserved for cities that have very strong market conditions driving non-residential development projects. As noted in Section E., current affordable housing fees on non-residential projects are as high as \$20-\$25/square foot (for office projects) in Santa Clara County jurisdictions that have such fees. Current fees for other non-residential projects, such as retail and hotel, tend to be more in the \$5-\$10 / square foot range.

The table below summarizes the range of potential fees on non-residential projects expressed as a percentage of total development cost. As an example, at 3% of total development cost, a new housing fee would range from approximately \$8 / square foot for light industrial uses to \$17/square foot for office uses. As is common in jobs housing linkage fee programs, light industrial projects tend to have lower fees than higher intensity/higher value projects such as office projects because it is generally more difficult for lower cost projects to absorb new fees. Exceptions include some Silicon Valley cities where distinctions between office and industrial have become blurred and both are charged at the same rate.

Relative Fee Burdens*

	Office	Hotel	Retail	Light Industrial
Total Cost Range	\$525 - \$625/sf	\$325 - \$425/sf	\$400 - \$500/sf	\$250 - \$300/sf
Fee at 1% of Total Cost	\$5.75	\$3.75	\$4.50	\$2.75
Fee at 2% of Total Cost	\$11.50	\$7.50	\$9.00	\$5.50
Fee at 3% of Total Cost	\$17.25	\$11.25	\$13.50	\$8.25
Fee at 4% of Total Cost	\$23.00	\$15.00	\$18.00	\$11.00
Fee at 5% of Total Cost	\$28.75	\$18.75	\$22.50	\$13.75

*Fees calculated at 1-5% of mid-point of cost range.

As was done in the apartment feasibility section of this report, the following table summarizes how newly adopted fees can be absorbed by relatively minor improvements in development economics over time. For example, a newly added fee of \$20/square foot for the office prototype could be absorbed by a roughly 3% increase in rental income (\$20/square foot x 0.15%), a roughly 6% decrease in direct construction costs (\$20/square foot x 0.29%), or a roughly 17% decrease in land values (\$20/square foot x 0.87%). It is noted however that construction costs and rents tend to move in the same direction. Therefore, increases in rents would need to exceed increases in costs in order to produce a net gain in a project's economics.

Potential Market Adjustments to Absorb Every \$1/SF Fee

	Office	Hotel	Retail	Light Industrial
Increase in Rents/Income	0.15%	0.23%	0.19%	0.31%
Decrease in Direct Costs	0.29%	0.44%	0.57%	0.70%
Decrease in Land Values	0.87%	2.22%	0.50%	1.14%

Adjustments are not additive. Each would independently be sufficient to absorb new fees. Depending on the market cycle and other factors, a combination of the above market adjustments would be expected to contribute in absorbing a new fee.

E. Jobs Housing Linkage Fees in Other Jurisdictions

Information on other jobs housing linkage fee programs in nearby or comparable cities is often helpful context in considering new or updated fees. The following section provides information assembled regarding other programs in the Bay Area and elsewhere in California including information on customized features such as size thresholds, exemptions, and build options.

More than 30 cities and counties in California have commercial linkage fees, with the majority of these programs within the Bay Area and greater Sacramento. In Southern California, a few cities have linkage fee programs, of which San Diego is the largest example. Several communities in Massachusetts have linkage fees, including Boston and Cambridge. Seattle recently expanded its linkage fee program city-wide. Boulder, Colorado adopted a new city-wide program last year. Portland and Denver are each in the process of exploring new linkage fee adoptions.

Silicon Valley and the Peninsula, which has some of the strongest real estate market conditions in the Bay Area, is where many of the jurisdictions with the highest fee levels are found. For office, fee levels range from \$15 (Sunnyvale) to \$25 per square foot (Mountain View). Several cities have recently updated fee levels (Cupertino, Mountain View, Sunnyvale), or newly adopted fees (Redwood City). For retail and hotel, fee ranges are much broader as some jurisdictions have adopted similar fee levels across all building types while others have lower fee levels for retail and hotel.

Within the East Bay, fees have been adopted at a more moderate range. For office, fee levels for communities in the inner East Bay (west of the hills) range from \$3.59 (Newark) to \$5.24 (Oakland). Retail fees range from \$2.30 (Alameda) to \$4.50 (Berkeley). Oakland’s program covers only office and warehouse and exempts other uses such as retail.

The table on the following page provides an overview of fee levels for selected examples in Santa Clara County, the Peninsula, and the East Bay. A more complete overview of these programs, and many others, is presented on Table 4 at the end of this section.

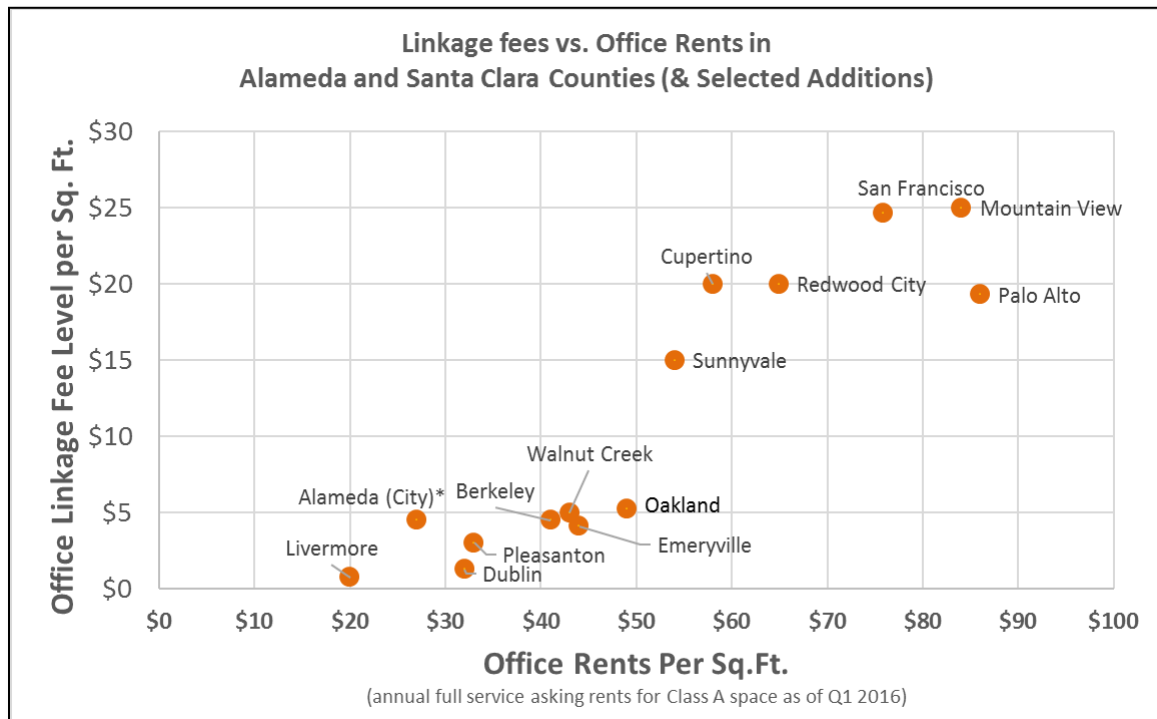
Affordable Housing Fee Levels in Selected Communities

Non-Residential Linkage Fees	Office \$/SF	Retail \$/SF	Hotel \$/SF	Industrial \$/SF
<u>Santa Clara Co. & Peninsula</u>				
Mountain View	\$25.00	\$2.68	\$2.68	\$25.00
Cupertino	\$20.00	\$10.00	\$10.00	\$20.00
Palo Alto	\$19.85	\$19.85	\$19.85	\$19.85
Sunnyvale	\$15.00	\$7.50	\$7.50	\$15.00
San Francisco	\$24.61	\$22.96	\$18.42	\$19.34
Redwood City	\$20.00	\$5.00	\$5.00	N/A
<u>East Bay: West of Hills</u>				
Oakland	\$5.24	N/A	N/A	N/A
Berkeley	\$4.50	\$4.50	\$4.50	\$2.25
Alameda (City)	\$4.52	\$2.30	\$1.85	\$0.78
Emeryville	\$4.10	\$4.10	\$4.10	\$4.10
Newark	\$3.59	\$3.59	\$3.59	\$0.69
<u>East Bay: East of Hills</u>				
Walnut Creek	\$5.00	\$5.00	\$5.00	N/A
Pleasanton	\$3.04	\$3.04	\$3.04	\$3.04
Dublin	\$1.27	\$1.02	\$0.43	\$0.49
Livermore	\$0.76	\$1.19	\$1.00	\$0.24

N/A = No fee or no applicable category

As a way to provide context in terms of the market conditions in each of the communities, the chart on the following page shows office linkage fees (the building type that usually has the highest fees) in relation to office rents by city. Office rents are an indicator of market strength and major driver of real estate values.

Office Linkage Fees vs. Average Office Rents in Selected Communities



*Rents for City of Alameda apply to Class B/C space (Class A rents not available)
Sources: Office rents from market research reports prepared by Colliers International.

By way of comparison, asking rents for available Class A office space in Los Altos as of Q1 2016 averaged just under \$80 per square foot.

Ordinance or Program Features

Linkage fee programs often includes features to address a jurisdiction's policy objectives or specific concerns. The most common are:

- Minimum Threshold Size** – A minimum threshold sets a building size over which fees are in effect. Programs with low fees often have no thresholds and all construction is subject to the fee. Thresholds, which reduce fees for smaller projects, are more common for programs with more significant fees. Some jurisdictions establish a building size over which the fee applies. Sometimes the fee applies to the whole building and sometimes the fee applies only to the square foot area over the threshold. Thresholds are often employed to minimize costs for small infill projects in older commercial areas, when such infill is a policy objective. There is also some savings in administrative costs. The disadvantage is lost revenue. Oakland and Berkeley are examples of communities employing thresholds while Alameda, Newark, and others do not. Mountain View has a reduced charge for the first 10,000 square feet of office space and the first 25,000 square feet of retail or hotel development.

- *Geographic Area Variations and Exemptions* – Some cities with linkage fee programs exclude specific areas such as redevelopment areas or have fees that vary based on geography. A geographic area variation can also be used to adjust the fee in jurisdictions where there is a broad difference in economic health from one subarea to the next. This is generally more common among large cities with a diverse range of conditions.
- *Specific Use Exemptions* – Some cities charge all building types while others choose to exempt specific uses. A common exemption is for buildings owned by non-profits which typically encompasses religious, educational/institutional, and hospital building types. Some programs identify specific uses as exempt such as schools and child care centers.

A more complete listing of the programs surveyed along with information about ordinance features such as exemptions and thresholds is contained in Table 3 at the end of this section.

TABLE 4
SUMMARY OF JOBS HOUSING LINKAGE FEE PROGRAMS, CALIFORNIA

Jurisdiction	Yr. Adopted/ Updated	Fee Level (per Sq.Ft. unless otherwise noted)	Thresholds & Exemptions	Build Option/ Other	Market Strength	Comments
SAN FRANCISCO, PENINSULA, SANTA CLARA COUNTY						
San Francisco Population: 829,000	1981 Updated 2002, 2007	Retail / Entertainment \$22.96 Hotel \$18.42 Production Dist. Repair \$19.34 Office \$24.61 Research and Development \$16.39 Small Enterprise Workspace \$19.34	25,000 gsf threshold Exempt: freestanding pharmacy < 50,000 SF; grocery < 75,000	Yes, may contribute land for housing.	Very Substantial	Fee is adjusted annually based on the construction cost increases.
City of Palo Alto Population: 66,000	1984 Updated 2002	Nonresidential Dvlpmt \$19.85	Churches; universities; recreation; hospitals, private educational facilities, day care and nursery school, public facilities are exempt	Yes	Very Substantial	Fee is adjusted annually based on CPI.
City of Menlo Park Population: 33,000	1998	Office & R&D \$15.57 Other com./industrial \$8.45	10,000 gross SF threshold Churches, private clubs, lodges, fraternal orgs, public facilities and projects with few or no employees are exempt.	Yes, preferred. May provide housing on- or off-site.	Very Substantial	Fee is adjusted annually based on CPI.
City of Sunnyvale Population: 146,000	1984 Updated 2003 and 2015.	Industrial, Office, R&D: \$15.00 Retail, Hotel \$7.50	Office fee is 50% on the first 25,000 SF of building area. Exemptions for Child care, education, hospital, non-profits, public uses.	N/A	Very Substantial	Fee is adjusted annually based on CPI.
Redwood City Population: 80,000	2015	Office \$20.00 Hotel \$5.00 Retail & Restaurant \$5.00	5,000 SF threshold 25% fee reduction for projections paying prevailing wage. Schools, child care centers, public uses exempt.	Yes. Program specifies number of units per 100,000 SF.	Very Substantial	Fee is adjusted annually based on ENR.
City of Mountain View Population: 77,000	Updated 2002 / 2012 /2014	Office/High Tech/Indust. \$25.00 Hotel/Retail/Entertainment. \$2.68	Fee is 50% on building area under thresholds: Office <10,000 SF Hotel <25,000 SF Retail <25,000 SF	Yes	Very Substantial	Fee is adjusted annually based on CPI.
City of Cupertino Population: 60,000	1993, 2015	Office/Industrial/R&D \$20.00 Hotel/Commercial/Retail \$10.00	No minimum threshold.	N/A	Very Substantial	Fee is adjusted annually based on CPI.
Note: This chart has been assembled to present an overview, and as a result, terms are simplified. The information is recent but not all data has been updated as of the date of this report. In some cases, fees are adjusted by an index (such as CPI) which may not be reflected. For use other than general comparison, please consult the code and staff of the jurisdiction.						

**TABLE 4
SUMMARY OF JOBS HOUSING LINKAGE FEE PROGRAMS, CALIFORNIA**

Jurisdiction	Yr. Adopted/ Updated	Fee Level (per Sq.Ft. unless otherwise noted)	Thresholds & Exemptions	Build Option/ Other	Market Strength	Comments
EAST BAY						
City of Walnut Creek Population: 66,000	2005	Office, retail, hotel and medical \$5.00	First 1,000 SF no fee applied.	Yes	Very Substantial	Reviewed every five years.
City of Oakland Population: 402,000	2002	Office/ Warehouse \$5.24	25,000 SF exemption	Yes - Can build units equal to total eligible SF times .00004	Substantial	Fee due in 3 installments. Fee adjusted with an annual escalator tied to residential construction cost increases.
City of Berkeley Population: 116,000	1993 2014	Office \$4.50 Retail/Restaurant \$4.50 Industrial/Manufacturing \$2.25 Hotel/Lodging \$4.50 Warehouse/Storage \$2.25 Self-Storage \$4.37 R&D \$4.50	7,500 SF threshold.	Yes	Substantial	Annual CPI increase. May negotiate fee downward based on hardship or reduced impact.
City of Emeryville	2014	All Commercial \$4.10	Schools, daycare centers.	Yes	Substantial	Fee adjusted annually.
City of Alameda Population: 76,000	1989	Retail \$2.30 Office \$4.52 Warehouse \$0.78 Manufacturing \$0.78 Hotel/Motel \$1,108	No minimum threshold	Yes. Program specifies # of units per 100,000 SF	Moderate	Fee may be adjusted by CPI.
City of Pleasanton Population: 73,000	1990	Commercial, Office & Industrial \$3.04	No minimum threshold	Yes	Moderate	Fee adjusted annually.
City of Dublin Population: 50,000	2005	Industrial \$0.49 Office \$1.27 R&D \$0.83 Retail \$1.02 Services & Accommodation \$0.43	20,000 SF threshold	N/A	Moderate	
City of Newark Population: 44,000		Commercial \$3.59 Industrial \$0.69	No min threshold Schools, recreational facilities, religious institutions exempt.	Yes	Moderate	Revised annually
City of Livermore Population: 84,000	1999	Retail \$1.19 Service Retail \$0.90 Office \$0.76 Hotel \$583/ rm Manufacturing \$0.37 Warehouse \$0.11 Business Park \$0.76 Heavy Industrial \$0.38 Light Industrial \$0.24	No minimum threshold Church, private or public schools exempt.	Yes; negotiated on a case-by-case basis.	Moderate	
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TABLE 4
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Jurisdiction	Yr. Adopted/ Updated	Fee Level (per Sq.Ft. unless otherwise noted)	Thresholds & Exemptions	Build Option/ Other	Market Strength	Comments
MARIN, NAPA, SONOMA, SANTA CRUZ						
County of Santa Cruz Population: 267,000	2015	All Non-Residential \$2.00	No minimum threshold	N/A	Substantial	
County of Marin Population: 257,000	2003	Office/R&D \$7.19 Retail/Rest. \$5.40 Warehouse \$1.94 Hotel/Motel \$1,745/rm Manufacturing \$3.74	No minimum threshold	Yes, preferred.	Substantial	
San Rafael Population: 59,000	2005	Office/R&D \$7.64 Retail/Rest./Pers. Services \$5.73 Manufacturing/LI \$4.14 Warehouse \$2.23 Hotel/Motel \$1.91	5,000 SF threshold. Mixed use projects that provide affordable housing are exempt.	Yes. Program specifies number of units per 1,000 SF.	Substantial	
Town of Corte Madera Population: 9,000	2001	Office \$4.79 R&D lab \$3.20 Light Industrial \$2.79 Warehouse \$0.40 Retail \$8.38 Com Services \$1.20 Restaurant \$4.39 Hotel \$1.20 Health Club/Rec \$2.00 Training facility/School \$2.39	No minimum threshold	N/A	Substantial	
City of St. Helena Population: 6,000	2004	Office \$4.11 Comm./Retail \$5.21 Hotel \$3.80 Winery/Industrial \$1.26	Small childcare facilities, churches, non-profits, vineyards, and public facilities are exempt.	Yes, subject to City Council approval.	Substantial	
City of Petaluma Population: 59,000	2003	Commercial \$2.19 Industrial \$2.26 Retail \$3.78	N/A	Yes, subject to City Council approval.	Moderate/ Substantial	Fee adjusted annually by ENR construction cost index.
County of Sonoma Population: 492,000	2005	Office \$2.64 Hotel \$2.64 Retail \$4.56 Industrial \$2.72 R&D Ag Processing \$2.72	First 2,000 SF exempt Non-profits, redevelopment areas exempt	Yes. Program specifies number of units per 1,000 SF.	Moderate	Fee adjusted annually by ENR construction cost index.
City of Cotati Population: 7,000	2006	Commercial \$2.08 Industrial \$2.15 Retail \$3.59	First 2,000 SF exempt Non-profits exempt.	Yes. Program specifies units per 1,000 SF	Moderate	Fee adjusted annually by ENR construction cost index.
County of Napa Population: 139,000	Updated 2014	Office \$5.25 Hotel \$9.00 Retail \$7.50 Industrial \$4.50 Warehouse \$3.60	No minimum threshold Non-profits are exempt	Units or land dedication; on a case by case basis.	Moderate / Substantial	
City of Napa Population: 79,000	1999	Office \$1.00 Hotel \$1.40 Retail \$0.80 Industrial, Wine Pdn \$0.50 Warehouse (30-100K) \$0.30 Warehouse (100K+) \$0.20	No minimum threshold Non-profits are exempt	Units or land dedication; on a case by case basis.	Moderate/ Substantial	Fee has not changed since 1999. Increases under consideration.

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Jurisdiction	Yr. Adopted/ Updated	Fee Level (per Sq.Ft. unless otherwise noted)	Thresholds & Exemptions	Build Option/ Other	Market Strength	Comments
SACRAMENTO AREA						
City of Sacramento Population: 476,000	1989 Most recent update, 2005	Office \$2.25 Hotel \$2.14 R&D \$1.91 Commercial \$1.80 Manufacturing \$1.41 Warehouse/Office \$0.82	No minimum threshold Mortuary, parking lots, garages, RC storage, Christmas tree lots, B&Bs, mini-storage, alcoholic beverage sales, reverse vending machines, mobile recycling, and small recyclable collection facilities	Pay 20% fee plus build at reduced nexus (not meaningful given amount of fee)	Moderate	North Natomas area has separate fee structure
City of Folsom Population: 73,000	2002	Office, Retail, Lt Industrial, and Manufacturing \$1.54 Up to 200,000 SF, 100% of fee; 200,000-250,000 SF, 75% of fee; 250,000-300,000 SF, 50% of fee; 300,000 and up, 25% of fee.	No minimum threshold Select nonprofits, small child care centers, churches, mini storage, parking garages, private garages, private schools exempt.	Yes Provide new or rehab housing affordable to very low income households. Also, land dedication.	Moderate/ Substantial	Fee is adjusted annually based on construction cost index
County of Sacramento Population: 1,450,000	1989	Office \$0.97 Hotel \$0.92 R&D \$0.82 Commercial \$0.77 Manufacturing \$0.61 Indoor Recreational Centers \$0.50 Warehouse \$0.26	No minimum threshold Service uses operated by non-profits are exempt	N/A	Moderate	
City of Elk Grove Population: 158,000	1989 (inherited from County when incorporated)	Office none Hotel \$1.87 Commercial \$0.64 Manufacturing \$0.72 Warehouse \$0.77	No minimum threshold Membership organizations (churches, non- profits, etc.), mini storage, car storage, marinas, car washes, private parking garages and agricultural uses exempt	N/A	Moderate	Office fee currently waived due to market conditions.
Citrus Heights Population: 85,000	1989 (inherited from County when incorporated)	Office \$0.97 Hotel \$0.92 R&D \$0.82 Commercial \$0.77 Manufacturing \$0.61 Indoor Recreational Centers \$0.50 Warehouse \$0.26	No minimum threshold Membership organizations (churches, non- profits, etc.), mini storage, car storage, marinas, car washes, private parking garages and agricultural uses exempt	N/A	Moderate	
Rancho Cordova Population: 67,000	1989 (inherited from County when incorporated)	Office \$0.97 Hotel \$0.92 R&D \$0.82 Commercial \$0.77 Manufacturing \$0.61 Indoor Recreational Centers \$0.50 Warehouse \$0.26	No minimum threshold Membership organizations (churches, non- profits, etc.), mini storage, car storage, marinas, car washes, private parking garages and agricultural uses exempt	N/A	Moderate	
Note: This chart has been assembled to present an overview, and as a result, terms are simplified. The information is recent but not all data has been updated as of the date of this report. In some cases, fees are adjusted by an index (such as CPI) which may not be reflected. For use other than general comparison, please consult the code and staff of the jurisdiction.						

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SOUTHERN CALIFORNIA							
City of Santa Monica Population: 92,000	1984 Updated 2002, 2015	Retail	\$9.75	1,000 SF threshold Private schools, city projects, places of worship, commercial components of affordable housing developments exempt.	N/A	Very Substantial	Fees adjusted annually based on construction cost index.
		Office	\$11.21				
		Hotel/Lodging	\$3.07				
		Hospital	\$6.15				
		Industrial	\$7.53				
		Institutional	\$10.23				
		Creative Office	\$9.59				
Medical Office	\$6.89						
City of West Hollywood Population: 35,000	1986	Non-Residential (per staff increase from \$4 to \$8 anticipated for FY16-17)	\$8.00	N/A	N/A	Substantial	Fees adjusted by CPI annually
City of San Diego Population: 1,342,000	1990 Updated 2014	Office	\$1.76	No minimum threshold Industrial/ warehouse, non-profit hospitals exempt.	Can dedicate land or air rights in lieu of fee	Substantial	
		Hotel	\$1.06				
		R&D	\$0.80				
		Retail	\$1.06				
Note: This chart has been assembled to present an overview, and as a result, terms are simplified. The information is recent but not all data has been updated as of the date of this report. In some cases, fees are adjusted by an index (such as CPI) which may not be reflected. For use other than general comparison, please consult the code and staff of the jurisdiction.							



KEYSER MARSTON ASSOCIATES

ATTACHMENT A

RESIDENTIAL NEXUS ANALYSIS

Prepared for:
City of Los Altos

Prepared by:
Keyser Marston Associates, Inc.

December 2016

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION.....	1
II. RESIDENTIAL NEXUS ANALYSIS	7
A. Market Rate Units and Household Income	7
B. The IMPLAN Model.....	22
C. The KMA Jobs Housing Nexus Model.....	25
D. Mitigation Costs	37
III. ADDENDUM: ADDITIONAL BACKGROUND AND NOTES ON SPECIFIC ASSUMPTIONS.....	46
APPENDIX A: RESIDENTIAL MARKET SURVEY.....	49
APPENDIX B: WORKER OCCUPATIONS AND COMPENSATION LEVELS.....	55

I. INTRODUCTION

The following report is a Residential Nexus Analysis, an analysis of the linkages between the development of new residential units and the need for additional affordable housing in the City of Los Altos. The report has been prepared by Keyser Marston Associates, Inc. (KMA) for the City of Los Altos, pursuant to contracts both parties have with the Silicon Valley Community Foundation.

The analysis was prepared as part of a coordinated work program for twelve jurisdictions in Alameda and Santa Clara Counties. Silicon Valley Community Foundation with Baird + Driskell Community Planners organized and facilitated this multi-jurisdiction effort. Silicon Valley Community Foundation, which engaged KMA to prepare the analyses, serves as the main contracting entity with each participating jurisdiction, and has provided funding support for coordination and administration of the effort. Analyses in support of affordable housing impact fees on non-residential development were also prepared as part of the multi-jurisdiction work program.

Background, Context and Use of the Analysis

The analysis addresses market rate residential projects in Los Altos and the various types of units that are subject to the City's Affordable Housing Regulations at this time and potentially in the future. The nexus analysis quantifies the linkages between new market rate units and the demand for affordable housing in Los Altos.

The City's Multiple Family Affordable Housing Regulations were adopted in 1995 and updated in 2009 (Code Chapter 14.28). The regulations require that projects exceeding four units per acre include at least 10% of the units (rounded to the next whole number) at affordable prices. The regulations apply to projects with five or more units. The inclusionary program has not included a fee option. Since the 2009 *Palmer* case (further described below), the City has not had the ability to mandate compliance with on-site requirements in the case of rental projects. While compliance cannot be mandated, several rental projects have provided on-site affordable units in conjunction with a density bonus granted under State Density Bonus law.

The nexus analysis provided herein enables the City to proceed with enactment of affordable housing impact fees applicable to residential development in the City of Los Altos. The conclusions of the analysis represent maximum supportable or legally defensible impact fee levels based on the impact of new residential development on the need for affordable housing. Findings are not recommended fee levels.

Should the City wish to maintain its inclusionary program, requirements need not be bound by the findings of this nexus analysis in accordance with the ruling in *C.B.I.A.*, discussed below.

For small projects with fewer than ten units,¹ it is recommended that in-lieu fees be kept within the nexus maximums given on-site compliance with inclusionary requirements may not be practical and so the fee becomes the only real option. As of this writing, impact fees supported by a nexus study are the only option for implementation of affordable housing requirements for rental projects. This could change if future State legislation restores the ability to implement inclusionary requirements for rental projects.

Background on Key Legal Cases

The following provides background regarding two key legal cases pertaining to inclusionary programs which in recent years have motivated many California cities to undertake residential nexus studies. This section is intended as general background only; nothing in this report should be interpreted as providing specific legal guidance, which KMA is not qualified to provide.

The *Palmer* case (*Palmer/Sixth Street Properties L.P. v. City of Los Angeles* [2009] 175 Cal. App. 4th 1396) was decided in 2009 and precluded California cities from requiring long term rent restrictions or inclusionary requirements on rental units. Since the *Palmer* ruling, many California cities have adopted affordable housing impact fees on rental projects supported by residential nexus studies similar to this one. While Los Altos has continued to implement its inclusionary program for rental units, implementation has occurred through voluntary agreements with projects also receiving a density bonus under State Density Bonus law.

In *C.B.I.A.*, (*California Building Industry Association v. City of San Jose, California Supreme Court Case No. S212072, June 15, 2015*), also referred to as the San Jose Case, the California Building Industry Association challenged the City of San Jose's newly adopted inclusionary program. A core contention of C.B.I.A. was that the City's inclusionary program constituted an exaction that required a nexus study to support it. The case was pending in the courts from 2010 through February 2016. Ultimately, the case was decided by the California Supreme Court in favor of the City of San Jose, finding San Jose's inclusionary program to be a valid exercise of the City's power to regulate land use and not an exaction. The U.S. Supreme Court denied C.B.I.A.'s petition to review the case. While the case was pending, there was speculation that the courts would rule in favor of C.B.I.A. and this possibility was one of the motivations for cities to prepare residential nexus studies as an additional "backup" support measure for inclusionary programs.

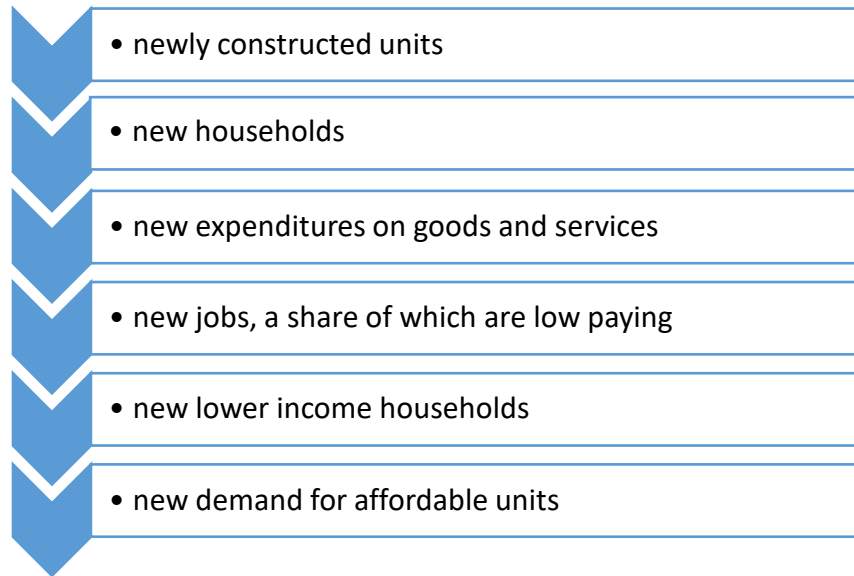
The Nexus Concept

A residential nexus analysis demonstrates and quantifies the impact of new market rate housing development on the demand for affordable housing. The underlying nexus concept is that the

¹ This recommended small project threshold may adjust if there were a change to the current 10% inclusionary requirement.

newly constructed market rate units represent net new households in Los Altos. These households represent new income in Los Altos that will consume goods and services, either through purchases of goods and services or 'consumption' of government services. New consumption translates to jobs; a portion of the jobs are at lower compensation levels; low compensation jobs relate to lower income households that cannot afford market rate units in Los Altos and therefore need affordable housing.

Nexus Analysis Concept



Methodology and Models Used

The nexus analysis methodology starts with the sales price or rental rate of a new market rate residential unit, and moves through a series of linkages to the gross income of the household that purchased or rented the unit, the income available for expenditures on goods and services, the jobs associated with the purchases and delivery of those services, the income of the workers doing those jobs, the household income of the workers and, ultimately, the affordability level of the housing needed by the worker households. The steps of the analysis from household income available for expenditures to jobs generated were performed using the IMPLAN model, a model widely used for the past 35 years to quantify the impacts of changes in a local economy, including employment impacts from changes in personal income. From job generation by industry, KMA used its own jobs housing nexus model to quantify the income of worker households by affordability level.

To illustrate the linkages by looking at a simplified example, we can take an average household that buys a house at a certain price. From that price, we estimate the gross income of the household (from mortgage rates and lending practices) and the portion of income available for

expenditures. Households will “purchase” or consume a range of goods and services, such as purchases at the supermarket or services at the bank. Purchases in the local economy in turn generate employment. The jobs generated are at different compensation levels. Some of the jobs are low paying and as a result, even when there is more than one worker in the household, there are some lower and middle-income households who cannot afford market rate housing in Los Altos.

The IMPLAN model quantifies jobs generated at establishments that serve new residents directly (e.g., supermarkets, banks or schools), jobs generated by increased demand at firms which service or supply these establishments, and jobs generated when the new employees spend their wages in the local economy and generate additional jobs. The IMPLAN model estimates the total impact combined.

Net New Underlying Assumption

An underlying assumption of the analysis is that households that purchase or rent new units represent net new households in Los Altos. If purchasers or renters have relocated from elsewhere in the city, vacancies have been created that will be filled. An adjustment to new construction of units would be warranted if Los Altos were experiencing demolitions or loss of existing housing inventory. However, the rate of housing unit removal is so low as to not warrant an adjustment or offset.

On an individual project basis, if existing units are removed to redevelop a site to higher density, then there could be a need for recognition of the existing households in that all new units might not represent net new households, depending on the program design and number of units removed relative to new units.

Since the analysis addresses net new households in Los Altos and the impacts generated by their consumption expenditures, it quantifies net new demands for affordable units to accommodate new worker households. As such, the impact results do not address nor in any way include existing deficiencies in the supply of affordable housing.

Geographic Area of Impact

The analysis quantifies impacts occurring within Santa Clara County. While much of the impact will occur within Los Altos, some impacts will be experienced elsewhere in the county and beyond. The IMPLAN model computes the jobs generated within the county and sorts out those that occur beyond the county boundaries. The KMA Jobs Housing Nexus Model analyzes the income structure of jobs and their worker households, without assumptions as to where the worker households live.

In summary, the KMA nexus analysis quantifies all the job impacts occurring within Santa Clara County and related worker households. Job impacts, like most types of impacts, occur

irrespective of political boundaries. And like other types of impact analyses, such as traffic, impacts beyond city boundaries are experienced, are relevant, and are important. See the Addendum: Additional Background and Notes on Specific Assumptions at the end of this report for further discussion.

Market Rate Residential Project Types

Six prototypical residential project types were selected by the City and KMA for analysis in this nexus study. The prototypes were intended to represent the range of product types currently being built in Los Altos or which are expected in the future including:

- Single Family Detached;
- Small Lot Single Family;
- Townhome;
- Condominium;
- Lower Density Apartments; and
- Higher Density Apartments.

Affordability Tiers

The nexus analysis addresses the following four income or affordability tiers:

- Extremely Low Income: households earning up to 30% Area Median Income (AMI);
- Very Low Income: households earning over 30% AMI up to 50% of AMI;
- Low Income: households earning over 50% AMI up to 80% of AMI; and,
- Moderate Income: households earning over 80% AMI up to 120% of AMI.

Report Organization

The report is organized into the following sections:

- Section A presents information regarding the prototypical new market rate residential units and the estimated household income of purchases or renters of those units.
- Section B describes the IMPLAN model, which is used in the nexus analysis to translate household income into the estimated number of jobs in retail, restaurants, healthcare, and other sectors serving new residents.
- Section C presents the linkage between employment growth associated with residential development and the need for new lower income housing units required in each of the four income categories.

- Section D quantifies the nexus or mitigation cost based on the cost of delivering affordable units to new worker households in each of the four income categories.
- An Addendum section provides a supplemental discussion of specific factors in relation to the nexus concept.
- Appendix A contains the market survey.
- Appendix B includes detailed tables on worker occupations and compensation levels that are a key input into the analysis.

Disclaimers

This report has been prepared using the best and most recent data available at the time of the analysis. Local data and sources were used wherever possible. Major sources include the U.S. Census Bureau's American Community Survey, California Employment Development Department (EDD) and the IMPLAN model. While we believe all sources utilized are sufficiently sound and accurate for the purposes of this analysis, we cannot guarantee their accuracy. Keyser Marston Associates, Inc. assumes no liability for information from these and other sources.

II. RESIDENTIAL NEXUS ANALYSIS

A. Market Rate Units and Household Income

This section describes the prototypical market rate residential units and the income of the purchaser and renter households. Market rate prototypes are representative of new residential units currently being built in Los Altos or that are likely to be built in Los Altos over the next five to ten years. Household income is estimated based on the amount necessary for the mortgage or rent payments associated with the prototypical new market rate units and becomes the basis for the input to the IMPLAN model. These are the starting points of the chain of linkages that connect new market rate units to additional demand for affordable residential units.

This section presents a summary of the market rate prototypes and the estimated household income of purchasers or renters of the market rate units.

Recent Housing Market Activity and Prototypical Units

KMA worked with City staff to select six representative development prototypes envisioned to be developed in Los Altos in the future. They are based on projects recently built or in the development pipeline in the City. A lower density apartment prototype was included, although not currently being built in Los Altos, due to the potential that this type of project may be built in the future. In addition, although there are no recent examples of a small lot single family detached project (lot sizes between 5,000 and 7,100 square feet), this prototype was also included as it may be built in the future. KMA then undertook a market survey of residential projects to estimate current pricing and rent levels. More details on the market survey can be found in Appendix A.

At the time of the market survey in late 2015 and early 2016, there were several recently built, under construction or proposed residential developments in Los Altos, including single family detached units, townhomes, condominiums and apartments. However, none were currently marketing / selling units. As a proxy for new home sales, KMA analyzed recent new and resale prices of homes built since 2005 and sold since November 2013.

In order to inform achievable market rents for new apartment developments in Los Altos, KMA performed a survey of asking apartment rents in select properties, including properties in neighboring communities due to the lack of comparable new and recently built apartments in Los Altos.

The six residential prototypes are summarized in the table below. More detail can be found on Table A-1 at the end of this section. The main objective of the survey was to review current market sales prices or rents, per unit and per square foot, for the various residential project types in Los Altos.

In summary, the residential prototypes analyzed in the nexus analysis are as follows:

Prototypical Residential Units for City of Los Altos						
	<i>Single Family Detached</i>	<i>Single Family - Small Lot</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
Avg. Unit Size	3,500 SF	2,000 SF	1,500 SF	1,300 SF	1,100 SF	900 SF
Avg. No. of Bedrooms	4.00	3.00	2.50	3.00	2.00	1.50
Avg. Sales Price / Rent Per Square Foot	\$3,500,000 \$1,000 /SF	\$2,200,000 \$1,100 /SF	\$1,200,000 \$800 /SF	\$1,100,000 \$846 /SF	\$4,000 /mo. \$3.64 /SF	\$3,600 /mo. \$4.00 /SF

Source: KMA market study; see Appendix A.

It is important to note that the residential prototypes analysis is intended to reflect average or typical residential projects in the local market rather than any specific project. It would be expected that specific projects would vary to some degree from the residential prototypes analyzed. For the Townhome and Condominium, estimates are somewhat below sales prices achieved in recent projects to ensure that the analysis captures the least expensive new market rate ownership units likely to be built in Los Altos. The analysis and findings are conservative given many projects are likely to exceed these estimates.

Income of Housing Unit Purchaser or Renter

After the prototypes are established, the next step in the analysis is to determine the income of the purchasing or renting households in the prototypical units.

Ownership Units

To make the determination for ownership units, terms for the purchase of residential units used in the analysis are slightly less favorable than what can be achieved at the current time since current terms are not likely to endure. A down-payment of 20%² is assumed for the townhome and condominium prototypes. A higher down payment of 35% - 40%³ is estimated for the two single family prototypes based on local data on down payments applicable to units valued over \$1.5 million. A 30-year fixed rate loan at a 5% interest is assumed plus a 0.25% premium to reflect the non-conforming nature of the loan (jumbo loan). The interest rate at 5% reflects a longer term average rate based on data for the last fifteen years from 2001 to 2015.⁴ Tables A-2 to A-5 at the end of this section provide the details.

² Down payment of 20% reflects the median for new purchase loans originated in zip codes corresponding to Alameda and Santa Clara Counties derived from Freddie Mac dataset for loans issued in the 1st Quarter of 2015.

³ Down payment of 35% and 40% for the two single family prototypes estimated based on Listsource data on mortgages for homes valued over \$1.5 Million that sold within Santa Clara County from Dec. 2015 to March 2016.

⁴ Based on Freddie Mac Primary Mortgage Market Survey. Reflects weekly average rates for 30 year fixed rate mortgages during the period from 1/2001 through 12/2015 applicable to the West Region and rounded to the nearest whole percentage.

All ownership product types include an estimate of homeowners' insurance, homeowner association dues, and property taxes. These are included along with the mortgage payment as part of housing expenses for purposes of determining mortgage eligibility.⁵ The analysis estimates gross household income based on the assumption that these housing costs represent, on average, approximately 35% of gross income. The assumption that housing expenses represent 35% of gross income is reflective of the local average for new purchase loans⁶ and is consistent with criteria used by lenders to determine mortgage eligibility.⁷ For the larger single family detached prototype the assumption is 30% of gross income spent on housing based on averages applicable to high balance mortgages⁸.

Apartment Units

Household income for renter households is estimated based on the assumption that housing costs, including rent and utilities, represents on average 30% of gross household income. The 30% factor was selected for consistency with the California Health and Safety Code standard for relating income to affordable rent levels.⁹ The resulting relationship is that annual household income is 3.3 times annual rent.

The estimated gross household incomes of the purchasers or renters of the prototype units are calculated in Tables A-2 through A-7 and summarized below.

Gross Household Income						
	<i>Single Family Detached</i>	<i>Single Family - Small Lot</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
Gross Household Income	\$616,000	\$353,000	\$237,000	\$225,000	\$164,000	\$147,000

⁵ Housing expenses are combined with other debt payments such as credit cards and auto loans to compute a Debt To Income (DTI) ratio which is a key criteria used for determining mortgage eligibility.

⁶ Freddie Mac data on new purchase loans originated in zip codes corresponding to Santa Clara and Alameda Counties for the 1st Quarter of 2015 indicates an average debt to income ratio of 37%; however, most households have other forms of debt such as credit cards, student loans, and auto loans that are included as part of this ratio and the ratio considering housing costs only would be lower. Selection of a lower percentage of income spent on housing would have resulted in a higher estimate of household income and greater impacts from expenditures. Application of a 35% ratio is also consistent with the California Health and Safety Code standard for relating income to housing costs for ownership units.

⁷ Fannie Mae mortgage underwriting eligibility criteria establishes a debt to income threshold of 36% above which tighter credit standards apply. A debt to income ratio of up to 45% is permitted for borrowers meeting specified credit criteria; however, most households have other forms of debt such as credit cards, student loans, and auto loans that would be considered as part of this ratio.

⁸ This assumption that 30% of income is spent on housing for residents of the Single Family Detached units is based on a review of data on mortgage debt to income ratios published by the Kroll Bond Rating Agency with respect to the portfolio of high loan balance Jumbo mortgages forming the underlying security for mortgage backed security issuances in 2015 by J.P. Morgan Mortgage Trust which have a concentration of high balance jumbo loans issued in California.

⁹ Health and Safety Code Section 50052.5 defines affordable rent levels based on 30% of income.

Income Available for Expenditures

The input into the IMPLAN model used in this analysis is the net income available for expenditures. To arrive at income available for expenditures, gross income must be adjusted for Federal and State income taxes, contributions to Social Security and Medicare, savings, and payments on household debt. Per KMA correspondence with the producers of the IMPLAN model (IMPLAN Group LLC), other taxes including sales tax, gas tax, and property tax are handled internally within the model as part of the analysis of expenditures. Payroll deduction for medical benefits and pre-tax medical expenditures are also handled internally within the model. Housing costs are addressed separately, as described below, and so are not deducted as part of this adjustment step. Table A-8 at the end of this section shows the calculation of income available for expenditures.

Income available for expenditures is estimated at approximately 43% to 67% of gross income, depending on the market rate prototype. The estimates are based on a review of data from the Internal Revenue Service and California Franchise Tax Board tax tables. Per the Internal Revenue Service, households earning between \$200,000 and \$500,000 per year, or the residents of most of the prototypical ownership units, who itemize deductions on their tax returns will pay an average of 19.5% of gross income for federal taxes. For households in the large lot single family units, the estimate is 25.4%, the average applicable to the \$500,000 to \$1 million income category. Residents of the market rate rental units are estimated to pay an average of 13.4% of gross income in federal income taxes, the average for households in the \$100,000 to \$200,000 income range not itemizing deductions on their taxes. State taxes are estimated to average 4% to 8% of gross income based on tax rates per the California Franchise Tax Board. The employee share of FICA payroll taxes for Social Security and Medicare is 7.65% of gross income. A ceiling of \$118,500 per employee applies to the 6.2% Social Security portion of this tax rate.

Savings and repayment of household debt represent another necessary adjustment to gross income. Savings includes various IRA and 401 K type programs as well as non-retirement household savings and investments. Debt repayment includes auto loans, credit cards, and all other non-mortgage debt. Savings and repayment of debt for households in the apartment prototype are estimated to represent a combined 8% of gross income based on the 20-year average derived from United States Bureau of Economic Analysis data. For households in the for-sale prototypes, savings rates are estimated to range from 10% to 20% of income based on savings rates applicable to higher income households derived from data published by the National Bureau of Economic Research, "Wealth Inequality in the United States Since 1913: Evidence from Capitalized Income Tax Data," October 2014.

The percentage of income available for expenditure for input into the IMPLAN model is prior to deducting housing costs. The reason is for consistency with the IMPLAN model which defines housing costs as expenditures. The IMPLAN model addresses the fact that expenditures on housing do not generate employment to the degree other expenditures such as retail or

restaurants do, but there is some limited maintenance and property management employment generated.

After deducting income taxes, Social Security, Medicare, savings, and repayment of debt, for purchasers of one of the new ownership prototypes, the estimated income available for expenditures is 43% - 67%. These are the factors used to adjust from gross income to the income available for expenditures for input into the IMPLAN model. As indicated above, other forms of taxation such as property tax are handled internally within the IMPLAN model.

Another adjustment made to spending is to account for standard operational vacancy in rental units of 5%, a level of vacancy considered average for rental units in a healthy market. A comparable adjustment is not applied to the ownership units as newly built ownership units are anticipated to have only a nominal level of vacancy.

Estimates of household income available for expenditures are presented below:

Income Available for Expenditures						
	<i>Single Family Detached</i>	<i>Single Family - Small Lot</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
Gross Household Income	\$616,000	\$353,000	\$237,000	\$225,000	\$164,000	\$147,000
Percent Income available for Expenditures	43%	57%	58%	58%	66%	67%
Spending Adjustment / Rental Vacancy	N/A	N/A	N/A	N/A	95%	95%
Household Income Available for Expenditure ⁽¹⁾						
One Unit	\$264,900	\$201,200	\$137,500	\$130,500	\$103,000	\$94,000
100 Units [input to IMPLAN]	\$26,490,000	\$20,120,000	\$13,750,000	\$13,050,000	\$10,300,000	\$9,400,000

(1) Calculated as gross household income X percent available for expenditures X spending adjustment for rental vacancy. Result includes the share of income spent on housing as the required input to the IMPLAN model is income after taxes but before deduction of housing costs as described above.

The nexus analysis is conducted on 100-unit building modules for ease of presentation, and to avoid awkward fractions. The spending associated with 100 market rate residential units is the input into the IMPLAN model. Tables A-9 and A-10 summarize the conclusions of this section and calculate the household income for the 100-unit building modules.

**TABLE A-1
MARKET RATE RESIDENTIAL PROTOTYPES
RESIDENTIAL NEXUS ANALYSIS
CITY OF LOS ALTOS**

	Single Family Detached	Small Lot Single Family Detached	Townhome	Condominium	Apartments - Lower Density	Apartments - Higher Density
Example Projects	421 Mundell Way 971 Stanley Ave		437 Tyndall St. Sherwood Ave.	960 N San Antonio Road Post Office (100 First St) 5100 El Camino Real 396 First Street		Colonnade
Density	10,000 - 12,000 sf lots	5,000 - 7,100 sf lots	24 dua	40 - 50 dua	15 - 24 dua	~50 dua
Building Type	Two-story	Two-story	Two-story attached	Three stories over podium. Subterranean parking.	Two to four stories	Four stories (excl. garage)
Unit Mix	4 and 5 BRs	2, 3 and 4 BR	2 and 3 BR	2, 3, and 4 BR	1, 2 and 3 BR	1 and 2 BR
Average Unit Size (excl. garage)	3,500 sf	2,000 sf	1,500 sf	1,300 sf	1,100 sf	900 sf
Average No. of Bedrooms	4 BR	3.0 BR	2.5 BR	3.0 BRs	2.0 BR	1.5 BR
Parking Type	Attached garage	Attached garage	Attached garage	Subterranean	Surface parking lot (carports)	Ground-floor garage (podium), multi-story garage (wrap), or subterranean
Average Parking Spaces/Unit	2.0	2.0	2.0	2.0	1.5-2.0	1.5-2.0
Sales Price/Rent per square foot	\$3,500,000 \$1,000	\$2,200,000 \$1,100	\$1,200,000 \$800	\$1,100,000 \$846	\$4,000 \$3.64	\$3,600 \$4.00

TABLE A-2
PROTOTYPE 1: SINGLE FAMILY DETACHED
SALES PRICE TO INCOME RATIO
RESIDENTIAL NEXUS ANALYSIS
LOS ALTOS, CA

Prototype 1
Single Family Detached

Sales Price	\$1,000 /SF	3,500 SF ¹	\$3,500,000 ¹
Mortgage Payment			
Downpayment @ 40%		40% ²	\$1,400,000
Loan Amount			\$2,100,000
Interest Rate			5.25% ³
Term of Mortgage			30 years
Annual Mortgage Payment	\$11,600 /month		\$139,200
Other Costs			
Property Taxes	1.20% of sales price ⁴		\$42,000
Homeowner Insurance	0.10% of sales price ⁵		\$3,500
Total Annual Housing Cost	\$15,400 /month		\$184,700
% of Income Spent on Hsg			30% ⁶
Annual Household Income Required			\$616,000
Sales Price to Income Ratio			5.7

Notes

(1) Based on KMA Market Survey.

(2) Down payment percentages are estimated based on Listsource data on mortgages for homes valued over \$1.5 Million that sold within Santa Clara County from Dec. 2015 to March 2016.

(3) Average mortgage interest rate for prior 15 years derived from Freddie Mac Primary Mortgage Market Survey, West Region (rounded to nearest whole percentage). Based on weekly average rates for 30 year fixed rate mortgages during the period from 1/2001 through 12/2015. Includes a 0.25% premium to reflect the non-conforming nature of the loan (jumbo loan).

(4) Property tax rate is inclusive of ad valorem taxes and applicable voter approved rates, fixed charges, and assessments for the jurisdiction indicated. Source: ListSource.

(5) Estimated from quotes obtained from Progressive Insurance.

(6) Estimate reflects an average debt to income ratio reported by the Kroll Bond Rating Agency with respect to the portfolio of high loan balance jumbo mortgages forming the underlying security for a series of mortgage backed security issuances in 2015 by J.P. Morgan Mortgage Trust that had a concentration of jumbo loans issued in California.

TABLE A-3
PROTOTYPE 2: SINGLE FAMILY - SMALL LOT
SALES PRICE TO INCOME RATIO
RESIDENTIAL NEXUS ANALYSIS
LOS ALTOS, CA

Prototype 2
Single Family - Small Lot

Sales Price	\$1,100 /SF	2,000 SF ¹	\$2,200,000 ¹
Mortgage Payment			
Downpayment @ 35%		35% ²	\$770,000
Loan Amount			\$1,430,000
Interest Rate			5.25% ³
Term of Mortgage			30 years
Annual Mortgage Payment	\$7,900 /month		\$94,800
Other Costs			
Property Taxes	1.20% of sales price ⁴		\$26,400
Homeowner Insurance	0.10% of sales price ⁵		\$2,200
Total Annual Housing Cost	\$10,300 /month		\$123,400
% of Income Spent on Hsg			35% ⁶
Annual Household Income Required			\$353,000
Sales Price to Income Ratio			6.2

Notes

(1) Based on KMA Market Survey.

(2) Down payment percentages are estimated based on Listsource data on mortgages for homes valued over \$1.5 Million that sold within Santa Clara County from Dec. 2015 to March 2016.

(3) Average mortgage interest rate for prior 15 years derived from Freddie Mac Primary Mortgage Market Survey, West Region (rounded to nearest whole percentage). Based on weekly average rates for 30 year fixed rate mortgages during the period from 1/2001 through 12/2015. Includes a 0.25% premium to reflect the non-conforming nature of the loan (jumbo loan).

(4) Property tax rate is inclusive of ad valorem taxes and applicable voter approved rates, fixed charges, and assessments for the jurisdiction indicated. Source: ListSource.

(5) Estimated from quotes obtained from Progressive Insurance.

(6) While most purchasers of high value homes likely spend less than 35% of their income on housing, the analysis conservatively assumes 35% of income is spent on housing. Selection of a lower percentage of income spent on housing would have resulted in a higher estimate of household income and greater impacts from expenditures.

TABLE A-4
PROTOTYPE 3: TOWNHOME
SALES PRICE TO INCOME RATIO
RESIDENTIAL NEXUS ANALYSIS
LOS ALTOS, CA

			Prototype 3 Townhome
Sales Price	\$800 /SF	1,500 SF ¹	\$1,200,000 ¹
Mortgage Payment			
Downpayment @ 20%		20% ²	\$240,000
Loan Amount			\$960,000
Interest Rate			5.25% ³
Term of Mortgage			30 years
Annual Mortgage Payment	\$5,300 /month		\$63,600
Other Costs			
Property Taxes	1.20% of sales price ⁴		\$14,400
HOA Dues	\$300 per month ¹		\$3,600
Homeowner Insurance	0.10% sale price ⁵		\$1,200
Total Annual Housing Cost	\$6,900 /month		\$82,800
% of Income Spent on Hsg			35% ⁶
Annual Household Income Required			\$237,000
Sales Price to Income Ratio			5.1

Notes

(1) Based on KMA Market Survey.

(2) Reflects the median down payment for new purchase loans originated in zip codes corresponding to Alameda and Santa Clara Counties derived from Freddie Mac dataset for loans issued in the 1st Quarter of 2015.

(3) Average mortgage interest rate for prior 15 years derived from Freddie Mac Primary Mortgage Market Survey, West Region (rounded to nearest whole percentage). Based on weekly average rates for 30 year fixed rate mortgages during the period from 1/2001 through 12/2015. Includes a 0.25% premium to reflect the non-conforming nature of the loan (jumbo loan).

(4) Property tax rate is inclusive of ad valorem taxes and applicable voter approved rates, fixed charges, and assessments for the jurisdiction indicated. Source: ListSource.

(5) Estimated from quotes obtained from Progressive Insurance.

(6) Ratio is consistent with Fannie Mae mortgage underwriting eligibility criteria which establishes a debt to income threshold of 36% above which tighter credit standards apply. A debt to income ratio of up to 45% is permitted for borrowers meeting specified credit criteria. Ratio is also consistent with the California Health and Safety Code standard for relating income to housing costs for ownership units. Freddie Mac data on new purchase loans originated in zip codes corresponding to Santa Clara and Alameda Counties for the 1st Quarter of 2015 indicates an average debt to income ratio of 37%; however, most households have other forms of debt such as credit cards, student loans, and auto loans that are included as part of this ratio and the ratio considering housing costs only would be lower.

**TABLE A-5
 PROTOTYPE 4: CONDOMINIUM
 SALES PRICE TO INCOME RATIO
 RESIDENTIAL NEXUS ANALYSIS
 LOS ALTOS, CA**

		Prototype 4 Condominium	
Sales Price	\$846 /SF	1,300 SF ¹	\$1,100,000 ¹
Mortgage Payment			
Downpayment @ 20%		20% ²	\$220,000
Loan Amount			\$880,000
Interest Rate			5.25% ³
Term of Mortgage			30 years
Annual Mortgage Payment	\$4,900 /month		\$58,300
Other Costs			
Property Taxes	1.20% of sales price ⁴		\$13,200
HOA Dues	\$500 per month ¹		\$6,000
Homeowner Insurance	0.10% sale price ⁵		\$1,100
Total Annual Housing Cost	\$6,600 /month		\$78,600
% of Income Spent on Hsg			35% ⁶
Annual Household Income Required			\$225,000
Sales Price to Income Ratio			4.9

Notes

(1) Based on KMA Market Survey.

(2) Reflects the median down payment for new purchase loans originated in zip codes corresponding to Alameda and Santa Clara Counties derived from Freddie Mac dataset for loans issued in the 1st Quarter of 2015.

(3) Average mortgage interest rate for prior 15 years derived from Freddie Mac Primary Mortgage Market Survey, West Region (rounded to nearest whole percentage). Based on weekly average rates for 30 year fixed rate mortgages during the period from 1/2001 through 12/2015. Includes a 0.25% premium to reflect the non-conforming nature of the loan (jumbo loan).

(4) Property tax rate is inclusive of ad valorem taxes and applicable voter approved rates, fixed charges, and assessments for the jurisdiction indicated. Source: ListSource.

(5) Estimated from quotes obtained from Progressive Insurance.

(6) Ratio is consistent with Fannie Mae mortgage underwriting eligibility criteria which establishes a debt to income threshold of 36% above which tighter credit standards apply. A debt to income ratio of up to 45% is permitted for borrowers meeting specified credit criteria. Ratio is also consistent with the California Health and Safety Code standard for relating income to housing costs for ownership units. Freddie Mac data on new purchase loans originated in zip codes corresponding to Santa Clara and Alameda Counties for the 1st Quarter of 2015 indicates an average debt to income ratio of 37%; however, most households have other forms of debt such as credit cards, student loans, and auto loans that are included as part of this ratio and the ratio considering housing costs only would be lower.

TABLE A-6
PROTOTYPE 5: APARTMENTS - LOWER DENSITY
RENT TO INCOME RATIO
RESIDENTIAL NEXUS ANALYSIS
LOS ALTOS, CA

Prototype 5
Apartments - Lower Density

Market Rent	<u>Unit Size</u>	
Monthly	1,100 SF ¹	\$4,000 ¹
Utilities ²		<u>\$90</u>
Monthly housing cost		\$4,090
Annual housing cost		\$49,080
% of Income Spent on Rent		30% ³
Annual Household Income Required		\$164,000
Annual Rent to Income Ratio		3.3

Notes

(1) Based on the results of the market survey. Represents rent levels applicable to new units.

(2) Monthly utilities include direct-billed utilities and landlord reimbursements estimated based on County Housing Authority utility allowance schedule.

(3) While landlords may permit rental payments to represent a slightly higher share of total income, 30% represents an average. This relationship is established in the California Health and Safety Code and used throughout housing policy to relate income to affordable rental housing costs.

**TABLE A-7
 PROTOTYPE 6: APARTMENTS - HIGHER DENSITY
 RENT TO INCOME RATIO
 RESIDENTIAL NEXUS ANALYSIS
 LOS ALTOS, CA**

**Prototype 6
Apartments - Higher Density**

Market Rent	<u>Unit Size</u>	
Monthly	900 SF ¹	\$3,600 ¹
Utilities ²		<u>\$80</u>
Monthly housing cost		\$3,680
Annual housing cost		\$44,160
% of Income Spent on Rent		30% ³
Annual Household Income Required		\$147,000
Annual Rent to Income Ratio		3.3

Notes

(1) Based on the results of the market survey. Represents rent levels applicable to new units.

(2) Monthly utilities include direct-billed utilities and landlord reimbursements estimated based on County Housing Authority utility allowance schedule.

(3) While landlords may permit rental payments to represent a slightly higher share of total income, 30% represents an average. This relationship is established in the California Health and Safety Code and used throughout housing policy to relate income to affordable rental housing costs.

TABLE A-8
INCOME AVAILABLE FOR EXPENDITURES¹
RESIDENTIAL NEXUS ANALYSIS
LOS ALTOS, CA

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>	<i>Prototype 5</i>	<i>Prototype 6</i>
	Single Family Detached	Single Family - Small Lot	Townhome	Condominium	Apartments - Lower Density	Apartments - Higher Density
Gross Income	100%	100%	100%	100%	100%	100%
<u>Less:</u>						
Federal Income Taxes ²	25.4%	19.5%	19.5%	19.5%	13.4%	13.4%
State Income Taxes ³	8%	6%	6%	6%	5%	4%
FICA Tax Rate ⁴	3.50%	5.02%	6.77%	7.06%	7.65%	7.65%
Savings & other deductions ⁵	20%	12%	10%	10%	8%	8%
Percent of Income Available for Expenditures⁶ [Input to IMPLAN model]	43%	57%	58%	58%	66%	67%

Notes:

- ¹ Gross income after deduction of taxes and savings. Income available for expenditures is the input to the IMPLAN model which is used to estimate the resulting employment impacts. Housing costs are not deducted as part of this adjustment step because they are addressed separately as expenditures within the IMPLAN model.
- ² Reflects average tax rates (as opposed to marginal) based on U.S. Internal Revenue Services, Tax Statistics, Tables 1.1 and 2.1 for 2013. Homeowners are assumed to itemize deductions. Renter households are assumed to take the standard deduction. Tax rates reflect averages for applicable income range.
- ³ Average tax rate estimated by KMA based on marginal rates per the California Franchise Tax Board and ratios of taxable income to gross income estimated based on U.S. Internal Revenue Service data.
- ⁴ For Social Security and Medicare. Social Security taxes estimated based upon the current ceiling on applicability of Social Security taxes of \$118,500 (ceiling applies per earner not per household) and the average number of earners per household.
- ⁵ Household savings including retirement accounts like 401k / IRA and other deductions such as interest costs on credit cards, auto loans, etc, necessary to determine the amount of income available for expenditures. The 8% rate used in the analysis for households earning less than \$225,000 is based on the average over the past 20 years computed from U.S. Bureau of Economic Analysis data, specifically the National Income and Product Accounts, Table 2.1 "Personal Income and Its Disposition." Households earning more than \$225,000 are assumed to save a higher percentage of their income, based on savings rates for the last 20 years from data published by the National Bureau of Economic Research, "Wealth Inequality in the United States Since 1913: Evidence From Capitalized Income Tax Data," October 2014.
- ⁶ Deductions from gross income to arrive at the income available for expenditures are consistent with the way the IMPLAN model and National Income and Product Accounts (NIPA) defines income available for personal consumption expenditures. Income taxes, contributions to Social Security and Medicare, and savings are deducted; however, property taxes and sales taxes are not. Housing costs are not deducted as part of the adjustment because they are addressed separately as expenditures within the IMPLAN model.

**TABLE A-9
FOR SALE PROTOTYPES: SALES PRICE TO INCOME SUMMARY
RESIDENTIAL NEXUS ANALYSIS
LOS ALTOS, CA**

	<u>Per Unit</u>	<u>Per Sq.Ft.</u>	<u>100 Unit Building Module</u> <i>(Per 100 Units)</i>
PROTOTYPE 1: SINGLE FAMILY DETACHED			
Building Sq.Ft. (excludes garage)	3,500		350,000
Sales Price	\$3,500,000	\$1,000	\$350,000,000
Sales Price to Income Ratio	5.7		5.7
Gross Household Income	\$616,000		\$61,600,000
Income Available for Expenditure ¹ 43% of gross	\$264,900		\$26,490,000
PROTOTYPE 2: SINGLE FAMILY - SMALL LOT			
Building Sq.Ft. (excludes garage)	2,000		200,000
Sales Price	\$2,200,000	\$1,100	\$220,000,000
Sales Price to Income Ratio	6.2		6.2
Gross Household Income	\$353,000		\$35,300,000
Income Available for Expenditure ¹ 57% of gross	\$201,200		\$20,120,000
PROTOTYPE 3: TOWNHOME			
Building Sq.Ft. (excludes garage)	1,500		150,000
Sales Price	\$1,200,000	\$800	\$120,000,000
Sales Price to Income Ratio	5.1		5.1
Gross Household Income	\$237,000		\$23,700,000
Income Available for Expenditure ¹ 58% of gross	\$137,500		\$13,750,000
PROTOTYPE 4: CONDOMINIUM			
Building Sq.Ft. (excludes garage)	1,300		130,000
Sales Price	\$1,100,000	\$846	\$110,000,000
Sales Price to Income Ratio	4.9		4.9
Gross Household Income	\$225,000		\$22,500,000
Income Available for Expenditure ¹ 58% of gross	\$130,500		\$13,050,000

Notes:

(1) Represents net income available for expenditures after income tax, payroll taxes, and savings. See Table A-8 for derivation.

Source: See Table A-1 through Table A-8.

**TABLE A-10
NEW MARKET RATE RESIDENTIAL HOUSEHOLD SUMMARY
RESIDENTIAL NEXUS ANALYSIS
LOS ALTOS, CA**

		<u>Per Unit</u>	<u>Per Sq.Ft.</u>	<u>100 Unit Building Module</u> <i>(Per 100 Units)</i>
PROTOTYPE 5: APARTMENTS - LOWER DENSITY				
Building Sq.Ft.		1,100		110,000
Rent				
Monthly		\$4,000	\$3.64 /SF	\$400,000
Monthly with Utilities		\$4,090		
Annual with Utilities		\$49,080		\$4,908,000
Rent to Income Ratio		3.3		3.3
Gross Household Income		\$164,000		\$16,400,000
Income Available for Expenditure ¹	66% of gross	\$108,000		\$10,820,000
Expenditures adjusted for vacancy ²	5% vacancy	\$103,000		\$10,300,000
PROTOTYPE 6: APARTMENTS - HIGHER DENSITY				
Building Sq.Ft.		900		90,000
Rent				
Monthly		\$3,600	\$4.00 /SF	\$360,000
Monthly with Utilities		\$3,680		
Annual with Utilities		\$44,160		\$4,416,000
Rent to Income Ratio		3.3		3.3
Gross Household Income		\$147,000		\$14,700,000
Income Available for Expenditure ¹	67% of gross	\$98,000		\$9,850,000
Expenditures adjusted for vacancy ²	5% vacancy	\$94,000		\$9,400,000

Notes:

(1) Represents net income available for expenditures after income tax, payroll taxes, and savings. See Table A-8 for derivation.

(2) Allowance to account for standard operational vacancy.

Source: See Table A-2 through A-5.

B. The IMPLAN Model

Consumer spending by residents of new housing units will create jobs, particularly in sectors such as restaurants, health care, and retail, which are closely connected to the expenditures of residents. The widely used economic analysis tool, IMPLAN (IMpact Analysis for PLANning), was used to quantify these new jobs by industry sector.

IMPLAN Model Description

The IMPLAN model is an economic analysis software package now commercially available through the IMPLAN Group, LLC. IMPLAN was originally developed by the U.S. Forest Service, the Federal Emergency Management Agency, and the U.S. Department of the Interior Bureau of Land Management and has been in use since 1979 and refined over time. It has become a widely used tool for analyzing economic impacts for a broad range of applications from major construction projects to natural resource programs.

IMPLAN is based on an input-output accounting of commodity flows within an economy from producers to intermediate and final consumers. The model establishes a matrix of supply chain relationships between industries and also between households and the producers of household goods and services. Assumptions about the portion of inputs or supplies for a given industry likely to be met by local suppliers, and the portion supplied from outside the region or study area are derived internally within the model using data on the industrial structure of the region.

The output or result of the model is generated by tracking changes in purchases for final use (final demand) as they filter through the supply chain. Industries that produce goods and services for final demand or consumption must purchase inputs from other producers, which in turn, purchase goods and services. The model tracks these relationships through the economy to the point where leakages from the region stop the cycle. This allows the user to identify how a change in demand for one industry will affect a list of over 500 other industry sectors. The projected response of an economy to a change in final demand can be viewed in terms of economic output, employment, or income.

Data sets are available for each county and state, so the model can be tailored to the specific economic conditions of the region being analyzed. This analysis utilizes the data set for Santa Clara County. As will be discussed, much of the employment impact is in local-serving sectors, such as retail, eating and drinking establishments, and medical services. A significant portion of these jobs will be located in Los Altos or nearby. In addition, the employment impacts will extend throughout the county and beyond based on where jobs are located that serve Los Altos residents. In fact, Los Altos is part of the larger Bay Area economy and impacts will likewise extend throughout the region. However, consistent with the conservative approach taken in the nexus analysis, only the impacts that occur within Santa Clara County are included in the analysis.

Application of the IMPLAN Model to Estimate Job Growth

The IMPLAN model was applied to link income to household expenditures to job growth. Employment generated by the household income of residents is analyzed in modules of 100 residential units to simplify communication of the results and avoid awkward fractions. The IMPLAN model distributes spending among various types of goods and services (industry sectors) based on data from the Consumer Expenditure Survey and the Bureau of Economic Analysis Benchmark input-output study, to estimate employment generated.

Job creation, driven by increased demand for products and services, was projected for each of the industries that will serve the new households. The employment generated by this new household spending is summarized below.

Jobs Generated Per 100 Units						
	<i>Single Family Detached</i>	<i>Single Family - Small Lot</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
Annual Household Expenditures (100 Units)	\$26,490,000	\$20,120,000	\$13,750,000	\$13,050,000	\$10,300,000	\$9,400,000
Total Jobs Generated (100 Units)	159.7	121.3	82.9	78.7	62.1	55.8

Table B-1 provides a detailed summary of employment generated by industry. The table shows industries sorted by projected employment. The Consumer Expenditure Survey published by the Bureau of Labor Statistics tracks expenditure patterns by income level. IMPLAN utilizes this data to reflect the pattern by income bracket. Estimated employment is shown for each IMPLAN industry sector representing 1% or more of total employment. The jobs that are generated are heavily retail jobs, jobs in restaurants and other eating establishments, and in services that are provided locally such as health care. The jobs counted in the IMPLAN model cover all jobs, full and part time, similar to the U.S. Census and all reporting agencies (unless otherwise indicated).

TABLE B-1
IMPLAN MODEL OUTPUT
EMPLOYMENT GENERATED
RESIDENTIAL NEXUS ANALYSIS
LOS ALTOS, CA

<i>Per 100 Market Rate Units</i>	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>	<i>Prototype 5</i>	<i>Prototype 6</i>	<i>% of Jobs</i>
	Single Family Detached	Single Family - Small Lot	Townhome	Condominium	Apartments - Apartments Lower Density - Higher Density		
Household Expenditures <i>(100 Market Rate Units)</i>	\$26,490,000	\$20,120,000	\$13,750,000	\$13,050,000	\$10,300,000	\$9,400,000	
Jobs Generated by Industry ¹							
Full-service restaurants	9.8	7.4	5.1	4.8	3.8	3.7	6%
Individual and family services	7.9	6.0	4.1	3.9	3.1	2.7	5%
Limited-service restaurants	8.2	6.2	4.2	4.0	3.2	3.1	5%
All other food and drinking places	<u>5.1</u>	<u>3.8</u>	<u>2.6</u>	<u>2.5</u>	<u>2.0</u>	<u>1.9</u>	<u>3%</u>
Subtotal Restaurant	30.9	23.5	16.0	15.2	12.0	11.4	19%
Retail - Food and beverage stores	5.8	4.4	3.0	2.9	2.3	2.0	4%
Retail - General merchandise stores	4.6	3.5	2.4	2.3	1.8	1.6	3%
Personal care services	3.6	2.7	1.9	1.8	1.4	1.4	2%
Retail - Health and personal care stores	2.4	1.8	1.2	1.2	0.9	0.8	1%
Retail - Miscellaneous store retailers	2.3	1.7	1.2	1.1	0.9	0.8	1%
Retail - Building material and garden	2.2	1.7	1.1	1.1	0.9	0.7	1%
Other personal services	2.1	1.6	1.1	1.0	0.8	0.7	1%
Retail - Clothing and accessories	2.0	1.5	1.0	1.0	0.8	0.7	1%
Retail - Motor vehicle and parts dealers	1.7	1.3	0.9	0.9	0.7	0.6	1%
Retail - Nonstore retailers	<u>0.7</u>	<u>0.5</u>	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>	<u>0.2</u>	<u>0%</u>
Subtotal Retail and Service	27.3	20.7	14.2	13.4	10.6	9.5	17%
Hospitals	7.4	5.7	3.9	3.7	2.9	3.1	5%
Nursing and community care facilities	3.5	2.7	1.8	1.7	1.4	1.5	2%
Home health care services	1.5	1.1	0.8	0.7	0.6	0.6	1%
Offices of physicians	4.2	3.2	2.2	2.1	1.7	1.8	3%
Offices of dentists	1.9	1.4	1.0	0.9	0.7	0.8	1%
Offices of other health practitioners	<u>2.4</u>	<u>1.8</u>	<u>1.2</u>	<u>1.2</u>	<u>0.9</u>	<u>1.0</u>	<u>2%</u>
Subtotal Healthcare	20.9	15.9	10.9	10.3	8.1	8.7	13%
Other educational services	4.9	3.8	2.6	2.4	1.9	1.2	3%
Colleges, universities	4.9	3.7	2.5	2.4	1.9	1.1	3%
Elementary and secondary schools	<u>3.0</u>	<u>2.3</u>	<u>1.6</u>	<u>1.5</u>	<u>1.2</u>	<u>0.8</u>	<u>2%</u>
Subtotal Education	12.8	9.8	6.7	6.3	5.0	3.0	8%
Real estate	5.8	4.4	3.0	2.9	2.3	2.2	4%
Wholesale trade	4.1	3.1	2.1	2.0	1.6	1.4	3%
Other financial investment activities	3.7	2.8	1.9	1.8	1.4	1.3	2%
Child day care services	3.5	2.6	1.8	1.7	1.4	0.9	2%
Services to private households	2.8	2.1	1.5	1.4	1.1	0.9	2%
Services to buildings	2.7	2.1	1.4	1.3	1.1	0.9	2%
Automotive repair and maintenance	2.4	1.8	1.2	1.2	0.9	0.9	2%
All Other	42.8	32.5	22.2	21.1	16.7	14.8	27%
Total Number of Jobs Generated	159.7	121.3	82.9	78.7	62.1	55.8	100%

¹ Estimated employment generated by expenditures of households within 100 prototypical market rate units for Industries representing more than 1% of total employment. Employment estimates are based on the IMPLAN Group's economic model, IMPLAN, for Santa Clara County (uses 2014 IMPLAN data set, the most recent available as of March 2016). Includes both full- and part-time jobs.

C. The KMA Jobs Housing Nexus Model

This section presents a summary of the analysis linking the employment growth associated with residential development, or the output of the IMPLAN model (see Section B), to the estimated number of lower income housing units required in each of four income categories, for each of the six residential prototype units.

Analysis Approach and Framework

The analysis approach is to examine the employment growth for industries related to consumer spending by residents in the 100-unit modules. Then, through a series of linkage steps, the number of employees is converted to households and housing units by affordability level. The findings are expressed in terms of numbers of affordable units per 100 market rate units. The analysis addresses the affordable unit demand associated with single family detached, townhomes, condos, and rental units.

The table below shows the 2016 Area Median Income (AMI) for Santa Clara County, as well as the income limits for the four categories that were evaluated: Extremely Low (30% of AMI), Very Low (50% of AMI), Low (80% of AMI), and Moderate (120% of AMI). The income definitions used in the analysis are those published by the California Department of Housing and Community Development (HCD).

2016 Income Limits for Santa Clara County

	Household Size (Persons)					
	1	2	3	4	5	6 +
Extr. Low (Under 30% AMI)	\$23,450	\$26,800	\$30,150	\$33,500	\$36,200	\$38,900
Very Low (30%-50% AMI)	\$39,100	\$44,650	\$50,250	\$55,800	\$60,300	\$64,750
Low (50%-80% AMI)	\$59,400	\$67,900	\$76,400	\$84,900	\$91,650	\$98,450
Moderate (80%-120% AMI)	\$89,950	\$102,800	\$115,650	\$128,500	\$138,800	\$149,050
Median (100% of Median)	\$74,950	\$85,700	\$96,400	\$107,100	\$115,650	\$124,250

Source: California Department of Housing and Community Development.

The analysis is conducted using a model that KMA developed and has applied to similar evaluations in many other jurisdictions. The model inputs are all local data to the extent possible, and are fully documented in the following description.

Analysis Steps

The tables at the end of this section present a summary of the nexus analysis steps for the prototype units. Following is a description of each step of the analysis.

Step 1 – Estimate of Total New Employees

Table C-1 commences with the total number of employees associated with the new market rate units. The employees were estimated based on household expenditures of new residents using the IMPLAN model (see Section B).

Step 2 – Changing Industries Adjustment and Net New Jobs

The local economy, like that of the U.S. as a whole, is constantly evolving, with job losses in some sectors and job growth in others. Over the past decade employment in manufacturing sectors of the local economy have declined along with governmental employment, farming, construction and financial activities employment. Jobs lost over the last decade in these declining sectors were replaced by job growth in other industry sectors.

Step 2 makes an adjustment to take ongoing changes in the economy into account recognizing that jobs added are not 100% net new in all cases. A 20% adjustment is utilized based on the long term shifts in employment that have occurred in some sectors of the local economy and the likelihood of continuing changes in the future. Long term declines in employment experienced in some sectors of the economy mean that some of the new jobs are being filled by workers that have been displaced from another industry and who are presumed to already have housing locally. Existing workers downsized from declining industries are assumed to be available to fill a portion of the new retail, restaurant, health care, and other jobs associated with services to residents.

The 20% downward adjustment used for purposes of the analysis was derived from California Employment Development Department data on employment by industry in the San Jose-Sunnyvale-Santa Clara and Oakland-Hayward-Berkeley Metropolitan Districts which encompasses the jurisdictions included in the multi-jurisdiction nexus effort. Over the ten-year period from 2005 to 2015, approximately 55,000 jobs were lost in declining industry sectors. Over the same period, growing and stable industries added a total of 268,000 jobs. The figures are used to establish a ratio between jobs lost in declining industries to jobs gained in growing and stable industries at 20%¹⁰. The 20% factor is applied as an adjustment in the analysis, effectively assuming one in every five new jobs is filled by a worker down-sized from a declining industry and who already lives locally.

The discount for changing industries is a conservative analysis assumption that may result in an understatement of impacts. The adjustment assumes workers down-sized from declining sectors of the local economy are available to fill a portion of the new service sector jobs documented in a residential nexus analysis. In reality, displaced workers from declining industry sectors of the economy are not always available to fill these new service jobs because they may retire or exit the

¹⁰ The 20% ratio is calculated as 55,000 jobs lost in declining sectors excluding defense divided by 268,000 jobs gained in growing and stable sectors = 20.5% (rounded to 20%).

workforce or may be competitive for and seek employment in one of the other growing sectors of the local economy that is not oriented towards services to local residents.

Step 3 – Adjustment from Employees to Employee Households

This step (Table C-1) converts the number of employees to the number of employee households, recognizing that there is, on average, more than one worker per household, and thus the number of housing units in demand for new workers is reduced. The workers-per-worker-household ratio eliminates from the equation all non-working households, such as retired persons, students, and those on public assistance. The County average of 1.72 workers per worker household (from the U. S. Census Bureau 2011-2013 American Community Survey) is used for this step in the analysis. The number of jobs is divided by 1.72 to determine the number of worker households. This ratio is distinguished from the overall number of workers per household in that the denominator includes only households with at least one worker. If the average number of workers in all households were used, it would have produced a greater demand for housing units. The 1.72 ratio covers all workers, full and part time.

Step 4 – Occupational Distribution of Employees

The occupational breakdown of employees is the first step to arrive at income level. The output from the IMPLAN model provides the number of employees by industry sector, shown in Table B-1. The IMPLAN output is paired with data from the Department of Labor, Bureau of Labor Statistics May 2014 Occupational Employment Survey (OES) to estimate the occupational composition of employees for each industry sector.

Step 4a – Translation from IMPLAN Industry Codes to NAICS Industry Codes

The output of the IMPLAN model is jobs by industry sector using IMPLAN's own industry classification system, which consists of 536 industry sectors. The OES occupation data uses the North American Industry Classification System (NAICS). Estimates of jobs by IMPLAN sector must be translated into estimates by NAICS code for consistency with the OES data.

The NAICS system is organized into industry codes ranging from two- to six-digits. Two-digit codes are the broadest industry categories and six-digit codes are the most specific. Within a two-digit NAICS code, there may be several three-digit codes and within each three-digit code, several four-digit codes, etc. A chart published by IMPLAN relates each IMPLAN industry sector with one or more NAICS codes, with matching NAICS codes ranging from the two-digit level to the five-digit level. For purposes of the nexus analysis, all employment estimates must be aggregated to the four, or in some cases, five-digit NAICS code level to align with OES data which is organized by four and five-digit NAICS code. For some industry sectors, an allocation is necessary between more than one NAICS code. Where required, allocations are made proportionate to total employment at the national level from the OES.

The table below illustrates analysis Step 4a in which employment estimates by IMPLAN Code are translated to NAICS codes and then aggregated at the four and five digit NAICS code level. The examples used are Child Day Care Centers and Hospitals. The process is applied to all the industry sectors.

Illustration of Model Step 4a.						
A. IMPLAN Output by IMPLAN Industry Sector		B. Link to Corresponding NAICS		C. Aggregate at 4-Digit NAICS Code Level		
<u>Jobs</u>	<u>IMPLAN Sector</u>	<u>Jobs</u>	<u>NAICS Code</u>	<u>Jobs</u>	<u>% Total</u>	<u>4-Digit NAICS</u>
3.5	487 - Child day care services	3.5	6244 Child day care services	3.5	100%	6244 Child day care services
7.4	482 - Hospitals	7.4	622 Hospitals	6.8	92%	6221 General Medical and Surgical Hospitals
				0.3	4%	6222 Psychiatric and Substance Abuse Hospitals
				0.3	4%	6223 Specialty (except Psychiatric and Substance Abuse) Hospitals

Source: KMA, Bureau of Labor Statistics May 2014 Occupational Employment Survey.

Step 4b – Apply OES Data to Estimate Occupational Distribution

Employment estimates by four and five-digit NAICS code from step 4a are paired with data on occupational composition within each industry from the OES to generate an estimate of employment by detailed occupational category. As shown on Table C-1, new jobs will be distributed across a variety of occupational categories. The three largest occupational categories are office and administrative support (16%), food preparation and serving (15% - 16%), and sales and related (13%). Step 4 of Table C-1 indicates the percentage and number of employee households by occupation associated with 100 market rate units.

Step 5 – Estimates of Employee Households Meeting the Lower Income Definitions

In this step, occupations are translated to employee incomes based on recent Santa Clara County wage and salary information from the California Employment Development Department (EDD). The wage and salary information summarized in Appendix B provided the income inputs to the model.

For each occupational category shown in Table C-1, the OES data provides a distribution of specific occupations within the category. For example, within the Food Preparation and Serving Category, there are Supervisors, Cooks, Bartenders, Waiters and Waitresses, Dishwashers, etc. In total there are over 100 detailed occupation categories included in the analysis as shown

in the Appendix B tables. Each of these over 100 occupation categories has a different distribution of wages which was obtained from EDD and is specific to workers in Santa Clara County as of 2015.

For each detailed occupational category, the model uses the distribution of wages to calculate the percent of worker households that would fall into each income category. The calculation is performed for each possible combination of household size and number of workers in the household. For households with more than one worker, individual *employee* income data was used to calculate the household income by assuming multiple earner households are, on average, formed of individuals with similar incomes.

At the end of Step 5, the nexus model has established a matrix indicating the percentages of households that would qualify in the affordable income tiers for every detailed occupational category and every potential combination of household size and number of workers in the household.

Step 6 – Distribution of Household Size and Number of Workers

In this step, we account for the distribution in household sizes and number of workers for Santa Clara County households using local data obtained from the U.S. Census. Census data is used to develop a set of percentage factors representing the distribution of household sizes and number of workers within working households. The percentage factors are specific to Santa Clara County and are derived from the 2011 – 2013 American Community Survey. Application of these percentage factors accounts for the following:

- Households have a range in size and a range in the number of workers.
- Large households generally have more workers than smaller households.

The result of Step 6 is a distribution of Santa Clara County working households by number of workers and household size.

Step 7 – Estimate of Number of Households that Meet Size and Income Criteria

Step 7 is the final step to calculate the number of worker households meeting the size and income criteria for the four affordability tiers. The calculation combines the matrix of results from Step 5 on percentage of worker households that would meet the income criteria at each potential household size / no. of workers combination, with Step 6, the percentage of worker household having a given household size / number of workers combination. The result is the percent of households that fall into each affordability tier. The percentages are then multiplied by the number of households from Step 3 to arrive at number of households in each affordability tier.

Table C-2A shows the result after completing Steps 5, 6, and 7 for the Extremely Low Income Tier. Tables C-2B, C-2C, C-2D show results for the Very Low, Low, and Moderate Income tiers.

Summary Findings

Table C-3 indicates the results of the analysis for all of the affordability tiers. The table presents the number of households generated in each affordability category and the total number over 120% of Area Median Income.

The findings in Table C-3 are presented below. The table shows the total demand for affordable housing units associated with 100 market rate units.

<i>New Worker Households per 100 Market Rate Units</i>						
	<i>Single Family Detached</i>	<i>Single Family - Small Lot</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
Extremely Low (0%-30% AMI)	13.3	10.1	6.9	6.5	5.2	4.7
Very Low (30%-50% AMI)	20.1	15.3	10.4	9.9	7.8	7.0
Low (50%-80% AMI)	17.1	13.0	8.9	8.4	6.6	5.9
Moderate (80%-120% AMI)	10.9	8.3	5.7	5.4	4.2	3.8
Total, Less than 120% AMI	61.4	46.7	31.9	30.3	23.9	21.4
Greater than 120% AMI	13.0	9.9	6.7	6.4	5.0	4.6
Total, New Households	74.4	56.5	38.6	36.7	28.9	26.0

Housing demand for new worker households earning less than 120% of AMI ranges from 61.4 units per 100 market rate units for larger single family detached units to 21.4 per 100 market rate units for higher density apartments. Housing demand is distributed across the lower income tiers with the greatest numbers of households in the Very Low and Low tiers. The finding that the jobs associated with consumer spending tend to be low-paying jobs where the workers will require housing affordable at the lower income levels is not surprising. As noted above, direct consumer spending results in employment that is concentrated in lower paid occupations including food preparation, administrative, and retail sales.

TABLE C-1
NET NEW HOUSEHOLDS AND OCCUPATION DISTRIBUTION
EMPLOYEE HOUSEHOLDS GENERATED
RESIDENTIAL NEXUS ANALYSIS
LOS ALTOS, CA

	Prototype 1	Prototype 2	Prototype 3	Prototype 4	Prototype 5	Prototype 6
	Single Family Detached	Single Family - Small Lot	Townhome	Condominium	Apartments - Lower Density	Apartments - Higher Density
Step 1 - Employees ¹	159.7	121.3	82.9	78.7	62.1	55.8
Step 2 - Adjustment for Changing Industries (20%) (2)	127.8	97.0	66.3	62.9	49.7	44.7
Step 3 - Adjustment for Number of Households (1.72) (3)	74.4	56.5	38.6	36.7	28.9	26.0
Step 4 - Occupation Distribution ⁴						
Management Occupations	4.2%	4.2%	4.2%	4.2%	4.2%	4.1%
Business and Financial Operations	4.1%	4.1%	4.1%	4.1%	4.1%	4.0%
Computer and Mathematical	1.2%	1.2%	1.2%	1.2%	1.2%	1.1%
Architecture and Engineering	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%
Life, Physical, and Social Science	0.4%	0.4%	0.4%	0.4%	0.4%	0.3%
Community and Social Services	2.3%	2.3%	2.3%	2.3%	2.3%	2.2%
Legal	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Education, Training, and Library	5.8%	5.8%	5.8%	5.8%	5.8%	4.1%
Arts, Design, Entertainment, Sports, and Media	1.5%	1.5%	1.5%	1.5%	1.5%	1.3%
Healthcare Practitioners and Technical	7.2%	7.2%	7.2%	7.2%	7.2%	8.2%
Healthcare Support	4.2%	4.2%	4.2%	4.2%	4.2%	4.8%
Protective Service	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
Food Preparation and Serving Related	15.1%	15.1%	15.1%	15.1%	15.1%	16.2%
Building and Grounds Cleaning and Maint.	5.4%	5.4%	5.4%	5.4%	5.4%	5.3%
Personal Care and Service	7.5%	7.5%	7.5%	7.5%	7.5%	7.3%
Sales and Related	13.4%	13.4%	13.4%	13.4%	13.4%	13.3%
Office and Administrative Support	15.2%	15.2%	15.2%	15.2%	15.2%	15.2%
Farming, Fishing, and Forestry	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Construction and Extraction	0.9%	0.9%	0.9%	0.9%	0.9%	1.0%
Installation, Maintenance, and Repair	3.3%	3.3%	3.3%	3.3%	3.3%	3.5%
Production	1.5%	1.5%	1.5%	1.5%	1.5%	1.4%
Transportation and Material Moving	<u>4.6%</u>	<u>4.6%</u>	<u>4.6%</u>	<u>4.6%</u>	<u>4.6%</u>	<u>4.5%</u>
Totals	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Management Occupations	3.1	2.4	1.6	1.5	1.2	1.1
Business and Financial Operations	3.0	2.3	1.6	1.5	1.2	1.0
Computer and Mathematical	0.9	0.7	0.4	0.4	0.3	0.3
Architecture and Engineering	0.3	0.2	0.1	0.1	0.1	0.1
Life, Physical, and Social Science	0.3	0.2	0.1	0.1	0.1	0.1
Community and Social Services	1.7	1.3	0.9	0.8	0.7	0.6
Legal	0.5	0.4	0.2	0.2	0.2	0.2
Education, Training, and Library	4.3	3.3	2.2	2.1	1.7	1.1
Arts, Design, Entertainment, Sports, and Media	1.1	0.9	0.6	0.6	0.4	0.3
Healthcare Practitioners and Technical	5.4	4.1	2.8	2.6	2.1	2.1
Healthcare Support	3.2	2.4	1.6	1.6	1.2	1.3
Protective Service	0.8	0.6	0.4	0.4	0.3	0.3
Food Preparation and Serving Related	11.3	8.6	5.8	5.6	4.4	4.2
Building and Grounds Cleaning and Maint.	4.1	3.1	2.1	2.0	1.6	1.4
Personal Care and Service	5.5	4.2	2.9	2.7	2.2	1.9
Sales and Related	10.0	7.6	5.2	4.9	3.9	3.4
Office and Administrative Support	11.3	8.6	5.9	5.6	4.4	4.0
Farming, Fishing, and Forestry	0.0	0.0	0.0	0.0	0.0	0.0
Construction and Extraction	0.7	0.5	0.4	0.3	0.3	0.2
Installation, Maintenance, and Repair	2.5	1.9	1.3	1.2	1.0	0.9
Production	1.1	0.8	0.6	0.5	0.4	0.4
Transportation and Material Moving	<u>3.4</u>	<u>2.6</u>	<u>1.8</u>	<u>1.7</u>	<u>1.3</u>	<u>1.2</u>
Totals	74.4	56.5	38.6	36.7	28.9	26.0

Notes:

- ¹ Estimated employment generated by expenditures of households within 100 prototypical market rate units from Table B-1.
- ² The 20% adjustment is based upon job losses in declining sectors of the local economy over the past 10 years. "Downsized" workers from declining sectors are assumed to fill a portion of new jobs in sectors serving residents. 20% adjustment calculated as 54,700 jobs lost in declining sectors divided by 267,700 jobs gained in growing and stable sectors = 20%.
- ³ Adjustment from number of workers to households using county-wide average of 1.72 workers per worker household derived from the U.S. Census American Community Survey 2011 to 2013.
- ⁴ See Appendix B Tables 1 - 4 for additional information on Major Occupation Categories.

TABLE C-2A
EXTREMELY LOW-INCOME (ELI) EMPLOYEE HOUSEHOLDS¹ GENERATED
RESIDENTIAL NEXUS ANALYSIS
LOS ALTOS, CA

Per 100 Market Rate Units

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>	<i>Prototype 5</i>	<i>Prototype 6</i>
	Single Family Detached	Single Family - Small Lot	Townhome	Condominium	Apartments - Lower Density	Apartments - Higher Density
Step 5 & 6 - Extremely Low Income Households (under 30% AMI) within Major Occupation Categories²						
Management	0.00	0.00	0.00	0.00	0.00	0.00
Business and Financial Operations	-	-	-	-	-	-
Computer and Mathematical	-	-	-	-	-	-
Architecture and Engineering	-	-	-	-	-	-
Life, Physical and Social Science	-	-	-	-	-	-
Community and Social Services	0.06	0.04	0.03	0.03	0.02	0.02
Legal	-	-	-	-	-	-
Education Training and Library	0.42	0.32	0.22	0.21	0.17	0.11
Arts, Design, Entertainment, Sports, & Media	-	-	-	-	-	-
Healthcare Practitioners and Technical	0.01	0.01	0.01	0.01	0.00	0.00
Healthcare Support	0.49	0.37	0.25	0.24	0.19	0.19
Protective Service	-	-	-	-	-	-
Food Preparation and Serving Related	4.43	3.37	2.30	2.18	1.72	1.66
Building Grounds and Maintenance	0.96	0.73	0.50	0.47	0.37	0.33
Personal Care and Service	1.64	1.24	0.85	0.81	0.64	0.58
Sales and Related	2.29	1.74	1.19	1.13	0.89	0.78
Office and Admin	0.79	0.60	0.41	0.39	0.31	0.27
Farm, Fishing, and Forestry	-	-	-	-	-	-
Construction and Extraction	-	-	-	-	-	-
Installation Maintenance and Repair	0.06	0.05	0.03	0.03	0.02	0.02
Production	-	-	-	-	-	-
Transportation and Material Moving	0.78	0.59	0.40	0.38	0.30	0.27
ELI Households - Major Occupations	11.92	9.06	6.19	5.87	4.64	4.23
ELI Households¹ - all other occupations	1.37	1.04	0.71	0.67	0.53	0.48
Total ELI Households¹	13.29	10.10	6.90	6.55	5.17	4.71

(1) Includes households earning from zero through 30% of Santa Clara County Area Median Income.

(2) See Appendix B Tables 1 - 4 for additional information on Major Occupation Categories. Note that the model places individual employees into households. Many households have multiple income sources and therefore household income is higher than the wages shown in Appendix B Table 2 and 4. The distribution of the number of workers per worker household and the distribution of household size are based on American Community Survey data.

TABLE C-2B
VERY LOW-INCOME EMPLOYEE HOUSEHOLDS¹ GENERATED
RESIDENTIAL NEXUS ANALYSIS
LOS ALTOS, CA

Per 100 Market Rate Units

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>	<i>Prototype 5</i>	<i>Prototype 6</i>
	Single Family Detached	Single Family - Small Lot	Townhome	Condominium	Apartments - Lower Density	Apartments - Higher Density
Step 5 & 6 - Very Low Income Households (30%-50% AMI) within Major Occupation Categories ²						
Management	0.05	0.04	0.02	0.02	0.02	0.02
Business and Financial Operations	0.05	0.04	0.03	0.03	0.02	0.02
Computer and Mathematical	-	-	-	-	-	-
Architecture and Engineering	-	-	-	-	-	-
Life, Physical and Social Science	-	-	-	-	-	-
Community and Social Services	0.34	0.26	0.18	0.17	0.13	0.12
Legal	-	-	-	-	-	-
Education Training and Library	1.08	0.82	0.56	0.53	0.42	0.27
Arts, Design, Entertainment, Sports, & Media	-	-	-	-	-	-
Healthcare Practitioners and Technical	0.11	0.08	0.06	0.05	0.04	0.04
Healthcare Support	1.07	0.82	0.56	0.53	0.42	0.43
Protective Service	-	-	-	-	-	-
Food Preparation and Serving Related	4.13	3.14	2.14	2.04	1.61	1.54
Building Grounds and Maintenance	1.49	1.13	0.77	0.73	0.58	0.51
Personal Care and Service	2.01	1.53	1.04	0.99	0.78	0.68
Sales and Related	3.15	2.39	1.63	1.55	1.22	1.08
Office and Admin	2.91	2.21	1.51	1.43	1.13	1.02
Farm, Fishing, and Forestry	-	-	-	-	-	-
Construction and Extraction	-	-	-	-	-	-
Installation Maintenance and Repair	0.48	0.36	0.25	0.24	0.19	0.17
Production	-	-	-	-	-	-
Transportation and Material Moving	1.19	0.90	0.62	0.58	0.46	0.40
Very Low Households - Major Occupations	18.06	13.72	9.37	8.90	7.02	6.30
Very Low Households ¹ - all other occupations	2.07	1.57	1.07	1.02	0.80	0.71
Total Very Low Inc. Households¹	20.13	15.29	10.45	9.92	7.83	7.01

(1) Includes households earning from 30% through 50% of Santa Clara County Area Median Income.

(2) See Appendix B Tables 1 - 4 for additional information on Major Occupation Categories. Note that the model places individual employees into households. Many households have multiple income sources and therefore household income is higher than the wages shown in Appendix B Table 2 and 4. The distribution of the number of workers per worker household and the distribution of household size are based on American Community Survey data.

TABLE C-2C
LOW-INCOME EMPLOYEE HOUSEHOLDS¹ GENERATED
RESIDENTIAL NEXUS ANALYSIS
LOS ALTOS, CA

Per 100 Market Rate Units

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>	<i>Prototype 5</i>	<i>Prototype 6</i>
	Single Family Detached	Single Family - Small Lot	Townhome	Condominium	Apartments - Lower Density	Apartments - Higher Density
Step 5 & 6 - Low Income Households (50%-80% AMI) within Major Occupation Categories ²						
Management	0.21	0.16	0.11	0.10	0.08	0.07
Business and Financial Operations	0.37	0.28	0.19	0.18	0.15	0.13
Computer and Mathematical	-	-	-	-	-	-
Architecture and Engineering	-	-	-	-	-	-
Life, Physical and Social Science	-	-	-	-	-	-
Community and Social Services	0.49	0.37	0.25	0.24	0.19	0.17
Legal	-	-	-	-	-	-
Education Training and Library	1.15	0.87	0.60	0.57	0.45	0.28
Arts, Design, Entertainment, Sports, & Media	-	-	-	-	-	-
Healthcare Practitioners and Technical	0.36	0.27	0.18	0.18	0.14	0.14
Healthcare Support	0.91	0.69	0.47	0.45	0.35	0.36
Protective Service	-	-	-	-	-	-
Food Preparation and Serving Related	2.08	1.58	1.08	1.02	0.81	0.78
Building Grounds and Maintenance	0.97	0.74	0.50	0.48	0.38	0.33
Personal Care and Service	1.29	0.98	0.67	0.64	0.50	0.43
Sales and Related	2.46	1.87	1.28	1.21	0.96	0.85
Office and Admin	3.43	2.61	1.78	1.69	1.34	1.20
Farm, Fishing, and Forestry	-	-	-	-	-	-
Construction and Extraction	-	-	-	-	-	-
Installation Maintenance and Repair	0.73	0.56	0.38	0.36	0.28	0.27
Production	-	-	-	-	-	-
Transportation and Material Moving	0.87	0.66	0.45	0.43	0.34	0.29
Low Households - Major Occupations	15.32	11.64	7.95	7.55	5.96	5.31
Low Households ¹ - all other occupations	1.76	1.33	0.91	0.87	0.68	0.60
Total Low Inc. Households¹	17.08	12.97	8.87	8.41	6.64	5.91

(1) Includes households earning from 50% through 80% of Santa Clara County Area Median Income.

(2) See Appendix B Tables 1 - 4 for additional information on Major Occupation Categories. Note that the model places individual employees into households. Many households have multiple income sources and therefore household income is higher than the wages shown in Appendix B Table 2 and 4. The distribution of the number of workers per worker household and the distribution of household size are based on American Community Survey data.

TABLE C-2D
MODERATE-INCOME EMPLOYEE HOUSEHOLDS¹ GENERATED
RESIDENTIAL NEXUS ANALYSIS
LOS ALTOS, CA

Per 100 Market Rate Units

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>	<i>Prototype 5</i>	<i>Prototype 6</i>
	Single Family Detached	Single Family - Small Lot	Townhome	Condominium	Apartments - Lower Density	Apartments - Higher Density
Step 5 & 6 - Moderate Income Households (80%-120% AMI) within Major Occupation Categories ²						
Management	0.47	0.36	0.25	0.23	0.18	0.16
Business and Financial Operations	0.69	0.53	0.36	0.34	0.27	0.24
Computer and Mathematical	-	-	-	-	-	-
Architecture and Engineering	-	-	-	-	-	-
Life, Physical and Social Science	-	-	-	-	-	-
Community and Social Services	0.44	0.33	0.23	0.22	0.17	0.15
Legal	-	-	-	-	-	-
Education Training and Library	0.91	0.69	0.47	0.45	0.35	0.22
Arts, Design, Entertainment, Sports, & Media	-	-	-	-	-	-
Healthcare Practitioners and Technical	1.04	0.79	0.54	0.51	0.40	0.41
Healthcare Support	0.49	0.38	0.26	0.24	0.19	0.20
Protective Service	-	-	-	-	-	-
Food Preparation and Serving Related	0.27	0.21	0.14	0.13	0.11	0.10
Building Grounds and Maintenance	0.46	0.35	0.24	0.23	0.18	0.16
Personal Care and Service	0.37	0.28	0.19	0.18	0.14	0.12
Sales and Related	1.09	0.82	0.56	0.54	0.42	0.38
Office and Admin	2.51	1.91	1.30	1.24	0.98	0.88
Farm, Fishing, and Forestry	-	-	-	-	-	-
Construction and Extraction	-	-	-	-	-	-
Installation Maintenance and Repair	0.65	0.49	0.34	0.32	0.25	0.23
Production	-	-	-	-	-	-
Transportation and Material Moving	0.41	0.31	0.21	0.20	0.16	0.14
Moderate Households - Major Occupations	9.80	7.44	5.09	4.83	3.81	3.39
Moderate Households ¹ - all other occupations	1.12	0.85	0.58	0.55	0.44	0.38
Total Moderate Inc. Households¹	10.92	8.30	5.67	5.38	4.25	3.77

(1) Includes households earning from 80% through 120% of Santa Clara County Area Median Income.

(2) See Appendix B Tables 1 - 4 for additional information on Major Occupation Categories. Note that the model places individual employees into households. Many households have multiple income sources and therefore household income is higher than the wages shown in Appendix B Table 2 and 4. The distribution of the number of workers per worker household and the distribution of household size are based on American Community Survey data.

**TABLE C-3
IMPACT ANALYSIS SUMMARY
EMPLOYEE HOUSEHOLDS GENERATED
RESIDENTIAL NEXUS ANALYSIS
LOS ALTOS, CA**

RESIDENTIAL UNIT DEMAND IMPACTS - PER 100 MARKET RATE UNITS

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>	<i>Prototype 5</i>	<i>Prototype 6</i>
Number of New Households¹	Single Family Detached	Single Family - Small Lot	Townhome	Condominium	Apartments - Lower Density	Apartments - Higher Density
Under 30% AMI	13.3	10.1	6.9	6.5	5.2	4.7
30% to 50% AMI	20.1	15.3	10.4	9.9	7.8	7.0
50% to 80% AMI	17.1	13.0	8.9	8.4	6.6	5.9
80% to 120% AMI	10.9	8.3	5.7	5.4	4.2	3.8
Subtotal through 120% AMI	61.4	46.7	31.9	30.3	23.9	21.4
Over 120% AMI	13.0	9.9	6.7	6.4	5.0	4.6
Total Employee Households	74.4	56.5	38.6	36.7	28.9	26.0

RESIDENTIAL UNIT DEMAND IMPACTS - PER EACH (1) MARKET RATE UNIT

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>	<i>Prototype 5</i>	<i>Prototype 6</i>
Number of New Households¹	Single Family Detached	Single Family - Small Lot	Townhome	Condominium	Apartments - Lower Density	Apartments - Higher Density
Under 30% AMI	0.13	0.10	0.07	0.07	0.05	0.05
30% to 50% AMI	0.20	0.15	0.10	0.10	0.08	0.07
50% to 80% AMI	0.17	0.13	0.09	0.08	0.07	0.06
80% to 120% AMI	0.11	0.08	0.06	0.05	0.04	0.04
Subtotal through 120% AMI	0.61	0.47	0.32	0.30	0.24	0.21
Over 120% AMI	0.13	0.10	0.07	0.06	0.05	0.05
Total Employee Households	0.74	0.57	0.39	0.37	0.29	0.26

Notes

¹ Households of retail, education, healthcare and other workers that serve residents of new market rate units.

AMI = Area Median Income

D. Mitigation Costs

This section takes the conclusions of the previous section on the number of households in the lower income categories associated with the market rate units and identifies the total cost of assistance required to make housing affordable. This section puts a cost on the units for each income level to produce the “total nexus cost.” This is done for each of the prototype units.

A key component of the analysis is the size of the gap between what households can afford and the cost of producing new housing in Los Altos, known as the ‘affordability gap.’ Affordability gaps are calculated for each of the four categories of Area Median Income (AMI): Extremely Low (under 30% of median), Very Low (30% to 50%), Low (50% to 80%), and Moderate (80% to 120%). The following summarizes the analysis of mitigation cost which is based on the affordability gap or net cost to deliver units that are affordable to worker households in the lower income tiers.

City Assisted Affordable Unit Prototypes

For estimating the affordability gap, there is a need to match a household of each income level with a unit type and size according to governmental regulations and City practices and policies. The analysis assumes that the City will assist Moderate Income households earning between 80% and 120% of Area Median Income with ownership units. The prototype affordable unit should reflect a modest unit consistent with what the City is likely to assist and appropriate for housing the average Moderate Income worker household. The typical project assumed for Los Altos is a two-bedroom unit for a three-person household. An attached condominium unit at approximately 30 units per acre (averaging 1,100 square feet per unit) is assumed.

For Low-, Very Low-, and Extremely Low-Income households, it is assumed that the City will assist in the development of multi-family rental units at a density of between 30 and 35 units per acre (averaging 900 square feet per unit). The analysis uses a two-bedroom affordable rental unit for a three-person household.

Development Costs

KMA prepared an estimate of the total development cost for the two affordable housing prototypes described above (inclusive of land acquisition costs, direct construction costs, indirect costs of development, and financing) based on a review of development pro formas for recent affordable projects, recent residential land sale comps, and other construction data sources such as RS Means. It is estimated that the new affordable for-sale condominium unit would have a total development cost of approximately \$584,000 and the new affordable multi-family apartment unit would have a total development cost of approximately \$500,000.

Development Costs for Affordable Units

Income Group	Unit Tenure / Type	Development Cost
Under 30% AMI	Rental	\$500,000
30% to 50% AMI	Rental	\$500,000
50% to 80% AMI	Rental	\$500,000
80% to 120% AMI	Ownership	\$584,000

Development cost assumptions were designed to be reflective of averages for affordable projects within three of the Santa Clara County jurisdictions participating in this multi-jurisdiction work program – the cities of Campbell, Los Altos, and Saratoga. These three cities are grouped together because average multi-family densities in these areas are assumed to be lower than in the other participating Santa Clara County cities – Santa Clara and Milpitas. The primary development cost variable among Campbell, Los Altos, and Saratoga is the cost of land. Based on recent residential land sale comps, Campbell will likely represent the lower tier of land costs among these three jurisdictions. To make the affordability gaps broadly applicable, development cost estimates reflect land acquisition costs that are on the lower end of the range. This conservative approach has been taken in order to avoid overstating costs applicable to lower land cost locations within the jurisdictions.

Development cost estimates were informed by KMA's review of pro forma information for over a dozen local multi-family affordable housing projects. Direct construction costs from these projects were adjusted to account for such factors as time, unit size, housing type, and project density to appropriately reflect the multi-family prototype assumed in the analysis. Other costs, such as land acquisition costs, are more site and area specific than direct construction costs and therefore the inputs for those costs were derived from other sources. Prevailing wages are assumed in the construction of both affordable housing prototypes, as it is assumed that public funds will be used to subsidize the projects. Tables D-1 and D-3 provide further details.

The list below identifies some of the multi-family affordable projects for which KMA had pro forma information. In addition to the following projects, KMA also had access to the pro formas for several other active, pending projects, which are not listed due to their preliminary nature.

- Ashland-Kent, Alameda County
- Downtown Hayward Senior, Hayward
- Hayward Senior II, Hayward
- Laguna Commons, Fremont
- Marea Alta, San Leandro
- Onizuka Crossing, Sunnyvale
- Dublin Veterans Housing, Dublin
- Sequoia Belle Haven, Menlo Park
- South Hayward BART, Hayward
- San Lorenzo Senior, San Lorenzo
- South Second St Studios, San Jose
- Station Center 1 & 2, Union City
- University Ave Senior, East Palo Alto

Unit Values

For affordable ownership units, unit values are based on an estimate of the restricted affordable purchase prices for a qualifying Moderate Income household. For a 2-bedroom unit, KMA calculated the affordable sales price for the matching 3-person household at \$367,000. Details of the calculation are presented in Table D-2.

For the Extremely Low, Very Low, and Low-Income rental units, unit values are based upon the funding sources assumed to be available for the project. The funding sources include tax-exempt permanent debt financing supported by the project's operating income, a deferred developer fee, and equity generated by 4% federal low income housing tax credits. The highly competitive 9% federal tax credits are not assumed because of the extremely limited number of projects that receive an allocation of 9% tax credits in any given year per geographic region. Other affordable housing subsidy sources such as CDBG, HOME, AHP, Section 8, and various Federal and State funding programs are also limited and difficult to obtain and therefore are not assumed in this analysis as available to offset the cost of mitigating the affordable housing impacts of new development.

On this basis, KMA estimated the unit value (total permanent funding sources) of the Extremely Low-Income rental units at \$205,500, the Very Low-Income units at \$281,500, and the Low-income units at \$320,500. Details for these calculations are presented in Table D-3.

Unit Values for Affordable Units

Income Group	Unit Tenure / Type	Household Size	Unit Values / Sales Price
Under 30% AMI	Rental	3 persons	\$205,500
30% to 50% AMI	Rental	3 persons	\$281,500
50% to 80% AMI	Rental	3 persons	\$320,500
80% to 120% AMI	Ownership	3 persons	\$367,000

Affordability Gap

The affordability gap is the difference between the cost of developing the affordable units and the unit value based on the restricted affordable rent or sales price.

The resulting affordability gaps are as follows:

Affordability Gap Calculation

	Unit Value / Sales Price	Development Cost	Affordability Gap
<i>Affordable Rental Units</i>			
Extremely Low (Under 30% AMI)	\$205,500	\$500,000	\$294,500
Very Low (30% to 50% AMI)	\$281,500	\$500,000	\$218,500
Low (50% to 80% AMI)	\$320,500	\$500,000	\$179,500
<i>Affordable Ownership Units</i>			
Moderate (80% to 120% AMI)	\$367,000	\$584,000	\$217,000

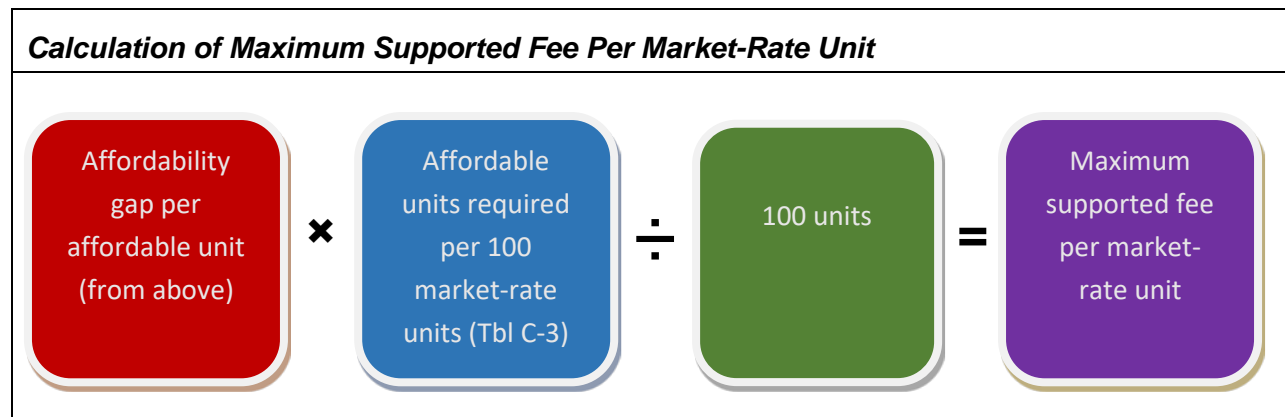
AMI = Area Median Income

Tables D-1 through D-3 present the detailed affordability gap calculations. Note that the affordability gaps are the same as those assumed in the non-residential nexus analysis.

Total Nexus Cost / Maximum Fee Levels

The last step in the linkage fee analysis marries the findings on the numbers of households in each of the lower income ranges associated with the six prototypes to the affordability gaps, or the costs of delivering housing to them in Los Altos.

Table D-4 summarizes the analysis. The Affordability Gaps are drawn from the prior discussion. The “Total Nexus Cost per Market Rate Unit” shows the results of the following calculation:



The total nexus costs or maximum supported fee per market rate unit for each of the prototypes are as follows:

Total Nexus Cost Per Market Rate Unit, City of Los Altos							
<i>Income Category</i>	<i>Single Family</i>		<i>Single Family - Small Lot</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
	<i>Detached</i>						
Extremely Low (0%-30% AMI)	\$39,100	\$29,700	\$20,300	\$19,300	\$15,200	\$13,900	
Very Low (30%-50% AMI)	\$44,000	\$33,400	\$22,800	\$21,700	\$17,100	\$15,300	
Low (50%-80% AMI)	\$30,700	\$23,300	\$15,900	\$15,100	\$11,900	\$10,600	
Moderate (80%-120% AMI)	\$23,700	\$18,000	\$12,300	\$11,700	\$9,200	\$8,200	
Total Supported Fee/ Nexus Costs	\$137,500	\$104,400	\$71,300	\$67,800	\$53,400	\$48,000	

The Total Nexus Costs, or Mitigation Costs, indicated above, may also be expressed on a per square foot level. The square foot area of the prototype unit used throughout the analysis becomes the basis for the calculation (the per unit findings from above are divided by unit size to get the per square foot findings). The results per square foot of building area (based on net rentable or sellable square feet excluding parking areas, external corridors and other common areas) are as follows:

Total Nexus Cost Per Sq. Ft., City of Los Altos						
<i>Unit Size (Sq Ft)</i>	<i>Single Family Detached</i>	<i>Single Family - Small Lot</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
	<i>3,500 SF</i>	<i>2,000 SF</i>	<i>1,500 SF</i>	<i>1,300 SF</i>	<i>1,100 SF</i>	<i>900 SF</i>
Extremely Low (0%-30% AMI)	\$11.20	\$14.90	\$13.50	\$14.80	\$13.80	\$15.40
Very Low (30%-50% AMI)	\$12.60	\$16.70	\$15.20	\$16.70	\$15.50	\$17.00
Low (50%-80% AMI)	\$8.80	\$11.70	\$10.60	\$11.60	\$10.80	\$11.80
Moderate (80%-120% AMI)	\$6.80	\$9.00	\$8.20	\$9.00	\$8.40	\$9.10
Total Nexus Costs	\$39.40	\$52.30	\$47.50	\$52.10	\$48.50	\$53.30

These costs express the total linkage or nexus costs for the six prototype developments in the City of Los Altos. These total nexus costs represent the ceiling for any requirement placed on market rate development. **The totals are not recommended levels for fees; they represent only the maximums established by the analysis, below which impact fee levels may be set.**

Table D-1
 Affordability Gap Calculation for Moderate Income
 Residential Nexus Analysis
 Los Altos, CA

I. Affordable Prototype

Tenure	For-Sale
Density	30 du/acre
Unit Size	1,100 SF
Bedrooms	2-Bedrooms
Construction Type	Condominiums (Type V)

II. Development Costs Per Unit

Land Acquisition	\$138,000
Directs	\$319,000 ^[1]
Indirects	\$111,000
Financing	\$16,000
Total Costs	<u>\$584,000</u>

III. Affordable Sales Price Per Unit

Household Size	3 person HH
110% of Median Income ^[2]	\$106,040
Maximum Affordable Sales Price	\$367,000 ^[3]

IV. Affordability Gap Per Unit

Affordable Sales Price	\$367,000
(Less) Development Costs	<u>(\$584,000)</u>
Affordability Gap - Moderate Income	(\$217,000)

^[1] Construction costs include prevailing wages.

^[2] Per California Health and Safety Code Section 50052.5, the affordable sale price for a Moderate Income household is to be based on 110% of AMI, whereas qualifying income can be up to 120% of AMI.

^[3] See Table D-2 for Moderate Income home price estimate.

Table D-2
 Estimated Affordable Home Prices - Moderate Income
 Residential Nexus Analysis
 Los Altos, CA

Unit Size Household Size	2-Bedroom Unit <u>3-person HH</u>	3-Bedroom Unit <u>4-person HH</u>	4-Bedroom Unit <u>5-person HH</u>
100% AMI Santa Clara County 2016	\$96,400	\$107,100	\$115,650
Annual Income @ 110%	\$106,040	\$117,810	\$127,215
% for Housing Costs	35%	35%	35%
Available for Housing Costs	\$37,114	\$41,234	\$44,525
(Less) Property Taxes	(\$4,392)	(\$4,884)	(\$5,232)
(Less) HOA	(\$2,700)	(\$2,820)	(\$2,940)
(Less) Utilities	(\$1,416)	(\$1,776)	(\$2,208)
(Less) Insurance	(\$700)	(\$800)	(\$900)
(Less) Mortgage Insurance	(\$4,698)	(\$5,211)	(\$5,603)
Income Available for Mortgage	\$23,208	\$25,743	\$27,643
Mortgage Amount	\$348,300	\$386,300	\$414,800
Down Payment (homebuyer cash)	\$18,300	\$20,350	\$21,800
Supported Home Price	\$366,600	\$406,650	\$436,600
Key Assumptions			
- Mortgage Interest Rate ⁽¹⁾	5.30%	5.30%	5.30%
- Down Payment ⁽²⁾	5.00%	5.00%	5.00%
- Property Taxes (% of sales price) ⁽³⁾	1.20%	1.20%	1.20%
- HOA (per month) ⁽⁴⁾	\$225	\$235	\$245
- Utilities (per month) ⁽⁵⁾	\$118	\$148	\$184
- Mortgage Insurance (% of loan amount)	1.35%	1.35%	1.35%

- (1) Mortgage interest rate based on 15-year Freddie Mac average; assumes 30-year fixed rate mortgage.
 (2) Down payment amount is an estimate for Moderate Income homebuyers.
 (3) Property tax rate is an estimated average for new projects.
 (4) Homeowners Association (HOA) dues is an estimate for the average new project.
 (5) Utility allowances from Santa Clara County Housing Authority (2016).

Table D-3
Affordability Gaps for Extremely Low, Very Low, and Low Income
Residential Nexus Analysis
Los Altos, CA

	Extremely Low	Very Low	Low Income
I. Affordable Prototype			
Tenure	Rental 900 square feet ~30-35 du/acre		
Average Unit Size			
Density			
II. Development Costs ^[1]			
	Per Unit	Per Unit	Per Unit
Land Acquisition	\$129,000	\$129,000	\$129,000
Directs	\$261,000	\$261,000	\$261,000
Indirects	\$91,000	\$91,000	\$91,000
Financing	\$19,000	\$19,000	\$19,000
Total Costs	\$500,000	\$500,000	\$500,000
III. Supported Financing			
<u>Affordable Rents</u>			
Average Number of Bedrooms	2 Bedrooms	2 Bedrooms	2 Bedrooms
Maximum TCAC Rent ^[2]	\$753	\$1,256	\$1,507
(Less) Utility Allowance ^[3]	(\$74)	(\$74)	(\$74)
Maximum Monthly Rent	\$679	\$1,182	\$1,433
<u>Net Operating Income (NOI)</u>			
Gross Potential Income	<u>Per Unit</u>	<u>Per Unit</u>	<u>Per Unit</u>
Monthly	\$679	\$1,182	\$1,433
Annual	\$8,148	\$14,184	\$17,196
Other Income	\$250	\$250	\$250
(Less) Vacancy	5.0% (\$420)	(\$722)	(\$872)
Effective Gross Income (EGI)	\$7,978	\$13,712	\$16,574
(Less) Operating Expenses	(\$5,600)	(\$5,600)	(\$5,600)
(Less) Property Taxes ^[4]	\$0	\$0	\$0
Net Operating Income (NOI)	\$2,378	\$8,112	\$10,974
<u>Permanent Financing</u>			
Permanent Loan (tax exempt)	\$32,000	\$108,000	\$147,000
Deferred Developer Fee	\$2,500	\$2,500	\$2,500
4% Tax Credit Equity	\$171,000	\$171,000	\$171,000
Total Sources	\$205,500	\$281,500	\$320,500
IV. Supported Financing			
Supported Permanent Financing	\$205,500	\$281,500	\$320,500
(Less) Total Development Costs	(\$500,000)	(\$500,000)	(\$500,000)
Affordability Gap	(\$294,500)	(\$218,500)	(\$179,500)

^[1] Development costs estimated by KMA based on affordable project pro formas in Santa Clara County (includes prevailing wages) and residential land sale comps.

^[2] Maximum rents per Tax Credit Allocation Committee (TCAC) for projects utilizing Low Income Housing Tax Credits.

^[3] Utility allowances from Santa Clara County Housing Authority (2016).

^[4] Assumes tax exemption for non-profit general partner.

**TABLE D-4
SUPPORTED FEE / NEXUS SUMMARY
RESIDENTIAL NEXUS ANALYSIS
LOS ALTOS, CA**

TOTAL NEXUS COST PER MARKET RATE UNIT

		Nexus Cost Per Market Rate Unit ³					
		Prototype 1	Prototype 2	Prototype 3	Prototype 4	Prototype 5	Prototype 6
Affordability Gap Per Unit		Single Family Detached	Single Family - Small Lot	Townhome	Condominium	Apartments - Lower Density	Apartments - Higher Density
Household Income Level							
Under 30% AMI	\$294,500 ¹	\$39,100	\$29,700	\$20,300	\$19,300	\$15,200	\$13,900
30% to 50% AMI	\$218,500 ¹	\$44,000	\$33,400	\$22,800	\$21,700	\$17,100	\$15,300
50% to 80% AMI	\$179,500 ¹	\$30,700	\$23,300	\$15,900	\$15,100	\$11,900	\$10,600
80% to 120% AMI	\$217,000 ²	\$23,700	\$18,000	\$12,300	\$11,700	\$9,200	\$8,200
Total Supported Fee Per Unit		\$137,500	\$104,400	\$71,300	\$67,800	\$53,400	\$48,000

TOTAL NEXUS COST PER SQUARE FOOT⁴

		Nexus Cost Per Square Foot ⁴					
		Prototype 1	Prototype 2	Prototype 3	Prototype 4	Prototype 5	Prototype 6
Avg. Unit Size (SF)		Single Family Detached	Single Family - Small Lot	Townhome	Condominium	Apartments - Lower Density	Apartments - Higher Density
Household Income Level							
Under 30% AMI		\$11.20	\$14.90	\$13.50	\$14.80	\$13.80	\$15.40
30% to 50% AMI		\$12.60	\$16.70	\$15.20	\$16.70	\$15.50	\$17.00
50% to 80% AMI		\$8.80	\$11.70	\$10.60	\$11.60	\$10.80	\$11.80
80% to 120% AMI		\$6.80	\$9.00	\$8.20	\$9.00	\$8.40	\$9.10
Total Supported Fee Per Sq.Ft.		\$39.40	\$52.30	\$47.50	\$52.10	\$48.50	\$53.30

Notes:

¹ Assumes affordable rental units. Affordability gaps represent the remaining affordability gap after tax credit financing. See affordability gap section for

² Affordability gap for moderate income households based on ownership unit.

³ Nexus cost per unit calculated by multiplying the affordable unit demand from Table C-3 by the affordability gap.

⁴ Nexus cost per square foot computed by dividing the nexus cost per unit from above by the average unit size.

III. ADDENDUM: ADDITIONAL BACKGROUND AND NOTES ON SPECIFIC ASSUMPTIONS

No Excess Supply of Affordable Housing

An assumption of this residential nexus analysis is that there is no excess supply of affordable housing available to absorb or offset new demand; therefore, new affordable units are needed to mitigate the new affordable housing demand generated by development of new market rate residential units. Based on a review of the current Census information for Los Altos, conditions are consistent with this underlying assumption. According to the Census (2010 to 2014 ACS), approximately 34% of all households in the City were paying thirty percent or more of their income on housing. In addition, housing vacancy is minimal.

Geographic Area of Impact

The analysis quantifies impacts occurring within Santa Clara County. While many of the impacts will occur within the City, some impacts will be experienced elsewhere in Santa Clara County and beyond. The IMPLAN model computes the jobs generated within the county and sorts out those that occur beyond the county boundaries. The KMA Jobs Housing Nexus Model analyzes the income structure of jobs and their worker households, without assumptions as to where the worker households live.

In summary, the nexus analysis quantifies all the jobs impacts occurring within the county and related worker households. Job impacts, like most types of impacts, occur irrespective of political boundaries. And like other types of impact analyses, such as traffic, impacts beyond jurisdictional boundaries are experienced, are relevant, and are important.

For clarification, counting all impacts associated with new housing units does not result in double counting, even if all jurisdictions were to adopt similar programs. The impact of a new housing unit is only counted once, in the jurisdiction in which it occurs. Obviously, within a metropolitan region such as the Bay Area, there is much commuting among jurisdictions, and cities house each other's workers in a very complex web of relationships. The important point is that impacts of residential development are only counted once.

Affordability Gap

The use of the affordability gap for establishing a maximum fee supported from the nexus analysis is grounded in the concept that a jurisdiction will be responsible for delivering affordable units to mitigate impacts. The nexus analysis has established that units will be needed at one or more different affordability levels and the type of unit to be delivered depends on the income/affordability level. In Los Altos, the City is anticipated to assist in the development of rental units for households with incomes up to 80% of AMI and ownership units for moderate income households with incomes from 80% to 120% of AMI.

The units assisted by the public sector for affordable households are usually small in square foot area (for the number of bedrooms) and modest in finishes and amenities. As a result, in some communities these units are similar in physical configuration to what the market is delivering at market rate; in other communities (particularly very high income communities), they may be smaller and more modest than what the market is delivering. Parking, for example, is usually the minimum permitted by the code. Where there is a wide range in land cost per acre or per unit, it may be assumed that affordable units are built on land parcels in the lower portion of the cost range. KMA tries to develop a total development cost summary that represents the lower half of the average range, but not so low as to be unrealistic.

Excess Capacity of Labor Force

In the context of economic downturns such as the last recession, the question is sometimes raised as to whether there is excess capacity in the labor force to the extent that consumption impacts generated by new households will be in part, absorbed by existing jobs and workers, thus resulting in fewer net new jobs. In response, an impact analysis of this nature is a one-time impact requirement to address impacts generated over the life of the project. Recessions are temporary conditions; a healthy economy will return and the impacts will be experienced. The economic cycle also self-adjusts. Development of new residential units is likely to be reduced until conditions improve or there is confidence that improved conditions are imminent. When this occurs, the improved economic condition of the households in the local area will absorb the current underutilized capacity of existing workers, employed and unemployed. By the time new units become occupied, economic conditions will have likely improved.

The Burden of Paying for Affordable Housing

Los Altos' inclusionary housing program does not place all burden for the creation of affordable housing on new residential construction. The burden of affordable housing is also borne by many sectors of the economy and society. A most important source in recent years of funding for affordable housing development comes from the federal government in the form of tax credits (which result in reduced income tax payment by tax credit investors in exchange for equity funding). Additionally, there are other federal grant and loan programs administered by the Department of Housing and Urban Development and other federal agencies. The State of California also plays a major role with a number of special financing and funding programs. Much of the state money is funded by voter approved bond measures paid for by all Californians.

Local governments play a large role in affordable housing. In addition, private sector lenders play an important role, some voluntarily and others less so with the requirements of the Community Reinvestment Act. Then there is the non-profit sector, both sponsors and developers that build much of the affordable housing.

In summary, all levels of government and many private parties, for profit and non-profit contribute to supplying affordable housing. Residential developers are not being asked to bear the burden alone any more than they are assumed to be the only source of demand or cause for needing affordable housing in our communities. Based on past experience, affordable housing requirements placed on residential development will satisfy only a small percentage of the affordable housing needs in the City of Los Altos.

APPENDIX A: RESIDENTIAL MARKET SURVEY

I. INTRODUCTION

One of the underlying components of the Residential Nexus Study is the identification of residential building prototypes that are expected to be developed in the City of Los Altos both today and in the future, and what the market prices and rents for those prototypes will be. These market prices and rents are then used to estimate the incomes of the new households that will live in the new units and quantify the number and types of jobs created as a result of their demand for goods and services. In this Appendix A, KMA describes the residential building prototypes utilized for the analysis, summarizes the residential market data researched, and describes the market price point conclusions drawn therefrom.

II. RESIDENTIAL PROTOTYPES

KMA worked with City staff to select representative development prototypes envisioned to be developed in Los Altos in the future. It is noted that the lower density apartment prototype, a two to four-story development with surface parking, is not currently being built in Los Altos, but has been included due to the potential that this type of project may be built in the future. In addition, there are no recent examples of a small lot single family detached project (lot sizes between 5,000 and 7,100 square feet), but this prototype could be built in the future as well. The prototypes are presented on Appendix A Table 1 and summarized below.

Los Altos Residential Prototypes

	<i>Lot Size / Density</i>	<i>Average Unit Size</i>
<i>For-Sale Prototypes</i>		
1) Single Family Detached	10,000 – 12,000 sq. ft.	3,500 sq. ft.
2) Small Lot Single Family Detached	5,000 – 7,100 sq. ft.	2,000 sq. ft.
3) Townhomes	24 du/acre	1,500 sq. ft.
4) Condominiums	40-50 du/acre	1,300 sq. ft.
<i>Rental Prototypes</i>		
5) Apartments – Lower Density	15-24 du/acre	1,100 sq. ft.
6) Apartments – Higher Density	50 du/acre	900 sq. ft.

Source: KMA in collaboration with City of Los Altos. See Appendix A, Table 1 for more information.

III. MARKET SURVEY & PRICING ESTIMATES

A. Residential Building Activity

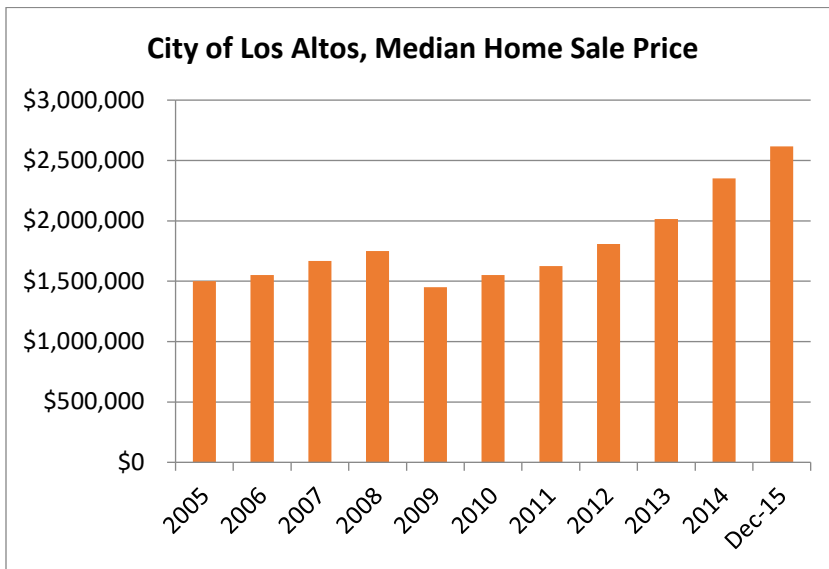
At the time of the market survey in late 2015 and early 2016, there were several recently built, under construction or proposed residential developments in Los Altos, including single family detached units, townhome projects, condominiums and apartment projects. To develop an understanding of the types of units being built, KMA gathered development program and pricing information (when available) for recent or current projects in Los Altos. The list of projects that we reviewed is shown in the table below.

Current & Recent Development Projects

Project	Unit Type
421 Mundell Way	Single Family Detached
971 Stanley Ave	Single Family Detached
437 Tyndall St.	Townhomes
Sherwood Ave. Townhomes	Townhomes
960 N San Antonio Road	Condominiums
Post Office (100 First St)	Condominiums
5100 El Camino Real	Condominiums
396 First Street	Condominiums
Colonnade	Apartments

Overview of For-Sale Market

The City of Los Altos has the highest median home prices in Santa Clara County. The ownership housing market in Los Altos has fully recovered from the recession, with median prices significantly higher than pre-recession levels. In 2012, the median home price in Los Altos recovered to its pre-recession levels from 2008. In 2013, the median home price hit the \$2 million mark. By 2015, the median home price surpassed \$2.5 million, reaching \$2,617,500 in December 2015.



Source: Dataquick

Additional data can be found on Appendix A Table 2.

B. Recent Home Prices of Newer Units

At the time of the market survey, there were no new housing developments being marketed in Los Altos. As a proxy for new home sales, KMA analyzed recent new and resale prices of homes built since 2005 and sold since November 2013. Appendix A Table 3 presents a summary of the resale data. KMA categorized the sales by unit type – condominium, townhomes and single family detached sales. Within the single family detached resales, the units are organized by lot size. KMA then calculated the average unit size and sales price, by lot size. The results are shown on Appendix A Table 3.

C. For-Sale Prototype Price Estimates

The recent pricing for new homes, the resale pricing of newer home developments, input from City staff and KMA's experience in other jurisdictions formed the basis for KMA's prototype price estimates. The table below summarizes KMA's conclusions regarding current for-sale prototype unit size and pricing.

For-Sale Prototype Price Estimates

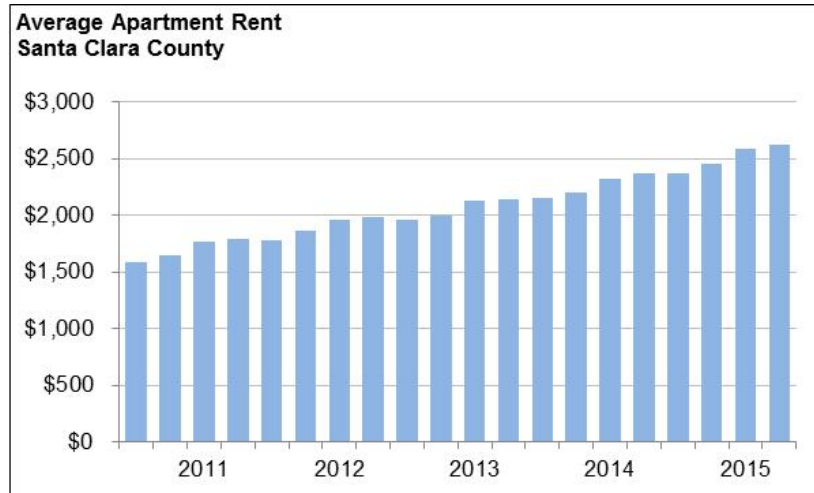
	<i>Unit Size</i>	<i>Price</i>	<i>Price PSF</i>
Single Family Detached	3,500 sq. ft.	\$3,500,000	\$1,000
Small Lot Single Family Detached	2,000 sq. ft.	\$2,200,000	\$1,100
Townhomes	1,500 sq. ft.	\$1,200,000	\$800
Condominiums	1,300 sq. ft.	\$1,100,000	\$846

Source: KMA market study in collaboration with the City of Los Altos.

KMA notes that recent condominium sales are higher than the prototype price estimate of \$1.1 million. Because this is the least expensive ownership prototype in the residential nexus analysis, KMA assumed a lower price point than the recent examples to ensure that the analysis addresses the least expensive new market rate ownership units likely to be built in Los Altos. To the extent that new units are more expensive than this prototype, the analysis will produce a conservative result.

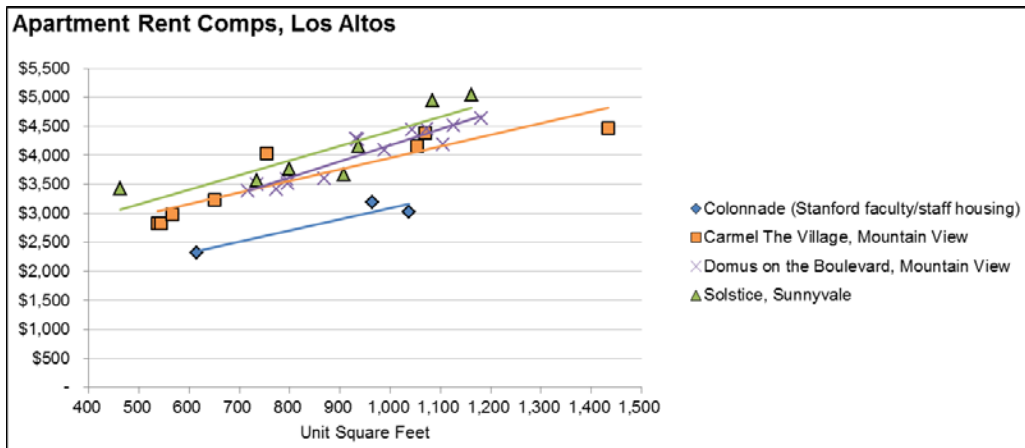
D. Rental Housing Market

In recent years, apartment market conditions have been strong throughout Santa Clara County as exhibited by rising rents and occupancy rates. New development projects have been built and are in the development pipeline throughout the county, particularly around public transit stations and in downtown settings where access to job centers and neighborhood services is convenient.



Source: RealAnswers

In order to inform achievable market rents for new apartment developments in Los Altos, KMA performed a survey of asking apartment rents in select properties. Rents for these properties, which include properties in neighboring communities due to the lack of comparable new apartments in Los Altos, are shown in the chart below.



Source: RealAnswers, on-line listings (winter 2015/16)
Full survey details are provided in Appendix Table 5.

Based on the market rent data, KMA estimates that the average rent for a newly developed apartment project in Los Altos, assuming an average unit size of 900 to 1,100 square feet, would be in the range of \$3,600 to \$4,000 (or \$3.64 to \$4.00/square foot).

IV. MARKET SURVEY CONCLUSIONS

A full description of the prototypes, including examples of recent developments, average unit sizes, bedroom mix, parking ratios, and densities are shown in Appendix A Table 1. The prototypes are the starting point of the nexus analysis.

**APPENDIX A TABLE 1
MARKET RATE RESIDENTIAL PROTOTYPES
RESIDENTIAL NEXUS ANALYSIS
CITY OF LOS ALTOS**

	Single Family Detached	Small Lot Single Family Detached	Townhome	Condominium	Apartments - Lower Density	Apartments - Higher Density
Example Projects	421 Mundell Way 971 Stanley Ave		437 Tyndall St. Sherwood Ave.	960 N San Antonio Road Post Office (100 First St) 5100 El Camino Real 396 First Street		Colonnade
Density	10,000 - 12,000 sf lots	5,000 - 7,100 sf lots	24 dua	40 - 50 dua	15 - 24 dua	~50 dua
Building Type	Two-story	Two-story	Two-story attached	Three stories over podium. Subterranean parking.	Two to four stories	Four stories (excl. garage)
Unit Mix	4 and 5 BRs	2, 3 and 4 BR	2 and 3 BR	2, 3, and 4 BR	1, 2 and 3 BR	1 and 2 BR
Average Unit Size (excl. garage)	3,500 sf	2,000 sf	1,500 sf	1,300 sf	1,100 sf	900 sf
Average No. of Bedrooms	4 BR	3.0 BR	2.5 BR	3.0 BRs	2.0 BR	1.5 BR
Parking Type	Attached garage	Attached garage	Attached garage	Subterranean	Surface parking lot (carports)	Ground-floor garage (podium), multi-story garage (wrap), or subterranean
Average Parking Spaces/Unit	2.0	2.0	2.0	2.0	1.5-2.0	1.5-2.0
Sales Price/Rent per square foot	\$3,500,000 \$1,000	\$2,200,000 \$1,100	\$1,200,000 \$800	\$1,100,000 \$846	\$4,000 \$3.64	\$3,600 \$4.00

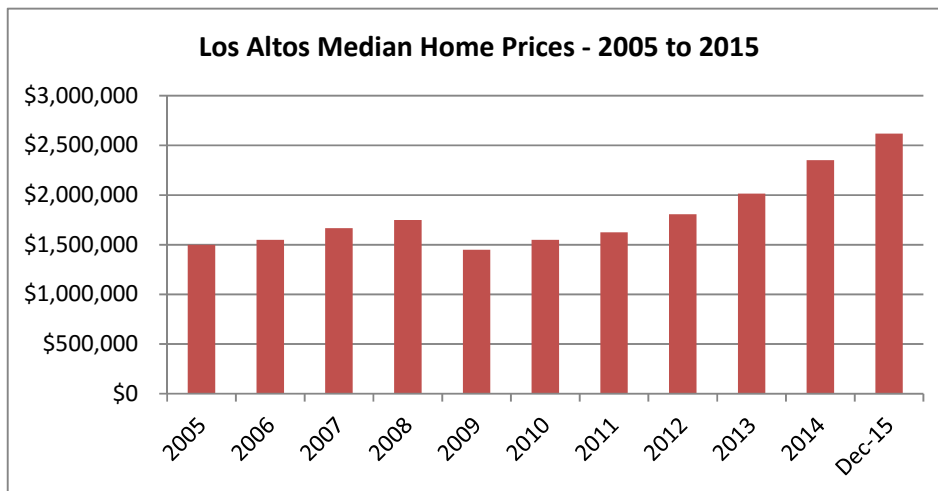
**Appendix A, Table 2
Median Home Prices
Los Altos, CA**

Median Home Prices, Santa Clara County Jurisdictions

	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Los Altos	\$2,351,000	\$2,016,000	17%
Palo Alto	\$2,100,000	\$1,720,000	22%
Saratoga	\$1,876,500	\$1,610,000	17%
Cupertino	\$1,428,500	\$1,200,000	19%
Stanford	\$1,419,250	\$3,450,000	-59%
Los Gatos	\$1,410,000	\$1,265,000	11%
Mountain View	\$975,050	\$805,000	21%
Sunnyvale	\$875,000	\$764,750	14%
San Martin	\$825,000	\$655,000	26%
Campbell	\$820,000	\$702,500	17%
Santa Clara	\$745,000	\$638,000	17%
Santa Clara County	\$710,000	\$648,000	10%
Milpitas	\$652,000	\$585,000	11%
Morgan Hill	\$650,500	\$635,000	2%
San Jose	\$630,000	\$572,000	10%
Gilroy	\$575,000	\$500,000	15%
Alviso	\$482,500	\$472,500	2%

Los Altos Median Home Sale Prices, 2005-2015

<u>Year</u>	<u>Median Price</u>	<u>%Change</u>
2005	\$1,500,000	
2006	\$1,550,000	3%
2007	\$1,667,500	8%
2008	\$1,750,000	5%
2009	\$1,450,000	-17%
2010	\$1,550,000	7%
2011	\$1,625,000	5%
2012	\$1,807,000	11%
2013	\$2,016,000	12%
2014	\$2,351,000	17%
Dec-15	\$2,617,500	11%



Source: DataQuick. Includes single family and attached homes; includes new homes and resales.

**APPENDIX A TABLE 3
RECENT HOME SALES
RESIDENTIAL NEXUS ANALYSIS
CITY OF LOS ALTOS, CA**

Units Built Since 2005 and Sold Since November 2013

	Yr. Built	BD	BA	Net SF	Lot SF	Sale Price	\$/SF	Sale Date
Condominiums								
Post Office								
100 1st St 216	2015	2	2	1,695	889	\$1,609,000	\$949	01/30/2015
100 1st St 306	2015	4	3	2,719	889	\$2,700,000	\$993	01/29/2015
100 1st St 310	2015	2	2	1,244	889	\$1,490,000	\$1,198	01/29/2015
100 1st St 312	2015	4	3	2,239	889	\$2,450,000	\$1,094	01/09/2015
100 1st St 303	2015	3	3	2,334	889	\$2,395,000	\$1,026	01/09/2015
100 1st St 302	2015	3	3	2,281	889	\$2,383,500	\$1,045	01/09/2015
100 1st St 311	2015	3	2	1,705	889	\$1,800,000	\$1,056	01/09/2015
100 1st St 305	2015	3	2	1,771	889	\$1,796,000	\$1,014	01/09/2015
100 1st St 304	2015	2	2	1,621	889	\$1,707,500	\$1,053	01/09/2015
100 1st St 301	2015	2	2	1,452	889	\$1,629,000	\$1,122	01/09/2015
100 1st St 307	2015	2	1	1,156	889	\$1,055,500	\$913	01/09/2015
100 1st St 217	2015	2	2	1,672	889	\$1,625,500	\$972	01/08/2015
100 1st St 110	2015	2	2	1,741	889	\$1,605,500	\$922	01/08/2015
100 1st St 111	2015	2	2	1,680	889	\$1,588,000	\$945	01/08/2015
100 1st St 218	2015	2	2	1,590	889	\$1,550,000	\$975	01/08/2015
100 1st St 107	2015	2	2	1,531	889	\$1,535,500	\$1,003	01/08/2015
100 1st St 210	2015	2	2	1,518	889	\$1,535,500	\$1,012	01/08/2015
100 1st St 214	2015	2	2	1,386	889	\$1,516,000	\$1,094	01/08/2015
100 1st St 103	2015	2	2	1,773	889	\$1,499,500	\$846	01/08/2015
100 1st St 112	2015	2	2	1,604	889	\$1,495,500	\$932	01/08/2015
100 1st St 102	2015	2	2	1,714	889	\$1,495,000	\$872	01/08/2015
100 1st St 204	2015	2	2	1,621	889	\$1,450,000	\$895	01/08/2015
100 1st St 101	2015	2	2	1,471	889	\$1,399,000	\$951	01/08/2015
100 1st St 109	2015	2	1	1,143	889	\$978,000	\$856	01/08/2015
100 1st St 105	2015	2	1	1,205	889	\$971,100	\$806	01/08/2015
100 1st St 104	2015	2	1	1,156	889	\$952,500	\$824	01/08/2015
100 1st St 207	2015	2	1	1,156	889	\$910,000	\$787	01/08/2015
Average		2.3		1,636	889	\$1,597,115	\$969	
5100 El Camino Real 103	2007	2	3	1,410	1,200	\$1,421,000	\$1,008	03/04/2015
5100 El Camino Real 108	2007	2	3	1,410	1,200	\$1,535,000	\$1,089	07/07/2015
5100 El Camino Real 209	2007	2	3	1,342	1,200	\$1,520,000	\$1,133	10/14/2015
5100 El Camino Real 310	2007	2	2	1,113	1,200	\$1,400,000	\$1,258	10/01/2015
Average				1,319	1,200	\$1,469,000	\$1,122	

**APPENDIX A TABLE 3
RECENT HOME SALES
RESIDENTIAL NEXUS ANALYSIS
CITY OF LOS ALTOS, CA**

Units Built Since 2005 and Sold Since November 2013

	Yr. Built	BD	BA	Net SF	Lot SF	Sale Price	\$/SF	Sale Date
4388 El Camino Real 119	2009	2	2	1,200	1,227	\$1,150,000	\$958	10/02/2015
4388 El Camino Real 167	2009	2	2	1,200	1,227	\$998,000	\$832	09/30/2015
4388 El Camino Real 288	2009	1	1	787	1,227	\$805,000	\$1,023	08/14/2015
4388 El Camino Real 239	2009	2	3	1,671	1,227	\$1,540,000	\$922	06/25/2015
4388 El Camino Real 208	2009	1	1	787	1,227	\$814,000	\$1,034	05/13/2015
4388 El Camino Real 336	2009	2	2	1,200	1,227	\$1,976,000	\$1,647	04/01/2015
4388 El Camino Real 209	2009	2	2	1,200	1,227	\$1,201,500	\$1,001	03/19/2015
4388 El Camino Real 118	2009	2	2	1,200	1,227	\$1,150,000	\$958	03/09/2015
4388 El Camino Real 128	2009	2	2	1,200	1,227	\$1,135,000	\$946	02/05/2015
4388 El Camino Real 178	2009	2	2	1,200	1,227	\$1,175,000	\$979	11/05/2014
4388 El Camino Real 68	2009	3	3	1,600	1,227	\$1,420,000	\$888	10/21/2014
4388 El Camino Real 89	2009	3	3	1,600	1,227	\$1,420,000	\$888	10/09/2014
4388 El Camino Real 348	2009	2	2	1,200	1,227	\$879,000	\$733	12/05/2013
4388 El Camino Real 308	2009	1	1	787	1,227	\$645,000	\$820	11/25/2013
Average				1,202	1,227	\$1,164,893	\$973	

Selection of 396 First Street condos sold for \$860,000 - \$1.2 million (\$753 - \$966 psf) in 2013.

Townhomes

512 Tyndall St	2011	3	2	1,354	998	\$1,175,000	\$868	10/01/2014
424 Tyndall St	2009	3	2	1,538	760	\$1,350,000	\$878	03/26/2014
432 Tyndall St A	2008	3	3	1,477	760	\$1,466,000	\$993	07/23/2015
Average				1,456	839	\$1,330,333	\$913	

Sherwood Avenue townhomes sold for \$1.1 - \$1.4 million (\$786 - \$791 psf) in 2014.

437 Tyndall Ave townhomes sold for \$1.01 and \$1.03 million (\$717 and \$684 psf) in 2012 and 2013.

Single Family Units

Lots Larger than 14,000 sf

23270 Mora Heights Way	2005	6	6	6,720	45,874	\$4,870,000	\$725	03/23/2015
110 University Ave	2006	6	6	6,311	41,729	\$9,888,000	\$1,567	02/11/2014
630 University Ave	2007	5	5	5,616	41,300	\$8,880,000	\$1,581	05/21/2014
1330 Villa Dr	2014	7	6	5,244	34,880	\$5,500,000	\$1,049	12/26/2014
415 Covington Rd	2008	5	4	5,740	30,595	\$6,750,000	\$1,176	02/20/2015
607 Nandell Ln	2012	5	5	6,255	29,354	\$5,700,000	\$911	09/12/2014
1540 Hillview Dr	2014	5	4	4,000	24,729	\$4,440,000	\$1,110	11/19/2014
738 S Springer Rd	2007	5	5	3,764	22,680	\$3,350,000	\$890	06/25/2015
789 Manor Way	2012	7	5	5,258	21,618	\$4,450,000	\$846	12/04/2014
884 Santa Rita Ave	2014	5	4	3,784	19,957	\$4,290,000	\$1,134	05/08/2014
780 Dixon Way	2014	6	6	6,461	19,705	\$4,198,000	\$650	01/10/2014
437 Valley View Dr	2014	4	5	4,374	19,256	\$5,000,000	\$1,143	12/09/2014
1049 Fremont Ave	2005	5	5	4,074	17,322	\$3,500,000	\$859	03/29/2015
771 University Ave	2006	6	5	5,071	16,615	\$4,800,000	\$947	03/17/2015
1431 Topar Ave	2005	5	4	3,271	16,015	\$3,670,000	\$1,122	03/06/2015
544 Cherry Ave	2006	5	4	5,385	16,001	\$6,549,000	\$1,216	05/26/2015
675 Casita Way	2014	5	5	3,797	15,345	\$4,250,000	\$1,119	06/27/2014
1131 Hillslope Pl	2013	6	5	4,735	15,246	\$4,000,000	\$845	04/18/2014
120 Doud Dr	2014	5	5	3,710	14,689	\$5,100,000	\$1,375	11/13/2014
1424 Miravalle Ave	2005	5	7	5,848	14,640	\$3,245,000	\$555	12/11/2013
449 Casita Ct	2014	5	5	3,766	14,309	\$4,450,000	\$1,182	06/13/2014
Average	2010			4,914	23,422	\$5,089,524	\$1,048	

**APPENDIX A TABLE 3
RECENT HOME SALES
RESIDENTIAL NEXUS ANALYSIS
CITY OF LOS ALTOS, CA**

Units Built Since 2005 and Sold Since November 2013

	Yr. Built	BD	BA	Net SF	Lot SF	Sale Price	\$/SF	Sale Date
<i>Lots 10,000 sf - 14,000 sf</i>								
788 Orange Ave	2013	5	4	3,698	13,958	\$4,500,000	\$1,217	05/30/2014
567 Van Buren St	2006	5	4	3,574	13,882	\$4,750,000	\$1,329	02/24/2015
417 Dracena Ln	2006	4	5	3,680	13,678	\$3,775,000	\$1,026	02/25/2015
1350 Miravalle Ave	2014	4	5	3,596	13,464	\$4,250,000	\$1,182	04/02/2015
227 W Edith Ave	2012	4	4	3,229	13,115	\$4,300,000	\$1,332	02/19/2015
28 Los Altos Ave	2007	5	4	3,516	12,918	\$2,845,000	\$809	05/30/2014
186 Yerba Buena Ave	2008	5	4	3,586	12,752	\$5,200,000	\$1,450	11/06/2014
767 Santa Rita Ave	2014	6	5	3,565	12,687	\$4,800,000	\$1,346	11/18/2014
1912 Farndon Ave	2009	4	4	3,965	12,637	\$3,450,000	\$870	07/07/2015
971 Stanley Ave	2015	5	4	3,508	12,474	\$4,300,000	\$1,226	04/06/2015
650 Covington Rd	2009	4	5	3,102	11,945	\$3,100,000	\$999	06/12/2014
710 Covington Rd	2005	4	4	3,255	11,423	\$2,920,000	\$897	03/14/2014
970 Parma Way	2013	5	5	3,488	11,304	\$1,740,000	\$499	04/08/2015
1287 Fremont Ave	2005	3	4	3,084	11,237	\$2,901,000	\$941	11/13/2014
421 Mundell Way	2015	4	4	3,327	10,915	\$4,300,000	\$1,292	01/28/2015
975 Lundy Ln	2014	4	4	3,246	10,701	\$2,979,000	\$918	05/14/2015
881 Parma Way	2006	5	5	5,186	10,395	\$3,650,000	\$704	05/14/2014
1260 Carmel Ter	2014	5	6	3,220	10,382	\$3,800,000	\$1,180	09/11/2014
506 Orange Ave	2014	5	4	3,292	10,342	\$4,800,000	\$1,458	06/04/2015
1220 Monte Verde Ct	2014	3	4	3,001	10,307	\$3,069,000	\$1,023	03/05/2015
11740 Magdalena Ave	2007	3	3	2,270	10,254	\$2,050,000	\$903	03/21/2015
2085 Crist Dr	2014	4	5	2,997	10,147	\$2,695,000	\$899	10/03/2014
220 Yerba Santa Ave	2014	4	5	3,020	10,064	\$3,480,000	\$1,152	07/18/2014
1361 Garthwick Dr	2009	4	5	2,652	10,001	\$2,850,000	\$1,075	04/07/2014
<i>Average</i>	<i>2011</i>			<i>3,377</i>	<i>11,708</i>	<i>\$3,604,333</i>	<i>\$1,072</i>	
<i>Lots Less than 10,000 sf</i>								
1218 Thurston Ave	2005	3	3	2,285	9,979	\$2,500,000	\$1,094	09/05/2014
2026 El Sereno Ave	2014	5	4	2,688	9,375	\$2,870,000	\$1,068	09/30/2014
935 Lundy Ln	2006	4	4	2,027	8,296	\$2,535,000	\$1,251	07/25/2014
135 Lyell St	2011	3	4	2,074	7,688	\$2,600,000	\$1,254	07/25/2014
965 Loraine Ave	2005	3	3	2,508	3,959	\$1,860,000	\$742	08/17/2015
<i>Average</i>	<i>2008</i>			<i>2,316</i>	<i>7,859</i>	<i>\$2,473,000</i>	<i>\$1,082</i>	

Sources: ListSource, November 2015.

**Appendix A. Table 4.
Comparable Apartment Rents
Los Altos**

	Sq. Ft.	Monthly Rent		\$/SF		Notes
		Low	High	Low	High	
Colonnade (Stanford faculty/staff housing)						
1 Bd	614	\$2,320	\$2,320	\$3.78	\$3.78	4750 El Camino Real, Los Altos
2 Bd	965	\$3,192	\$3,192	\$3.31	\$3.31	Built: 2015
1 Bd	1,037	\$3,020	\$3,020	\$2.91	\$2.91	205 Units
2 Bd	1,235	\$4,240	\$4,240	\$3.43	\$3.43	
<hr/>						
Carmel The Village, Mountain View						
Studio	537	\$2,820	\$2,820	\$5.25	\$5.25	555 San Antonio, Mountain View
Studio	544	\$2,820	\$2,820	\$5.18	\$5.18	Built: 2013
1 Bd / 1 Ba	566	\$2,980	\$2,980	\$5.27	\$5.27	768 Units
1 Bd / 1 Ba	651	\$3,235	\$3,235	\$4.97	\$4.97	
1 Bd / 1 Ba	754	\$4,030	\$4,030	\$5.34	\$5.34	
2 Bd / 2 Ba	1,054	\$4,165	\$4,165	\$3.95	\$3.95	
2 Bd / 2 Ba	1,070	\$4,385	\$4,385	\$4.10	\$4.10	
2 Bd / 2 Ba	1,434	\$4,465	\$4,465	\$3.11	\$3.11	
Domus on the Boulevard, Mountain View						
1 Bd / 1 Ba	717	\$3,385	\$3,400	\$4.72	\$4.74	2650 W El Camino Real, Mountain View
1 Bd / 1 Ba	734	\$3,450	\$3,550	\$4.70	\$4.84	Built: 2015
1 Bd / 1 Ba	774	\$3,410	\$3,410	\$4.41	\$4.41	
1 Bd / 1 Ba	795	\$3,585	\$3,585	\$4.51	\$4.51	
1 Bd / 1 Ba	796	\$3,435	\$3,605	\$4.32	\$4.53	
1 Bd / 1 Ba	869	\$3,606	\$3,606	\$4.15	\$4.15	
1 Bd / 1 Ba	935	\$4,275	\$4,275	\$4.57	\$4.57	
2 Bd / 2 Ba	932	\$4,285	\$4,285	\$4.60	\$4.60	
2 Bd / 2 Ba	988	\$4,075	\$4,105	\$4.12	\$4.15	
2 Bd / 2 Ba	1,043	\$4,410	\$4,465	\$4.23	\$4.28	
2 Bd / 2 Ba	1,073	\$4,455	\$4,455	\$4.15	\$4.15	
2 Bd / 2 Ba	1,105	\$4,140	\$4,245	\$3.75	\$3.84	
2 Bd / 2 Ba	1,126	\$4,510	\$4,510	\$4.01	\$4.01	
2 Bd / 2 Ba	1,181	\$4,640	\$4,640	\$3.93	\$3.93	
Solstice, Sunnyvale						
Studio	462	\$2,593	\$4,271	\$5.61	\$9.24	299 West Washington Ave, Sunnyvale
1 Bd / 1 Ba	735	\$3,084	\$4,063	\$4.20	\$5.53	Built: 2013
1 Bd / 1 Ba	800	\$3,164	\$4,368	\$3.96	\$5.46	280 Units
1 Bd / 1 Ba	907	\$3,301	\$4,045	\$3.64	\$4.46	
2 Bd / 1 Ba	937	\$3,689	\$4,635	\$3.94	\$4.95	
2 Bd / 2 Ba	1,085	\$4,261	\$5,642	\$3.93	\$5.20	
2 Bd / 2 Ba	1,162	\$4,341	\$5,753	\$3.74	\$4.95	

Source: RealFacts, on-line listings (Winter 2015/16).

APPENDIX B: WORKER OCCUPATIONS AND COMPENSATION LEVELS

**RESIDENTIAL NEXUS APPENDIX B TABLE 1
 WORKER OCCUPATION DISTRIBUTION, 2014
 SERVICES TO HOUSEHOLDS EARNING \$100 - \$150K, RESIDENT SERVICES
 RESIDENTIAL NEXUS ANALYSIS
 LOS ALTOS, CA**

Worker Occupation Distribution¹ Services to Households Earning \$100,000 to \$150,000

Major Occupations (2% or more)

Management Occupations	4.0%
Business and Financial Operations Occupations	3.8%
Community and Social Service Occupations	2.2%
Education, Training, and Library Occupations	4.0%
Healthcare Practitioners and Technical Occupations	7.9%
Healthcare Support Occupations	4.7%
Food Preparation and Serving Related Occupations	15.7%
Building and Grounds Cleaning and Maintenance Occupations	5.2%
Personal Care and Service Occupations	7.1%
Sales and Related Occupations	12.9%
Office and Administrative Support Occupations	14.8%
Installation, Maintenance, and Repair Occupations	3.4%
Transportation and Material Moving Occupations	4.3%
All Other Worker Occupations - Services to Households Earning \$100,000 to \$150,000	<u>10.1%</u>
INDUSTRY TOTAL	100.0%

¹ Distribution of employment by industry is per the IMPLAN model and the distribution of occupational employment within those industries is based on the Bureau of Labor Statistics Occupational Employment Survey.

**RESIDENTIAL NEXUS APPENDIX B TABLE 2
AVERAGE ANNUAL WORKER COMPENSATION, 2015
SERVICES TO HOUSEHOLDS EARNING \$100,000 TO \$150,000
RESIDENTIAL NEXUS ANALYSIS
LOS ALTOS, CA**

Occupation ³	2015 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total No. of Service Workers
Page 1 of 4			
<i>Management Occupations</i>			
Chief Executives	\$232,600	3.2%	0.1%
General and Operations Managers	\$157,600	34.7%	1.4%
Sales Managers	\$167,900	4.6%	0.2%
Administrative Services Managers	\$122,400	4.1%	0.2%
Financial Managers	\$168,700	9.3%	0.4%
Food Service Managers	\$57,200	6.1%	0.2%
Medical and Health Services Managers	\$159,700	7.1%	0.3%
Property, Real Estate, and Community Association Managers	\$74,600	9.5%	0.4%
Social and Community Service Managers	\$79,300	4.3%	0.2%
All other Management Occupations (Avg. All Categories)	<u>\$139,700</u>	<u>17.1%</u>	<u>0.7%</u>
	Weighted Mean Annual Wage	\$139,700	100.0%
<i>Business and Financial Operations Occupations</i>			
Human Resources Specialists	\$89,400	5.1%	0.2%
Management Analysts	\$111,500	5.2%	0.2%
Training and Development Specialists	\$95,300	3.9%	0.2%
Market Research Analysts and Marketing Specialists	\$110,200	6.7%	0.3%
Business Operations Specialists, All Other	\$98,100	10.6%	0.4%
Accountants and Auditors	\$94,200	22.2%	0.9%
Financial Analysts	\$109,600	10.5%	0.4%
Personal Financial Advisors	\$104,400	14.3%	0.5%
Loan Officers	\$89,100	5.3%	0.2%
All Other Business and Financial Operations Occupations (Avg. All Categories)	<u>\$100,200</u>	<u>16.3%</u>	<u>0.6%</u>
	Weighted Mean Annual Wage	\$100,200	100.0%
<i>Community and Social Service Occupations</i>			
Substance Abuse and Behavioral Disorder Counselors	\$38,300	4.8%	0.1%
Educational, Guidance, School, and Vocational Counselors	\$69,900	6.1%	0.1%
Mental Health Counselors	\$59,300	8.1%	0.2%
Rehabilitation Counselors	\$44,200	5.9%	0.1%
Child, Family, and School Social Workers	\$52,000	14.1%	0.3%
Healthcare Social Workers	\$77,300	7.7%	0.2%
Mental Health and Substance Abuse Social Workers	\$52,400	6.3%	0.1%
Social and Human Service Assistants	\$42,100	23.5%	0.5%
Community and Social Service Specialists, All Other	\$48,600	4.4%	0.1%
Clergy	\$56,300	4.5%	0.1%
All Other Community and Social Service Occupations (Avg. All Categories)	<u>\$52,300</u>	<u>14.6%</u>	<u>0.3%</u>
	Weighted Mean Annual Wage	\$52,300	100.0%

**RESIDENTIAL NEXUS APPENDIX B TABLE 2
AVERAGE ANNUAL WORKER COMPENSATION, 2015
SERVICES TO HOUSEHOLDS EARNING \$100,000 TO \$150,000
RESIDENTIAL NEXUS ANALYSIS
LOS ALTOS, CA**

Occupation ³	2015 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total No. of Service Workers
<i>Page 2 of 4</i>			
<i>Education, Training, and Library Occupations</i>			
Vocational Education Teachers, Postsecondary	\$56,500	4.8%	0.2%
Preschool Teachers, Except Special Education	\$37,700	13.9%	0.6%
Elementary School Teachers, Except Special Education	\$72,500	5.9%	0.2%
Secondary School Teachers, Except Special and Career/Technical Educati	\$76,100	4.1%	0.2%
Self-Enrichment Education Teachers	\$47,700	10.7%	0.4%
Teachers and Instructors, All Other, Except Substitute Teachers	\$55,900	7.6%	0.3%
Substitute Teachers	\$40,700	3.1%	0.1%
Teacher Assistants	\$32,700	13.9%	0.6%
All Other Education, Training, and Library Occupations (Avg. All Categories)	<u>\$47,600</u>	<u>35.9%</u>	<u>1.4%</u>
Weighted Mean Annual Wage	\$47,600	100.0%	4.0%
<i>Healthcare Practitioners and Technical Occupations</i>			
Pharmacists	\$141,300	4.0%	0.3%
Physicians and Surgeons, All Other	\$153,300	3.9%	0.3%
Physical Therapists	\$103,000	3.5%	0.3%
Registered Nurses	\$123,500	30.9%	2.5%
Dental Hygienists	\$96,500	3.8%	0.3%
Pharmacy Technicians	\$45,900	5.4%	0.4%
Licensed Practical and Licensed Vocational Nurses	\$60,400	8.3%	0.7%
All Other Healthcare Practitioners and Technical Occupations (Avg. All Cat)	<u>\$108,000</u>	<u>40.2%</u>	<u>3.2%</u>
Weighted Mean Annual Wage	\$108,000	100.0%	7.9%
<i>Healthcare Support Occupations</i>			
Home Health Aides	\$27,400	22.2%	1.0%
Nursing Assistants	\$35,100	30.0%	1.4%
Massage Therapists	\$44,200	4.9%	0.2%
Dental Assistants	\$44,100	9.9%	0.5%
Medical Assistants	\$44,100	15.8%	0.7%
All Other Healthcare Support Occupations (Avg. All Categories)	<u>\$36,400</u>	<u>17.2%</u>	<u>0.8%</u>
Weighted Mean Annual Wage	\$36,400	100.0%	4.7%
<i>Food Preparation and Serving Related Occupations</i>			
First-Line Supervisors of Food Preparation and Serving Workers	\$36,900	6.9%	1.1%
Cooks, Fast Food	\$21,300	4.2%	0.7%
Cooks, Restaurant	\$27,500	8.7%	1.4%
Food Preparation Workers	\$24,400	6.8%	1.1%
Bartenders	\$26,300	6.9%	1.1%
Combined Food Preparation and Serving Workers, Including Fast Food	\$23,000	25.0%	3.9%
Counter Attendants, Cafeteria, Food Concession, and Coffee Shop	\$23,100	3.6%	0.6%
Waiters and Waitresses	\$25,500	19.8%	3.1%
Dining Room and Cafeteria Attendants and Bartender Helpers	\$21,300	3.1%	0.5%
Dishwashers	\$20,300	4.0%	0.6%
All Other Food Preparation and Serving Related Occupations (Avg. All Cat)	<u>\$25,200</u>	<u>11.0%</u>	<u>1.7%</u>
Weighted Mean Annual Wage	\$25,200	100.0%	15.7%

**RESIDENTIAL NEXUS APPENDIX B TABLE 2
 AVERAGE ANNUAL WORKER COMPENSATION, 2015
 SERVICES TO HOUSEHOLDS EARNING \$100,000 TO \$150,000
 RESIDENTIAL NEXUS ANALYSIS
 LOS ALTOS, CA**

Occupation ³	2015 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total No. of Service Workers
<i>Page 3 of 4</i>			
<i>Building and Grounds Cleaning and Maintenance Occupations</i>			
First-Line Supervisors of Landscaping, Lawn Service, and Groundskeeping	\$53,600	3.5%	0.2%
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	\$29,000	45.5%	2.4%
Maids and Housekeeping Cleaners	\$31,100	11.9%	0.6%
Landscaping and Groundskeeping Workers	\$33,400	30.4%	1.6%
All Other Building and Grounds Cleaning and Maintenance Occupations (A	<u>\$31,700</u>	<u>8.8%</u>	<u>0.5%</u>
Weighted Mean Annual Wage	\$31,700	100.0%	5.2%
<i>Personal Care and Service Occupations</i>			
First-Line Supervisors of Personal Service Workers	\$42,800	3.7%	0.3%
Nonfarm Animal Caretakers	\$32,400	5.7%	0.4%
Hairdressers, Hairstylists, and Cosmetologists	\$24,600	17.6%	1.2%
Manicurists and Pedicurists	\$21,900	4.3%	0.3%
Childcare Workers	\$30,300	12.0%	0.8%
Personal Care Aides	\$26,300	32.7%	2.3%
Fitness Trainers and Aerobics Instructors	\$44,200	5.4%	0.4%
Recreation Workers	\$31,100	4.4%	0.3%
All Other Personal Care and Service Occupations (Avg. All Categories)	<u>\$28,800</u>	<u>14.2%</u>	<u>1.0%</u>
Weighted Mean Annual Wage	\$28,800	100.0%	7.1%
<i>Sales and Related Occupations</i>			
First-Line Supervisors of Retail Sales Workers	\$51,400	9.3%	1.2%
Cashiers	\$26,600	27.2%	3.5%
Counter and Rental Clerks	\$35,600	4.5%	0.6%
Retail Salespersons	\$29,200	35.9%	4.6%
Securities, Commodities, and Financial Services Sales Agents	\$91,800	4.0%	0.5%
Sales Representatives, Services, All Other	\$89,500	4.2%	0.5%
Sales Representatives, Wholesale and Manufacturing, Except Technical ar	\$77,000	3.9%	0.5%
Real Estate Sales Agents	\$64,600	2.8%	0.4%
All Other Sales and Related Occupations (Avg. All Categories)	<u>\$39,600</u>	<u>8.2%</u>	<u>1.1%</u>
Weighted Mean Annual Wage	\$39,600	100.0%	12.9%
<i>Office and Administrative Support Occupations</i>			
First-Line Supervisors of Office and Administrative Support Workers	\$70,600	6.7%	1.0%
Bookkeeping, Accounting, and Auditing Clerks	\$50,300	7.7%	1.1%
Customer Service Representatives	\$48,200	9.4%	1.4%
Receptionists and Information Clerks	\$36,600	8.8%	1.3%
Stock Clerks and Order Fillers	\$31,300	10.6%	1.6%
Executive Secretaries and Executive Administrative Assistants	\$67,200	3.4%	0.5%
Medical Secretaries	\$48,100	4.4%	0.7%
Secretaries and Administrative Assistants, Except Legal, Medical, and Exec	\$45,000	11.5%	1.7%
Office Clerks, General	\$40,900	14.2%	2.1%
All Other Office and Administrative Support Occupations (Avg. All Categori	<u>\$45,700</u>	<u>23.3%</u>	<u>3.4%</u>
Weighted Mean Annual Wage	\$45,700	100.0%	14.8%

**RESIDENTIAL NEXUS APPENDIX B TABLE 2
 AVERAGE ANNUAL WORKER COMPENSATION, 2015
 SERVICES TO HOUSEHOLDS EARNING \$100,000 TO \$150,000
 RESIDENTIAL NEXUS ANALYSIS
 LOS ALTOS, CA**

Occupation ³	2015 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total No. of Service Workers
<i>Page 4 of 4</i>			
<i>Installation, Maintenance, and Repair Occupations</i>			
First-Line Supervisors of Mechanics, Installers, and Repairers	\$80,600	7.8%	0.3%
Telecommunications Equipment Installers and Repairers, Except Line Inst	\$65,800	3.3%	0.1%
Automotive Body and Related Repairers	\$46,400	7.0%	0.2%
Automotive Service Technicians and Mechanics	\$52,700	21.1%	0.7%
Maintenance and Repair Workers, General	\$47,300	33.5%	1.1%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Cate	<u>\$53,200</u>	<u>27.3%</u>	<u>0.9%</u>
Weighted Mean Annual Wage	\$53,200	100.0%	3.4%
<i>Transportation and Material Moving Occupations</i>			
Bus Drivers, School or Special Client	\$38,000	5.5%	0.2%
Driver/Sales Workers	\$34,400	7.8%	0.3%
Heavy and Tractor-Trailer Truck Drivers	\$47,200	11.7%	0.5%
Light Truck or Delivery Services Drivers	\$39,300	10.6%	0.5%
Taxi Drivers and Chauffeurs	\$29,300	3.6%	0.2%
Parking Lot Attendants	\$21,500	9.3%	0.4%
Automotive and Watercraft Service Attendants	\$25,700	3.0%	0.1%
Cleaners of Vehicles and Equipment	\$25,800	8.6%	0.4%
Laborers and Freight, Stock, and Material Movers, Hand	\$31,700	19.9%	0.9%
Packers and Packers, Hand	\$25,300	6.9%	0.3%
All Other Transportation and Material Moving Occupations (Avg. All Categ	<u>\$32,900</u>	<u>13.3%</u>	<u>0.6%</u>
Weighted Mean Annual Wage	\$32,900	100.0%	4.3%
			89.9%

¹ The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

² Occupation percentages are based on the 2014 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2014 Occupational Employment Survey data applicable to Santa Clara County updated by the California Employment Development Department to 2015 wage levels.

³ Including occupations representing 3% or more of the major occupation group

**RESIDENTIAL NEXUS APPENDIX B TABLE 3
 WORKER OCCUPATION DISTRIBUTION, 2014
 SERVICES TO HOUSEHOLDS EARNING \$150K+, RESIDENT SERVICES
 RESIDENTIAL NEXUS ANALYSIS
 LOS ALTOS, CA**

Worker Occupation Distribution¹ Services to Households Earning \$150,000 and up

Major Occupations (2% or more)

Management Occupations	4.1%
Business and Financial Operations Occupations	4.0%
Community and Social Service Occupations	2.2%
Education, Training, and Library Occupations	5.6%
Healthcare Practitioners and Technical Occupations	7.0%
Healthcare Support Occupations	4.1%
Food Preparation and Serving Related Occupations	14.7%
Building and Grounds Cleaning and Maintenance Occupations	5.3%
Personal Care and Service Occupations	7.2%
Sales and Related Occupations	13.0%
Office and Administrative Support Occupations	14.7%
Installation, Maintenance, and Repair Occupations	3.3%
Transportation and Material Moving Occupations	4.5%
All Other Worker Occupations - Services to Households Earning \$150,000 and up	<u>10.3%</u>
INDUSTRY TOTAL	100.0%

¹ Distribution of employment by industry is per the IMPLAN model and the distribution of occupational employment within those industries is based on the Bureau of Labor Statistics Occupational Employment Survey.

**RESIDENTIAL NEXUS APPENDIX B TABLE 4
AVERAGE ANNUAL WORKER COMPENSATION, 2015
SERVICES TO HOUSEHOLDS EARNING \$150,000 AND UP
RESIDENTIAL NEXUS ANALYSIS
LOS ALTOS, CA**

Occupation ³	2015 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total No. of Service Workers
Page 1 of 4			
<i>Management Occupations</i>			
Chief Executives	\$232,600	3.3%	0.1%
General and Operations Managers	\$157,600	34.7%	1.4%
Sales Managers	\$167,900	4.5%	0.2%
Administrative Services Managers	\$122,400	4.2%	0.2%
Financial Managers	\$168,700	9.2%	0.4%
Food Service Managers	\$57,200	5.6%	0.2%
Medical and Health Services Managers	\$159,700	6.0%	0.2%
Property, Real Estate, and Community Association Managers	\$74,600	8.5%	0.3%
Social and Community Service Managers	\$79,300	4.3%	0.2%
All other Management Occupations (Avg. All Categories)	<u>\$140,800</u>	<u>19.7%</u>	<u>0.8%</u>
	Weighted Mean Annual Wage	100.0%	4.1%
<i>Business and Financial Operations Occupations</i>			
Human Resources Specialists	\$89,400	5.0%	0.2%
Management Analysts	\$111,500	5.2%	0.2%
Training and Development Specialists	\$95,300	4.3%	0.2%
Market Research Analysts and Marketing Specialists	\$110,200	6.6%	0.3%
Business Operations Specialists, All Other	\$98,100	10.9%	0.4%
Accountants and Auditors	\$94,200	21.8%	0.9%
Financial Analysts	\$109,600	10.4%	0.4%
Personal Financial Advisors	\$104,400	14.2%	0.6%
Loan Officers	\$89,100	5.2%	0.2%
All Other Business and Financial Operations Occupations (Avg. All Categories)	<u>\$100,200</u>	<u>16.4%</u>	<u>0.6%</u>
	Weighted Mean Annual Wage	100.0%	4.0%
<i>Community and Social Service Occupations</i>			
Substance Abuse and Behavioral Disorder Counselors	\$38,300	4.4%	0.1%
Educational, Guidance, School, and Vocational Counselors	\$69,900	8.0%	0.2%
Mental Health Counselors	\$59,300	7.6%	0.2%
Rehabilitation Counselors	\$44,200	5.8%	0.1%
Child, Family, and School Social Workers	\$52,000	14.6%	0.3%
Healthcare Social Workers	\$77,300	7.0%	0.2%
Mental Health and Substance Abuse Social Workers	\$52,400	5.8%	0.1%
Social and Human Service Assistants	\$42,100	23.5%	0.5%
Community and Social Service Specialists, All Other	\$48,600	4.5%	0.1%
Clergy	\$56,300	4.5%	0.1%
All Other Community and Social Service Occupations (Avg. All Categories)	<u>\$52,500</u>	<u>14.5%</u>	<u>0.3%</u>
	Weighted Mean Annual Wage	100.0%	2.2%

RESIDENTIAL NEXUS APPENDIX B TABLE 4
 AVERAGE ANNUAL WORKER COMPENSATION, 2015
 SERVICES TO HOUSEHOLDS EARNING \$150,000 AND UP
 RESIDENTIAL NEXUS ANALYSIS
 LOS ALTOS, CA

Occupation ³	2015 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total No. of Service Workers
<i>Page 2 of 4</i>			
<i>Education, Training, and Library Occupations</i>			
Vocational Education Teachers, Postsecondary	\$56,500	5.0%	0.3%
Preschool Teachers, Except Special Education	\$37,700	13.3%	0.7%
Elementary School Teachers, Except Special Education	\$72,500	5.7%	0.3%
Secondary School Teachers, Except Special and Career/Technical Education	\$76,100	4.0%	0.2%
Self-Enrichment Education Teachers	\$47,700	10.5%	0.6%
Teachers and Instructors, All Other, Except Substitute Teachers	\$55,900	7.7%	0.4%
Substitute Teachers	\$40,700	3.0%	0.2%
Teacher Assistants	\$32,700	13.3%	0.7%
All Other Education, Training, and Library Occupations (Avg. All Categories)	<u>\$47,800</u>	<u>37.5%</u>	<u>2.1%</u>
Weighted Mean Annual Wage	\$47,800	100.0%	5.6%
<i>Healthcare Practitioners and Technical Occupations</i>			
Pharmacists	\$141,300	4.5%	0.3%
Physicians and Surgeons, All Other	\$153,300	3.8%	0.3%
Physical Therapists	\$103,000	3.4%	0.2%
Registered Nurses	\$123,500	30.2%	2.1%
Dental Hygienists	\$96,500	3.6%	0.3%
Pharmacy Technicians	\$45,900	6.1%	0.4%
Licensed Practical and Licensed Vocational Nurses	\$60,400	8.1%	0.6%
All Other Healthcare Practitioners and Technical Occupations (Avg. All Categories)	<u>\$107,500</u>	<u>40.3%</u>	<u>2.8%</u>
Weighted Mean Annual Wage	\$107,500	100.0%	7.0%
<i>Healthcare Support Occupations</i>			
Home Health Aides	\$27,400	23.5%	1.0%
Nursing Assistants	\$35,100	29.3%	1.2%
Massage Therapists	\$44,200	4.9%	0.2%
Dental Assistants	\$44,100	9.6%	0.4%
Medical Assistants	\$44,100	15.2%	0.6%
All Other Healthcare Support Occupations (Avg. All Categories)	<u>\$36,200</u>	<u>17.5%</u>	<u>0.7%</u>
Weighted Mean Annual Wage	\$36,200	100.0%	4.1%
<i>Food Preparation and Serving Related Occupations</i>			
First-Line Supervisors of Food Preparation and Serving Workers	\$36,900	6.9%	1.0%
Cooks, Fast Food	\$21,300	4.1%	0.6%
Cooks, Restaurant	\$27,500	8.6%	1.3%
Food Preparation Workers	\$24,400	6.9%	1.0%
Bartenders	\$26,300	7.0%	1.0%
Combined Food Preparation and Serving Workers, Including Fast Food	\$23,000	25.0%	3.7%
Counter Attendants, Cafeteria, Food Concession, and Coffee Shop	\$23,100	3.7%	0.5%
Waiters and Waitresses	\$25,500	19.6%	2.9%
Dining Room and Cafeteria Attendants and Bartender Helpers	\$21,300	3.2%	0.5%
Dishwashers	\$20,300	4.0%	0.6%
All Other Food Preparation and Serving Related Occupations (Avg. All Categories)	<u>\$25,200</u>	<u>11.1%</u>	<u>1.6%</u>
Weighted Mean Annual Wage	\$25,200	100.0%	14.7%

**RESIDENTIAL NEXUS APPENDIX B TABLE 4
 AVERAGE ANNUAL WORKER COMPENSATION, 2015
 SERVICES TO HOUSEHOLDS EARNING \$150,000 AND UP
 RESIDENTIAL NEXUS ANALYSIS
 LOS ALTOS, CA**

Occupation ³	2015 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total No. of Service Workers
<i>Building and Grounds Cleaning and Maintenance Occupations</i>			
First-Line Supervisors of Landscaping, Lawn Service, and Groundskeeping Workers	\$53,600	3.5%	0.2%
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	\$29,000	46.1%	2.4%
Maids and Housekeeping Cleaners	\$31,100	11.0%	0.6%
Landscaping and Groundskeeping Workers	\$33,400	30.5%	1.6%
All Other Building and Grounds Cleaning and Maintenance Occupations (Avg. All Categories)	<u>\$31,700</u>	<u>8.9%</u>	<u>0.5%</u>
Weighted Mean Annual Wage	\$31,700	100.0%	5.3%
<i>Personal Care and Service Occupations</i>			
First-Line Supervisors of Personal Service Workers	\$42,800	3.7%	0.3%
Nonfarm Animal Caretakers	\$32,400	6.0%	0.4%
Hairdressers, Hairstylists, and Cosmetologists	\$24,600	15.3%	1.1%
Manicurists and Pedicurists	\$21,900	3.7%	0.3%
Childcare Workers	\$30,300	15.2%	1.1%
Personal Care Aides	\$26,300	31.5%	2.3%
Fitness Trainers and Aerobics Instructors	\$44,200	5.8%	0.4%
Recreation Workers	\$31,100	4.4%	0.3%
All Other Personal Care and Service Occupations (Avg. All Categories)	<u>\$29,100</u>	<u>14.4%</u>	<u>1.0%</u>
Weighted Mean Annual Wage	\$29,100	100.0%	7.2%
<i>Sales and Related Occupations</i>			
First-Line Supervisors of Retail Sales Workers	\$51,400	9.4%	1.2%
Cashiers	\$26,600	27.2%	3.5%
Counter and Rental Clerks	\$35,600	4.2%	0.5%
Retail Salespersons	\$29,200	36.2%	4.7%
Securities, Commodities, and Financial Services Sales Agents	\$91,800	4.1%	0.5%
Sales Representatives, Services, All Other	\$89,500	4.2%	0.5%
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Personnel	\$77,000	3.9%	0.5%
Real Estate Sales Agents	\$64,600	2.5%	0.3%
All Other Sales and Related Occupations (Avg. All Categories)	<u>\$39,600</u>	<u>8.2%</u>	<u>1.1%</u>
Weighted Mean Annual Wage	\$39,600	100.0%	13.0%
<i>Office and Administrative Support Occupations</i>			
First-Line Supervisors of Office and Administrative Support Workers	\$70,600	6.6%	1.0%
Bookkeeping, Accounting, and Auditing Clerks	\$50,300	7.8%	1.1%
Customer Service Representatives	\$48,200	9.5%	1.4%
Receptionists and Information Clerks	\$36,600	8.3%	1.2%
Stock Clerks and Order Fillers	\$31,300	10.8%	1.6%
Executive Secretaries and Executive Administrative Assistants	\$67,200	3.6%	0.5%
Medical Secretaries	\$48,100	3.8%	0.6%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	\$45,000	11.9%	1.7%
Office Clerks, General	\$40,900	14.5%	2.1%
All Other Office and Administrative Support Occupations (Avg. All Categories)	<u>\$45,700</u>	<u>23.3%</u>	<u>3.4%</u>
Weighted Mean Annual Wage	\$45,700	100.0%	14.7%

RESIDENTIAL NEXUS APPENDIX B TABLE 4
 AVERAGE ANNUAL WORKER COMPENSATION, 2015
 SERVICES TO HOUSEHOLDS EARNING \$150,000 AND UP
 RESIDENTIAL NEXUS ANALYSIS
 LOS ALTOS, CA

Occupation ³	2015 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total No. of Service Workers
<i>Installation, Maintenance, and Repair Occupations</i>			
First-Line Supervisors of Mechanics, Installers, and Repairers	\$80,600	7.8%	0.3%
Telecommunications Equipment Installers and Repairers, Except Line Installers	\$65,800	2.8%	0.1%
Automotive Body and Related Repairers	\$46,400	6.8%	0.2%
Automotive Service Technicians and Mechanics	\$52,700	20.9%	0.7%
Maintenance and Repair Workers, General	\$47,300	33.2%	1.1%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	<u>\$53,100</u>	<u>28.5%</u>	<u>0.9%</u>
Weighted Mean Annual Wage	\$53,100	100.0%	3.3%
<i>Transportation and Material Moving Occupations</i>			
Bus Drivers, School or Special Client	\$38,000	6.6%	0.3%
Driver/Sales Workers	\$34,400	7.3%	0.3%
Heavy and Tractor-Trailer Truck Drivers	\$47,200	11.7%	0.5%
Light Truck or Delivery Services Drivers	\$39,300	10.4%	0.5%
Taxi Drivers and Chauffeurs	\$29,300	3.8%	0.2%
Parking Lot Attendants	\$21,500	9.6%	0.4%
Automotive and Watercraft Service Attendants	\$25,700	2.7%	0.1%
Cleaners of Vehicles and Equipment	\$25,800	8.0%	0.4%
Laborers and Freight, Stock, and Material Movers, Hand	\$31,700	19.5%	0.9%
Packers and Packagers, Hand	\$25,300	6.8%	0.3%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	<u>\$33,000</u>	<u>13.5%</u>	<u>0.6%</u>
Weighted Mean Annual Wage	\$33,000	100.0%	4.5%
			89.7%

¹ The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

² Occupation percentages are based on the 2014 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2014 Occupational Employment Survey data applicable to Santa Clara County updated by the California Employment Development Department to 2015 wage levels.

³ Including occupations representing 3% or more of the major occupation group



KEYSER MARSTON ASSOCIATES

ATTACHMENT B

NON-RESIDENTIAL NEXUS ANALYSIS

Prepared for
City of Los Altos

Prepared by:
Keyser Marston Associates, Inc.

December 2016

TABLE OF CONTENTS

I. INTRODUCTION	1
Purpose	1
Analysis Scope	2
Report Organization.....	3
Data Sources and Qualifications.....	3
II. THE NEXUS CONCEPT.....	4
Background	4
The Nexus Methodology	4
Discount for Changing Industries	5
Other Factors and Assumptions.....	6
III. JOBS HOUSING NEXUS ANALYSIS	7
Analysis Approach and Framework.....	7
Household Income Limits.....	7
Analysis Steps	7
Summary by Income Level	11
Summary by Square Foot Building Area	12
IV. TOTAL HOUSING NEXUS COSTS.....	20
City Assisted Affordable Unit Prototypes.....	20
Development Costs	20
Unit Values	22
Affordability Gap	22
Maximum Fees to Mitigate Impacts.....	23
Conservative Assumptions	24
Appendix A: Discussion of Various Factors in Relation to Nexus Concept	30
Appendix B: Supporting Nexus Tables	35
Appendix C: Non-Duplication between Potential Residential and Non-Residential Impact Fee Programs	45

I. INTRODUCTION

The following report is a Jobs Housing Nexus Analysis, an analysis of the linkages between non-residential development and the need for additional affordable housing in the City of Los Altos. This Jobs Housing Nexus Analysis has been prepared in support of affordable housing impact fees that may be levied on non-residential development. The report has been prepared by Keyser Marston Associates, Inc. (KMA) for the City of Los Altos, pursuant to contracts both parties have with the Silicon Valley Community Foundation.

The analysis was prepared as part of a coordinated work program for twelve jurisdictions in Santa Clara and Alameda Counties. Silicon Valley Community Foundation with Baird + Driskell Community Planners organized and facilitated this multi-jurisdiction effort. Silicon Valley Community Foundation, which engaged KMA to prepare the analyses, serves as the main contracting entity with each participating jurisdiction, and has provided funding support for coordination and administration of the effort. Analyses in support of affordable housing impact fees on residential development were also prepared as part of the multi-jurisdiction work program.

A key policy in the City of Los Altos has been to require residential projects to include affordable units. The policy, originally adopted in 1995 and updated in 2009, requires all projects of five or more units to include at least 10% of the units at affordable prices. The inclusionary program has not included a fee option. Moving forward, the City will consider fees on both residential and non-residential development as components of the overall affordable housing program. The nexus analysis contained in this report will provide the documentation enabling the City to adopt an affordable housing impact fee on non-residential development.

Purpose

The purpose of a Jobs-Housing Nexus Analysis is to quantify and document the impact of the development of new workplace buildings (commercial and industrial) and the employees that work in them, on the demand for affordable housing. Because jobs in all buildings cover a range of compensation levels, there are housing needs at all affordability levels. This analysis quantifies the need for lower and moderate income housing created by each type of workplace building.

The analysis may be used as the foundation for enacting an affordable housing impact fee or “commercial linkage fee” to be levied on non-residential development in the City of Los Altos. The conclusions of the analysis represent maximum supportable or legally defensible impact fee levels based on the impact of new non-residential development on the need for affordable housing. Findings are not recommended fee levels. The City is free to take a range of policy considerations into account in setting fees anywhere below the maximums identified in this report.

The relationships established in this analysis may also be useful for other applications such as negotiation of an affordable housing component as part of a development agreement for a large commercial project.

Analysis Scope

This analysis examines three types of workplace buildings, per direction of City staff.

- Office, which includes traditional office users such as law firms, accountants, real estate and insurance agencies, as well as high tech, research & development (R&D), and medical office space.
- Hotel, which covers the range from full service hotels to minimum service extended stay lodging.
- Retail, which includes all types of retail, restaurants, and personal services.

The household income categories addressed in the analysis are:

- Extremely Low Income: households earning up to 30% Area Median Income (AMI);
- Very Low Income: households earning over 30% AMI up to 50% of AMI;
- Low Income: households earning over 50% AMI up to 80% of AMI; and,
- Moderate Income: households earning over 80% AMI up to 120% of AMI.

Report Organization

The report is organized into four sections and three appendices, as follows:

- Section I provides an introduction and describes the purpose and organization of this report.
- Section II presents a summary of the nexus concept and some of the key issues and underlying assumptions in the analyses linking jobs and housing demand.
- Section III presents an analysis of the jobs and housing relationships associated with each workplace building type and concludes with a quantification of the number of households at each income level associated with each building type.
- Section IV contains a summary of the costs of delivering housing units affordable to households at the income levels under study, allocated to each square foot of building area, and provides the conclusions regarding maximum supported fee levels.
- Appendix A provides a discussion of various specific factors and assumptions in relation to the nexus concept to supplement the overview provided in Section II.
- Appendix B contains support information on worker occupations and incomes and an identification of the industry categories represented within each building type.
- Appendix C – provides an analysis to address the potential for overlap between jobs counted in the Residential and Non-Residential Nexus Analyses.

Data Sources and Qualifications

The analyses in this report have been prepared using the best and most recent data available. Local and current data were used whenever possible. Sources such as the American Community Survey of the U.S. Census, the 2010 Census, Bureau of Labor Statistics and California Employment Department (EDD) data were used extensively. Other sources and analyses used are noted in the text and footnotes. While we believe all sources utilized are sufficiently accurate for the purposes of the analyses, we cannot guarantee their accuracy. KMA assumes no liability for information from these or other sources.

II. THE NEXUS CONCEPT

This section outlines the nexus concept and some of the key issues surrounding the impact of new non-residential development on the demand for affordable housing units in Los Altos. The nexus analysis and discussion focus on the relationships among development, growth, employment, income of workers and demand for affordable housing. The analysis describes the impact of new construction of workplace buildings and the need for additional affordable housing, quantified both in terms of number of units and the justified fee to provide those affordable units.

Background

The first jobs-housing linkage fee programs were adopted by the cities of San Francisco and Boston in the mid-1980s. To support the fees, the City of San Francisco commissioned an early version of a nexus analysis.

In 1987, the California legislature enacted AB 1600, the Mitigation Fee Act, which requires local agencies proposing an impact fee on a development project to identify the purpose and use of the fee, and to determine that there is a reasonable relationship between the fee's use and the development project on which the fee is imposed. The local agency must also demonstrate that there is a reasonable relationship between the fee amount and the cost of mitigating the problem that the fee addresses. Studies by local governments designed to fulfill the requirements of AB 1600 are often referred to as "nexus" studies. While commercial linkage fees for affordable housing are not clearly "fees" as defined by the Mitigation Fee Act, the methodology and findings specified by the Act are appropriate for any nexus study.

Commercial linkage fees were upheld in *Commercial Builders of Northern California v. City of Sacramento*. Commercial builders in Sacramento sued the City following the City's adoption of a housing linkage fee. Both the U.S. District Court and the Ninth Circuit Court of Appeals upheld the commercial linkage fees adopted by the City of Sacramento. The Supreme Court of the United States denied the builders' petition to hear the case, allowing the ruling of the Ninth Circuit to stand.

The Nexus Methodology

An overview of the basic nexus concept and methodology is helpful to understand the discussion and concepts presented in this section. The nexus analysis links new commercial buildings with new workers; these workers demand additional housing in proximity to the jobs, a portion of which needs to be affordable to the workers in lower income households.

Below is a description of the major calculations of the analysis. For analysis purposes, buildings of 100,000 square feet are assumed and then the following calculations are made:

- The total number of employees working in the building is estimated based on average employment density data.
- Occupation and income information for typical job types in the building is used to calculate how many of those jobs pay compensation at the various income levels (Extremely Low, Very Low, Low, and Moderate) addressed in the analysis. Compensation data is from the California Employment Development Department (EDD) and is specific to Santa Clara County. Worker occupations by building type are derived from the 2014 Occupational Employment Survey by the U.S. Bureau of Labor Statistics and weighted to reflect the industry mix in Santa Clara County.
- Census data indicate that many workers are members of households where more than one person is employed and that there is a range of household sizes; factors derived from the Census are used to translate the workers in the building into Extremely Low, Very Low, Low, and Moderate-income households of various sizes.
- Then, the Extremely Low, Very Low-, Low- and Moderate-Income households are divided by the building size to arrive at the number of housing units per square foot of building area, for each income category.
- In the last step, the number of households per square foot in each income category is multiplied by the costs of delivering housing units affordable to these income groups.

Discount for Changing Industries

The local economy, like that of the U.S. as a whole, is constantly evolving, with job losses in some sectors and job growth in others. Over the past decade employment in manufacturing sectors of the local economy have declined along with governmental employment, farming, construction and financial activities employment. Jobs lost over the last decade in these declining sectors were replaced by job growth in other industry sectors.

The analysis makes an adjustment to take these declines, changes and shifts within all sectors of the economy into account, recognizing that jobs added are not 100% net new in all cases. A 20% adjustment is utilized based on the long term shifts in employment that have occurred in some sectors of the local economy and the likelihood of continuing changes in the future. Long term declines in employment experienced in some sectors of the economy mean that some of the new jobs are being filled by workers that have been displaced from another industry and who are presumed to already have housing locally. The analysis makes the assumption that existing workers downsized from declining industries are available to fill a portion of jobs in new workplace buildings built in Los Altos.

The 20% downward adjustment used for purposes of the analysis was derived from California Employment Development Department data on employment by industry in the San Jose-Sunnyvale-Santa Clara and Oakland-Hayward-Berkeley Metropolitan Districts, where the jurisdictions included in the multi-jurisdiction nexus effort are located. Over the ten-year period

from 2005 to 2015, approximately 55,000 jobs were lost in declining industry sectors. Over the same period, growing and stable industries added a total of 268,000 jobs. The figures are used to establish a ratio between jobs lost in declining industries to jobs gained in growing and stable industries at 20%¹. The 20% factor is applied as an adjustment in the analysis, effectively assuming one in every five new jobs is filled by a worker down-sized from a declining industry and who already lives locally.

The discount for changing industries represents a conservative assumption because many displaced workers may exit the workforce entirely by retiring. In addition, development of new workspace buildings will typically occur only to the extent there is positive net demand after re-occupancy of buildings vacated by businesses in declining sectors of the economy. To the extent existing buildings are re-occupied, the discount for changing industries is unnecessary because new buildings would represent net new growth in employment. The 20% adjustment is conservative in that it is mainly necessary to cover a special case in which buildings vacated by declining industries cannot be readily occupied by other users due to their special purpose nature or because of obsolescence.

Other Factors and Assumptions

Appendix A provides a discussion of other specific factors in relation to the nexus concept including housing needs of the existing population, multiplier effects (indirect and induced jobs), and economic cycles.

¹ The 20% ratio is calculated as 55,000 jobs lost in declining sectors excluding defense divided by 268,000 jobs gained in growing and stable sectors = 20.5% (rounded to 20%).

III. JOBS HOUSING NEXUS ANALYSIS

This section presents a summary of the analysis linking the development of the three types of workplace buildings to the estimated number of lower income housing units required in each of four income categories. This section should not be read or reproduced without the narrative presented in the previous sections.

Analysis Approach and Framework

The analysis establishes the jobs housing nexus for individual commercial land use categories, quantifying the connection between employment growth in Los Altos and affordable housing demand.

The analysis examines the employment associated with the development of workplace building prototypes. Then, through a series of steps, the number of employees is converted to households and housing units by income level. The findings are expressed in terms of numbers of households per 100,000 square feet, for ease of presentation. In the final step, we convert the numbers of households for an entire building to the number of households per square foot.

Household Income Limits

The analysis estimates demand for affordable housing in four household income categories: Extremely Low, Very Low, Low and Moderate Income. Household incomes for these affordability categories are published by the California Department of Housing and Community Development (HCD). The income limits are shown below.

2016 Income Limits for Santa Clara County

	Household Size (Persons)					
	1	2	3	4	5	6 +
Extr. Low (Under 30% AMI)	\$23,450	\$26,800	\$30,150	\$33,500	\$36,200	\$38,900
Very Low (30%-50% AMI)	\$39,100	\$44,650	\$50,250	\$55,800	\$60,300	\$64,750
Low (50%-80% AMI)	\$59,400	\$67,900	\$76,400	\$84,900	\$91,650	\$98,450
Moderate (80%-120% AMI)	\$89,950	\$102,800	\$115,650	\$128,500	\$138,800	\$149,050
Median (100% of Median)	\$74,950	\$85,700	\$96,400	\$107,100	\$115,650	\$124,250

Source: California Department of Housing and Community Development.

Analysis Steps

The analysis is conducted using a model that KMA has developed for application in many jurisdictions for which the firm has conducted similar analyses. The model inputs are all local data to the extent possible, and are fully documented.

Tables 1 through 4 at the end of this section summarize the nexus analysis steps for the three building types. Following is a description of each step of the analysis:

Step 1 – Estimate of Total New Employees

The first step in Table 1 identifies the total number of direct employees who will work in the building type being analyzed. Average employment density factors are used to make the calculation.

The employment density estimates are drawn from several sources, including local information, KMA experience in other jurisdictions, some survey data, and other sources, tailored to the character of development in Los Altos and the types of tenancies expected in the commercial buildings in the City.

- *Office* – 300 square feet per employee. This represents an average of a range that includes traditional office uses, high tech activities, research & development (R&D) space, and medical offices. There is some variation within this range, with high tech at the high end and some R&D and medical office at the lower end.
- *Retail* – 400 square feet per employee. This reflects a mix of retail and restaurant space and also a whole range of personal services. Restaurant space typically has a higher employment density, while retail space ranges widely depending on the type of retail, with furniture stores, for example, representing the lower end. The density range within this category is wide, with some types of retail as much as five times as dense as other types.
- *Hotel* – 800 square feet per employee. The 800 square feet per employee average covers a range from higher service hotels, which are far more employment intensive, to minimal service extended stay hotels which have very low employment density.

KMA conducted the analysis on 100,000 square foot buildings. This facilitates the presentation of the nexus findings, as it allows jobs and housing units to be presented in whole numbers that can be more readily understood. At the conclusion of the analysis, the findings are divided by building size to express the linkages per square foot, so that the findings can be applied to buildings of any size.

Step 2 – Adjustment for Changing Industries

This step is an adjustment to take into account any declines, changes and shifts within all sectors of the economy and to recognize that new space is not always 100% equivalent to net new employees. A 20% downward adjustment is utilized to recognize long-term employment shifts and the likelihood of continuing changes in the local economy (see Section II discussion).

Step 3 – Adjustment from Employees to Employee Households

This step (Table 1) converts the number of employees to the number of employee households, recognizing that there is, on average, more than one worker per household, and thus the number of housing units needed for new workers is less than the number of new workers. The workers-per-worker-household ratio eliminates from the equation all non-working households, such as retired persons and students.

The number of workers per household in a given geographic area is a function of household size, labor force participation rate and employment availability, as well as other factors. According to the 2011-2013 ACS, the number of workers per worker household in Santa Clara County was 1.72, including full- and part-time workers. The total number of jobs created is divided by 1.72 to determine the number of new households. This is a conservative estimate because it excludes all non-worker households (such as students and the retired). If the average number of workers in all households was used, it would have produced a greater demand for housing units.

Step 4 – Occupational Distribution of Employees

Estimating the occupational breakdown of employees is the first step to arrive at income levels. The Bureau of Labor Statistics publishes data on the distribution of occupations within industries. The industries included in the analysis vary by building type.

- For office buildings, the mix of industries was customized based on employment by industry sector in Santa Clara County using California Employment Development Department (EDD) data. This category is inclusive of research and development, software development firms and other high tech users, medical and dental offices along with small firms such as realtors, insurance agents, employment services, legal and business services.
- For retail space, the industries include a mix of retail, restaurant and personal service uses tailored to Santa Clara County based on current employment levels reported by EDD.
- For hotel buildings, the industry includes Hotels, Motels and other accommodations, excluding casino hotels.

Once the industries are selected, the May 2014 National Industry-Specific Occupational Estimates, published by the Bureau of Labor Statistics (BLS), are used to translate industries to occupations. At the end of this step, the occupational composition of employees in the three types of buildings has been estimated. The occupational compositions that reflect the expected mix of activities in the new buildings are presented in the tables in Appendix B.

- Office employment in Santa Clara County includes a range of computer and mathematical (23%), administrative support (21%), business and financial (11%), and management occupations (9%), among others.

- Retail employment consists of predominantly food preparation and serving occupations (41%) and sales related occupations (32%), with office and administrative support occupations making up an additional 9%.
- Hotels employ workers primarily from three main occupation categories: building and grounds cleaning and maintenance (maid service, etc.), food preparation and serving related, and office and administrative support, which together make up 77% of Hotel workers. Other Hotel occupations include personal care, management, sales, production and maintenance and repair.

The results of Step #4 are shown on Table 1 at the end of this section; the table shows both the percentage of total employee households and the number of employee households in the prototype buildings.

Step 5 – Estimated Employee Household Income

In this step, occupations are translated to employee incomes based on recent Santa Clara County wage and salary information from EDD. The wage and salary information summarized in the tables in Appendix B provided the income inputs to the analysis. Worker compensation used in the analysis assumes full time employment (40 hours per week) based on EDD's convention for reporting annual compensation.

In the even numbered Appendix B tables, EDD data provides a distribution of specific occupations within the category. For example, within the Food Preparation and Serving Category, there are Supervisors, Cooks, Bartenders, Waiters and Waitresses, Dishwashers, etc. For each detailed occupational category, the model uses the distribution of wages to calculate the percent of worker households that would fall into each income category. The occupations with the lowest compensation levels are in Retail and Hotel buildings.

The calculation is performed for each possible combination of household size and number of workers in the household. For households with more than one worker, individual *employee* income data was used to calculate the household income by assuming multiple earner households are, on average, formed of individuals with similar incomes. The model recognizes that many, but not all households have multiple incomes.

Step 6 – Distribution of Household Size and Number of Workers

In this step, the model examines the demographics of Santa Clara County in order to identify the percentage of households applicable to each potential combination of household size and number of workers. Percentages are calculated using data from the 2011-2013 American Community Survey. This data enables the analysis to account for the following:

- Households have a range in size and a range in the number of workers;
- Large households generally have more workers than smaller households.

The result of Step 6 is a distribution of Santa Clara County working households by number of workers and household size.

Step 7 – Estimate of Number of Households that Meet Size and Income Criteria

This is the final step to calculate the number of worker households meeting the size and income criteria for the four affordability tiers. The calculation combines the matrix of results from Step 5 on percentage of worker households that would meet the income criteria at each potential household size/number of workers combination, with Step 6, the percentage of worker households that have each given household size/number of workers combination. The result is the percentage of households that fall into each affordability tier. The percentages are then multiplied by the number of households from Step 3 to arrive at the number of households in each affordability tier.

Table 2-A shows the results after completing Steps 5, 6, and 7 for the Extremely Low Income Tier. The methodology is repeated for each of the lower income tiers (Tables 2-B, 2-C, and 2-D), resulting in a total count of worker households per 100 units.

Summary by Income Level

Table 3 at the end of this section indicates the results of the analysis for each of the three building types, for all of the income categories. The table presents the number of households in each affordability category, the total number up to 120% of median, and the remaining households earning over 120% of median associated with a 100,000 square foot building.

The findings in Table 3 are summarized below:

New Worker Households by Income Level per 100,000 square feet

	Office	Retail	Hotel
Extremely Low (0%-30% AMI)	2.6	36.0	15.1
Very Low Income (30%-50% AMI)	12.0	40.8	19.6
Low Income (50%-80% AMI)	22.0	26.2	13.7
Moderate Income (80%-120% AMI)	30.7	8.5	6.2
Subtotal through 120% AMI	67.3	111.5	54.6
Above Moderate (over 120% AMI)	88.0	5.0	3.6
Total	155.3	116.5	58.2

The table below summarizes the percentage of total new worker households that falls into each income category. As indicated, over 90% of Retail / Restaurant, Hotel and Warehouse worker households are below the 120% of median income level. By contrast, in Office buildings, only approximately 40% of worker households fall below 120% of median.

Nexus Analysis Result: Affordable Housing Need by Income Tier

	Office	Retail	Hotel
Extremely Low (0%-30% AMI)	1.7%	30.9%	26.0%
Very Low Income (30%-50% AMI)	7.7%	35.0%	33.6%
Low Income (50%-80% AMI)	14.2%	22.5%	23.5%
Moderate Income (80%-120% AMI)	19.8%	7.3%	10.7%
Subtotal through 120% AMI	43.4%	95.7%	93.8%
Above Moderate (over 120% AMI)	56.6%	4.3%	6.2%
Total	100%	100%	100%

Summary by Square Foot Building Area

The analysis thus far has used 100,000 square foot buildings. In this step, the conclusions are translated to households per square foot by income level (see Table 4).

For example, for office buildings, household generation per square foot is as follows:

New Worker Households Per Square Foot of New Office Space	
Extremely Low (0%-30% AMI)	0.00002634
Very Low Income (30%-50% AMI)	0.00012013
Low Income (50%-80% AMI)	0.00022013
Moderate Income (80%-120% AMI)	0.00030683
Total, Less than 120% AMI	0.00067343

This is the summary of the housing nexus analysis, or the linkage from buildings to employees to housing demand, by income level. We believe that it is a conservative approximation that most likely understates the households at each income level generated by these building types.

TABLE 1
NET NEW HOUSEHOLDS AND OCCUPATION DISTRIBUTION BY BUILDING TYPE
JOBS HOUSING NEXUS ANALYSIS
LOS ALTOS, CA

<i>Per 100,000 Sq.Ft. of Building Area</i>	Office	Retail	Hotel
Step 1 - Estimate of Number of Employees			
Employment Density (SF/Employee)	300	400	800
Number of Employees Per 100,000 SF Building Area	333	250	125
Step 2 - Net New Employees after Declining Industries Adjustment (20%)			
	267	200	100
Step 3 - Adjustment for Number of Households (1.72)			
	155.3	116.5	58.2
Step 4 - Occupation Distribution⁽¹⁾			
Management Occupations	9.0%	2.3%	4.5%
Business and Financial Operations	11.2%	0.5%	1.5%
Computer and Mathematical	23.4%	0.1%	0.1%
Architecture and Engineering	4.9%	0.0%	0.0%
Life, Physical, and Social Science	2.8%	0.0%	0.0%
Community and Social Services	0.2%	0.0%	0.0%
Legal	1.9%	0.0%	0.0%
Education, Training, and Library	1.1%	0.0%	0.0%
Arts, Design, Entertainment, Sports, and Media	2.7%	0.4%	0.3%
Healthcare Practitioners and Technical	4.2%	1.9%	0.0%
Healthcare Support	2.4%	0.3%	0.5%
Protective Service	0.3%	0.3%	1.6%
Food Preparation and Serving Related	0.2%	40.7%	24.7%
Building and Grounds Cleaning and Maint.	0.9%	0.7%	31.9%
Personal Care and Service	0.3%	2.8%	4.0%
Sales and Related	6.5%	31.6%	2.2%
Office and Administrative Support	20.9%	9.3%	20.3%
Farming, Fishing, and Forestry	0.0%	0.0%	0.0%
Construction and Extraction	0.6%	0.1%	0.1%
Installation, Maintenance, and Repair	2.0%	2.3%	5.0%
Production	2.3%	2.1%	2.2%
Transportation and Material Moving	<u>2.1%</u>	<u>4.5%</u>	<u>1.1%</u>
Totals	100.0%	100.0%	100.0%
Management Occupations	14.0	2.7	2.6
Business and Financial Operations	17.5	0.6	0.9
Computer and Mathematical	36.4	0.1	0.0
Architecture and Engineering	7.6	0.0	0.0
Life, Physical, and Social Science	4.3	0.0	0.0
Community and Social Services	0.3	0.0	0.0
Legal	2.9	0.0	0.0
Education, Training, and Library	1.7	0.0	0.0
Arts, Design, Entertainment, Sports, and Media	4.3	0.4	0.1
Healthcare Practitioners and Technical	6.5	2.2	0.0
Healthcare Support	3.7	0.4	0.3
Protective Service	0.5	0.3	0.9
Food Preparation and Serving Related	0.4	47.4	14.4
Building and Grounds Cleaning and Maint.	1.3	0.8	18.6
Personal Care and Service	0.5	3.2	2.3
Sales and Related	10.1	36.8	1.3
Office and Administrative Support	32.4	10.8	11.8
Farming, Fishing, and Forestry	0.1	0.0	0.0
Construction and Extraction	0.9	0.2	0.1
Installation, Maintenance, and Repair	3.1	2.7	2.9
Production	3.6	2.4	1.3
Transportation and Material Moving	<u>3.3</u>	<u>5.2</u>	<u>0.6</u>
Totals	155.3	116.5	58.2

Notes:

(1) Appendix B Tables 1 through 6 contain additional information regarding worker occupation categories.

TABLE 2-A
ESTIMATE OF QUALIFYING HOUSEHOLDS - EXTREMELY LOW INCOME
JOBS HOUSING NEXUS ANALYSIS
LOS ALTOS, CA

Analysis for Households Earning from 0% to 30% of Median

	<u>Office</u>	<u>Retail</u>	<u>Hotel</u>
<i>Per 100,000 Sq.Ft. of Building Area</i>			
Step 5, 6, & 7 - Households Earning from 0% to 30% of Median⁽¹⁾			
Management	0.00	0.01	0.01
Business and Financial Operations	0.00	0.00	0.00
Computer and Mathematical	0.00	0.00	0.00
Architecture and Engineering	0.00	0.00	0.00
Life, Physical and Social Science	0.00	0.00	0.00
Community and Social Services	0.00	0.00	0.00
Legal	0.00	0.00	0.00
Education Training and Library	0.00	0.00	0.00
Arts, Design, Entertainment, Sports, and Media	0.00	0.00	0.00
Healthcare Practitioners and Technical	0.01	0.00	0.00
Healthcare Support	0.00	0.00	0.00
Protective Service	0.00	0.00	0.00
Food Preparation and Serving Related	0.00	19.15	5.50
Building Grounds and Maintenance	0.00	0.00	4.50
Personal Care and Service	0.00	1.24	0.71
Sales and Related	0.41	10.54	0.19
Office and Admin	1.69	1.53	2.91
Farm, Fishing, and Forestry	0.00	0.00	0.00
Construction and Extraction	0.00	0.00	0.00
Installation Maintenance and Repair	0.00	0.10	0.13
Production	0.00	0.51	0.41
Transportation and Material Moving	0.00	1.32	0.00
HH earning up to 30% of Median - major occupations	2.11	34.40	14.36
HH earning from 0% to 30% of Median - all other occupatio	0.52	1.63	0.78
Total Households Earning from 0% to 30% of Median	2.6	36.0	15.1

Notes:

(1) Appendix B Tables 1 through 6 contain additional information on worker occupation categories and compensation levels.

TABLE 2-B
ESTIMATE OF QUALIFYING HOUSEHOLDS - VERY LOW INCOME
JOBS HOUSING NEXUS ANALYSIS
LOS ALTOS, CA

Analysis for Households Earning 30% to 50% of Median

	Office	Retail	Hotel
<i>Per 100,000 Sq.Ft. of Building Area</i>			
Step 5, 6, & 7 - Households Earning from 30% to 50% of Median⁽¹⁾			
Management	0.00	0.13	0.26
Business and Financial Operations	0.15	0.00	0.00
Computer and Mathematical	0.36	0.00	0.00
Architecture and Engineering	0.06	0.00	0.00
Life, Physical and Social Science	0.00	0.00	0.00
Community and Social Services	0.00	0.00	0.00
Legal	0.00	0.00	0.00
Education Training and Library	0.00	0.00	0.00
Arts, Design, Entertainment, Sports, and Media	0.00	0.00	0.00
Healthcare Practitioners and Technical	0.18	0.00	0.00
Healthcare Support	0.00	0.00	0.00
Protective Service	0.00	0.00	0.00
Food Preparation and Serving Related	0.00	17.90	5.45
Building Grounds and Maintenance	0.00	0.00	6.68
Personal Care and Service	0.00	1.22	0.90
Sales and Related	1.13	13.09	0.27
Office and Admin	7.75	3.37	3.86
Farm, Fishing, and Forestry	0.00	0.00	0.00
Construction and Extraction	0.00	0.00	0.00
Installation Maintenance and Repair	0.00	0.54	0.66
Production	0.00	0.81	0.49
Transportation and Material Moving	0.00	1.87	0.00
HH earning from 30%-50% of Median - major occupations	9.62	38.94	18.57
HH earning from 30% to 50% of Median - all other occupati	2.39	1.84	1.01
Total Households Earning from 30% to 50% of Median	12.0	40.8	19.6

Notes:

(1) Appendix B Tables 1 through 6 contain additional information on worker occupation categories and compensation levels.

TABLE 2-C
ESTIMATE OF QUALIFYING HOUSEHOLDS - LOW INCOME
JOBS HOUSING NEXUS ANALYSIS
LOS ALTOS, CA

Analysis for Households Earning from 50% to 80% of Median

	<u>Office</u>	<u>Retail</u>	<u>Hotel</u>
<i>Per 100,000 Sq.Ft. of Building Area</i>			
Step 5, 6, & 7 - Households Earning from 50% to 80% of Median⁽¹⁾			
Management	0.21	0.28	0.46
Business and Financial Operations	2.06	0.00	0.00
Computer and Mathematical	1.95	0.00	0.00
Architecture and Engineering	0.53	0.00	0.00
Life, Physical and Social Science	0.00	0.00	0.00
Community and Social Services	0.00	0.00	0.00
Legal	0.00	0.00	0.00
Education Training and Library	0.00	0.00	0.00
Arts, Design, Entertainment, Sports, and Media	0.00	0.00	0.00
Healthcare Practitioners and Technical	0.64	0.00	0.00
Healthcare Support	0.00	0.00	0.00
Protective Service	0.00	0.00	0.00
Food Preparation and Serving Related	0.00	9.03	2.85
Building Grounds and Maintenance	0.00	0.00	4.41
Personal Care and Service	0.00	0.62	0.56
Sales and Related	1.89	9.32	0.26
Office and Admin	10.35	3.01	3.20
Farm, Fishing, and Forestry	0.00	0.00	0.00
Construction and Extraction	0.00	0.00	0.00
Installation Maintenance and Repair	0.00	0.78	0.94
Production	0.00	0.66	0.33
Transportation and Material Moving	0.00	1.31	0.00
HH earning from 50% to 80% of Median - major occupation	17.63	25.01	12.99
HH earning from 50% to 80% of Median - all other occupati	4.38	1.18	0.70
Total Households Earning from 50% to 80% of Median	22.0	26.2	13.7

Notes:

(1) Appendix B Tables 1 through 6 contain additional information on worker occupation categories and compensation levels.

TABLE 2-D
ESTIMATE OF QUALIFYING HOUSEHOLDS - MODERATE INCOME
JOBS HOUSING NEXUS ANALYSIS
LOS ALTOS, CA

Analysis for Households Earning from 80% to 120% of Median

	<u>Office</u>	<u>Retail</u>	<u>Hotel</u>
<i>Per 100,000 Sq.Ft. of Building Area</i>			
Step 5, 6, & 7 - Households Earning from 80% to 120% of Median⁽¹⁾			
Management	1.12	0.47	0.55
Business and Financial Operations	4.11	0.00	0.00
Computer and Mathematical	6.30	0.00	0.00
Architecture and Engineering	1.55	0.00	0.00
Life, Physical and Social Science	0.00	0.00	0.00
Community and Social Services	0.00	0.00	0.00
Legal	0.00	0.00	0.00
Education Training and Library	0.00	0.00	0.00
Arts, Design, Entertainment, Sports, and Media	0.00	0.00	0.00
Healthcare Practitioners and Technical	1.29	0.00	0.00
Healthcare Support	0.00	0.00	0.00
Protective Service	0.00	0.00	0.00
Food Preparation and Serving Related	0.00	1.18	0.55
Building Grounds and Maintenance	0.00	0.00	2.53
Personal Care and Service	0.00	0.13	0.16
Sales and Related	2.43	2.71	0.22
Office and Admin	7.79	2.02	1.15
Farm, Fishing, and Forestry	0.00	0.00	0.00
Construction and Extraction	0.00	0.00	0.00
Installation Maintenance and Repair	0.00	0.70	0.69
Production	0.00	0.34	0.06
Transportation and Material Moving	0.00	0.59	0.00
HH earning from 80% to 120% of Median - major occupatio	24.58	8.13	5.91
HH earning from 80% to 120% of Median - all other occupa	6.10	0.38	0.32
Total Households Earning from 80% to 120% of Median	30.7	8.5	6.2

Notes:

(1) Appendix B Tables 1 through 6 contain additional information on worker occupation categories and compensation levels.

**TABLE 3
 WORKER HOUSEHOLDS BY AFFORDABILITY LEVEL
 JOBS HOUSING NEXUS ANALYSIS
 LOS ALTOS, CA**

Per 100,000 Sq.Ft. of Building Area

	Office	Retail	Hotel
NUMBER OF HOUSEHOLDS BY INCOME TIER ⁽¹⁾			
Extremely Low (0% - 30% AMI)	2.6	36.0	15.1
Very Low Income (30% - 50% AMI)	12.0	40.8	19.6
Low Income (50% to 80% AMI)	22.0	26.2	13.7
Moderate Income (80% to 120% AMI)	30.7	8.5	6.2
Subtotal - Affordable Categories	67.3	111.5	54.6
Above Moderate Income (> 120% AMI)	88.0	5.0	3.6
Total New Worker Households	155.3	116.5	58.2
PERCENTAGE OF HOUSEHOLDS BY INCOME TIER			
Extremely Low (0% - 30% AMI)	1.7%	30.9%	26.0%
Very Low Income (30% - 50% AMI)	7.7%	35.0%	33.6%
Low Income (50% to 80% AMI)	14.2%	22.5%	23.5%
Moderate Income (80% to 120% AMI)	19.8%	7.3%	10.7%
Subtotal - Affordable Categories	43.4%	95.7%	93.8%
Above Moderate Income (> 120% AMI)	56.6%	4.3%	6.2%
Total	100%	100%	100%

Notes:

(1) Appendix B Tables 1 through 6 for information regarding worker compensation levels.

TABLE 4
HOUSING DEMAND NEXUS FACTORS PER SQ.FT. OF BUILDING AREA
JOBS HOUSING NEXUS ANALYSIS
LOS ALTOS, CA

	Number of Housing Units per Square Foot of Building Area⁽¹⁾		
	Office	Retail	Hotel
Extremely Low (0% - 30% AMI)	0.00002634	0.00036032	0.00015136
Very Low Income (30% - 50% AMI)	0.00012013	0.00040780	0.00019575
Low Income (50% to 80% AMI)	0.00022013	0.00026196	0.00013698
Moderate Income (80% to 120% AMI)	0.00030683	0.00008511	0.00006229
Total	0.00067343	0.00111520	0.00054638

Notes:

⁽¹⁾Calculated by dividing number of households in Table 3 by 100,000 square feet to convert to households per square foot of building.

IV. TOTAL HOUSING NEXUS COSTS

This section takes the conclusions of the previous section on the number of households in the Extremely Low, Very Low, Low, and Moderate Income categories associated with each building type, and identifies the total cost of assistance required to make housing affordable. This section puts a cost on the units at each income level to produce the “total nexus cost.”

A key component of the analysis is the size of the gap between what households can afford and the cost of producing new housing in Los Altos, known as the ‘affordability gap.’ Affordability gaps are calculated for each of the four categories of Area Median Income (AMI): Extremely Low (under 30% of median), Very Low (30% to 50%), Low (50% to 80%), and Moderate (80% to 120%). The following summarizes the analysis of mitigation cost which is based on the affordability gap or net cost to deliver units that are affordable to worker households in the lower income tiers.

City Assisted Affordable Unit Prototypes

For estimating the affordability gap, there is a need to match a household of each income level with a unit type and size according to governmental regulations and City practices and policies. The analysis assumes that the City will assist Moderate Income households earning between 80% and 120% of Area Median Income with ownership units. The prototype affordable unit should reflect a modest unit consistent with what the City is likely to assist and appropriate for housing the average Moderate Income worker household. The typical project assumed for Los Altos is a two-bedroom unit for a three-person household. An attached condominium unit at approximately 30 units per acre (averaging 1,100 square feet per unit) is assumed.

For Low-, Very Low-, and Extremely Low-Income households, it is assumed that the City will assist in the development of multi-family rental units at a density of between 30 and 35 units per acre (averaging 900 square feet per unit). The analysis uses a two-bedroom affordable rental unit for a three-person household.

Development Costs

KMA prepared an estimate of the total development cost for the two affordable housing prototypes described above (inclusive of land acquisition costs, direct construction costs, indirect costs of development, and financing) based on a review of development pro formas for recent affordable projects, recent residential land sale comps, and other construction data sources such as RS Means. It is estimated that the new affordable for-sale condominium unit would have a total development cost of approximately \$584,000 and the new affordable multi-family apartment unit would have a total development cost of approximately \$500,000.

Development Costs for Affordable Units

Income Group	Unit Tenure / Type	Development Cost
Under 30% AMI	Rental	\$500,000
30% to 50% AMI	Rental	\$500,000
50% to 80% AMI	Rental	\$500,000
80% to 120% AMI	Ownership	\$584,000

Development cost assumptions were designed to be reflective of averages for affordable projects within three of the Santa Clara County jurisdictions participating in this multi-jurisdiction work program – the cities of Campbell, Los Altos, and Saratoga. These three cities are grouped together because average multi-family densities in these areas are assumed to be lower than in the other participating Santa Clara County cities – Santa Clara and Milpitas. The primary development cost variable among Campbell, Los Altos, and Saratoga is the cost of land. Based on recent residential land sale comps, Campbell will likely represent the lower tier of land costs among these three jurisdictions. To make the affordability gaps broadly applicable, development cost estimates reflect land acquisition costs that are on the lower end of the range. This conservative approach has been taken in order to avoid overstating costs applicable to lower land cost locations within the jurisdictions.

Development cost estimates were informed by KMA's review of pro forma information for over a dozen local multi-family affordable housing projects. Direct construction costs from these projects were adjusted to account for such factors as time, unit size, housing type, and project density to appropriately reflect the multi-family prototype assumed in the analysis. Other costs, such as land acquisition costs, are more site and area specific than direct construction costs and therefore the inputs for those costs were derived from other sources. Prevailing wages are assumed in the construction of both affordable housing prototypes, as it is assumed that public funds will be used to subsidize the projects. Tables 5 and 7 provide further details.

The list below identifies some of the multi-family affordable projects for which KMA had pro forma information. In addition to the following projects, KMA also had access to the pro formas for several other active, pending projects, which are not listed due to their preliminary nature.

- Ashland-Kent, Alameda County
- Downtown Hayward Senior, Hayward
- Hayward Senior II, Hayward
- Laguna Commons, Fremont
- Marea Alta, San Leandro
- Onizuka Crossing, Sunnyvale
- Dublin Veterans Housing, Dublin
- Sequoia Belle Haven, Menlo Park
- South Hayward BART, Hayward
- San Lorenzo Senior, San Lorenzo
- South Second St Studios, San Jose
- Station Center 1 & 2, Union City
- University Ave Senior, East Palo Alto

Unit Values

For affordable ownership units, unit values are based on an estimate of the restricted affordable purchase prices for a qualifying Moderate Income household. For a 2-bedroom unit, KMA calculated the affordable sales price for the matching 3-person household at \$367,000. Details of the calculation are presented in Table 6.

For the Extremely Low, Very Low, and Low-Income rental units, unit values are based upon the funding sources assumed to be available for the project. The funding sources include tax-exempt permanent debt financing supported by the project's operating income, a deferred developer fee, and equity generated by 4% federal low income housing tax credits. The highly competitive 9% federal tax credits are not assumed because of the extremely limited number of projects that receive an allocation of 9% tax credits in any given year per geographic region. Other affordable housing subsidy sources such as CDBG, HOME, AHP, Section 8, and various Federal and State funding programs are also limited and difficult to obtain and therefore are not assumed in this analysis as available to offset the cost of mitigating the affordable housing impacts of new development.

On this basis, KMA estimated the unit value (total permanent funding sources) of the Extremely Low-Income rental units at \$205,500, the Very Low-Income units at \$281,500, and the Low-income units at \$320,500. Details for these calculations are presented in Table 7.

Unit Values for Affordable Units

Income Group	Unit Tenure / Type	Household Size	Unit Values / Sales Price
Under 30% AMI	Rental	3 persons	\$205,500
30% to 50% AMI	Rental	3 persons	\$281,500
50% to 80% AMI	Rental	3 persons	\$320,500
80% to 120% AMI	Ownership	3 persons	\$367,000

Affordability Gap

The affordability gap is the difference between the cost of developing the affordable units and the unit value based on the restricted affordable rent or sales price.

The resulting affordability gaps are as follows:

Affordability Gap Calculation

	Unit Value / Sales Price	Development Cost	Affordability Gap
<i>Affordable Rental Units</i>			
Extremely Low (Under 30% AMI)	\$205,500	\$500,000	\$294,500
Very Low (30% to 50% AMI)	\$281,500	\$500,000	\$218,500
Low (50% to 80% AMI)	\$320,500	\$500,000	\$179,500
<i>Affordable Ownership Units</i>			
Moderate (80% to 120% AMI)	\$367,000	\$584,000	\$217,000

AMI = Area Median Income

Tables 5 through 7 present the detailed affordability gap calculations. Note that the affordability gaps are the same as those assumed in the residential nexus analysis.

Maximum Fees Supported by the Analysis

The last step in the nexus analysis calculates the cost of delivering affordable housing to the households created by new non-residential development.

Table 8 summarizes the analysis. The demand for affordable units in each income range that is generated per square foot of building area is drawn from Table 4 in the previous section. The “Maximum Fee per Square Foot” represents the results of the following calculation:

Affordability Gap (from above)	X	No. affordable units generated per square foot of building area. (from Table 4)	=	Maximum Fee Per Square Foot of Building Area
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The maximum impact fees for the three building types in Los Altos are as follows:

Maximum Fee Per Square Foot of Building Area

Building Type	Maximum Supported Fee Per Square Foot
Office	\$140.10
Retail	\$260.70
Hotel	\$125.50

Note: Nexus findings are not recommended fee levels. See Table 8 for detail.

These totals represent the maximum impact fee that could be charged for new non-residential construction to mitigate its impacts on the need for affordable housing. The totals are not recommended fee levels; they represent only the maximums established by this analysis.

These total nexus or mitigation costs are high due to the low compensation levels of many jobs, coupled with the high cost of developing residential units. Higher employment densities also contribute to higher nexus costs. These factors are especially pronounced with the Retail category, yielding a very high nexus cost.

EDD data for 2015 indicates compensation for Retail workers in Santa Clara County averages approximately \$33,000 per year. This means many workers qualify as Very Low Income (four-person households earning \$55,800 and below²); as shown in Table 3, approximately two-thirds of Retail workers fall in the Extremely Low or Very Low Income categories. Virtually all Retail employee households earn less than 120% of the median income. Hotel workers have similar compensation levels (averaging \$36,000 annually); however, since there are fewer employees per square feet of building area, the resulting mitigation costs are much lower on a per square foot basis.

Conservative Assumptions

In establishing the maximum impact fee, many conservative assumptions were employed in the analysis that result in a cost to mitigate affordable housing needs that may be considerably understated. These conservative assumptions include:

- Only direct employees are counted in the analysis. Many indirect employees are also associated with each new workspace. Indirect employees in an office building, for example, include security, delivery personnel, building cleaning and maintenance personnel, and a whole range of others. Hotels do have many of these workers on staff, but hotels also “contract out” a number of services that are not taken into account in the analysis. In addition, there are ‘induced’ employment effects when the direct employees spend their earnings in the local economy. It would certainly be appropriate to include the affordable housing demand generated by the indirect and induced jobs in this nexus analysis. For simplicity, however, and because the results using only direct employees are significantly higher than the fee levels that are typically considered for adoption, we limit it to direct employees only.
- A downward adjustment of 20% has been reflected in the analysis to account for declining industries and the potential that displaced workers from declining sectors of the economy will fill a portion of jobs in new workplace buildings. This is a conservative assumption because many displaced workers may exit the workforce entirely by retiring. In addition, development of new workspace buildings will typically occur only to the extent net new demand exists after space vacated by businesses in declining sectors of the economy has been re-occupied. The 20% adjustment is conservative in that it is mainly necessary to cover a special case scenario in which buildings vacated by

² Income criteria vary by household size.

declining industries cannot be readily occupied by other users due to their special purpose nature or due to obsolescence.

- Annual incomes for workers reflect full time employment based upon EDD's convention for reporting the compensation information. In fact, many workers work less than full time; therefore, annual compensations used in the analysis are probably overstated, especially for Retail and Hotel, which tend to have a high number of part time employees.
- Affordability gaps are based upon the assumption that 4% Low Income Housing Tax Credit financing will be available. This reduces the affordability gap that needs to be filled if affordable units are to be made available.

In summary, many less conservative assumptions could be made that would justify a much higher maximum linkage fee.

Table 5
 Affordability Gap Calculation for Moderate Income
 Residential Nexus Analysis
 Los Altos, CA

I. Affordable Prototype

Tenure	For-Sale
Density	30 du/acre
Unit Size	1,100 SF
Bedrooms	2-Bedrooms
Construction Type	Condominiums (Type V)

II. Development Costs Per Unit

Land Acquisition	\$138,000
Directs	\$319,000 ^[1]
Indirects	\$111,000
Financing	\$16,000
Total Costs	<u>\$584,000</u>

III. Affordable Sales Price Per Unit

Household Size	3 person HH
110% of Median Income ^[2]	\$106,040
Maximum Affordable Sales Price	\$367,000 ^[3]

IV. Affordability Gap Per Unit

Affordable Sales Price	\$367,000
(Less) Development Costs	<u>(\$584,000)</u>
Affordability Gap - Moderate Income	(\$217,000)

^[1] Construction costs include prevailing wages.

^[2] Per California Health and Safety Code Section 50052.5, the affordable sale price for a Moderate Income household is to be based on 110% of AMI, whereas qualifying income can be up to 120% of AMI.

^[3] See Table 6 for Moderate Income home price estimate.

Table 6
 Estimated Affordable Home Prices - Moderate Income
 Residential Nexus Analysis
 Los Altos, CA

Unit Size Household Size	2-Bedroom Unit <u>3-person HH</u>	3-Bedroom Unit <u>4-person HH</u>	4-Bedroom Unit <u>5-person HH</u>
100% AMI Santa Clara County 2016	\$96,400	\$107,100	\$115,650
Annual Income @ 110%	\$106,040	\$117,810	\$127,215
% for Housing Costs	35%	35%	35%
Available for Housing Costs	\$37,114	\$41,234	\$44,525
(Less) Property Taxes	(\$4,392)	(\$4,884)	(\$5,232)
(Less) HOA	(\$2,700)	(\$2,820)	(\$2,940)
(Less) Utilities	(\$1,416)	(\$1,776)	(\$2,208)
(Less) Insurance	(\$700)	(\$800)	(\$900)
(Less) Mortgage Insurance	(\$4,698)	(\$5,211)	(\$5,603)
Income Available for Mortgage	\$23,208	\$25,743	\$27,643
Mortgage Amount	\$348,300	\$386,300	\$414,800
Down Payment (homebuyer cash)	\$18,300	\$20,350	\$21,800
Supported Home Price	\$366,600	\$406,650	\$436,600
Key Assumptions			
- Mortgage Interest Rate ⁽¹⁾	5.30%	5.30%	5.30%
- Down Payment ⁽²⁾	5.00%	5.00%	5.00%
- Property Taxes (% of sales price) ⁽³⁾	1.20%	1.20%	1.20%
- HOA (per month) ⁽⁴⁾	\$225	\$235	\$245
- Utilities (per month) ⁽⁵⁾	\$118	\$148	\$184
- Mortgage Insurance (% of loan amount)	1.35%	1.35%	1.35%

(1) Mortgage interest rate based on 15-year Freddie Mac average; assumes 30-year fixed rate mortgage.

(2) Down payment amount is an estimate for Moderate Income homebuyers.

(3) Property tax rate is an estimated average for new projects.

(4) Homeowners Association (HOA) dues is an estimate for the average new project.

(5) Utility allowances from Santa Clara County Housing Authority (2016).

Table 7
 Affordability Gaps for Extremely Low, Very Low, and Low Income
 Residential Nexus Analysis
 Los Altos, CA

	Extremely Low	Very Low	Low Income
I. Affordable Prototype			
Tenure	Rental 900 square feet ~30-35 du/acre		
Average Unit Size			
Density			
II. Development Costs ^[1]			
	Per Unit	Per Unit	Per Unit
Land Acquisition	\$129,000	\$129,000	\$129,000
Directs	\$261,000	\$261,000	\$261,000
Indirects	\$91,000	\$91,000	\$91,000
Financing	\$19,000	\$19,000	\$19,000
Total Costs	\$500,000	\$500,000	\$500,000
III. Supported Financing			
<u>Affordable Rents</u>			
Average Number of Bedrooms	2 Bedrooms	2 Bedrooms	2 Bedrooms
Maximum TCAC Rent ^[2]	\$753	\$1,256	\$1,507
(Less) Utility Allowance ^[3]	(\$74)	(\$74)	(\$74)
Maximum Monthly Rent	\$679	\$1,182	\$1,433
<u>Net Operating Income (NOI)</u>			
Gross Potential Income	<u>Per Unit</u>	<u>Per Unit</u>	<u>Per Unit</u>
Monthly	\$679	\$1,182	\$1,433
Annual	\$8,148	\$14,184	\$17,196
Other Income	\$250	\$250	\$250
(Less) Vacancy	5.0% (\$420)	(\$722)	(\$872)
Effective Gross Income (EGI)	\$7,978	\$13,712	\$16,574
(Less) Operating Expenses	(\$5,600)	(\$5,600)	(\$5,600)
(Less) Property Taxes ^[4]	\$0	\$0	\$0
Net Operating Income (NOI)	\$2,378	\$8,112	\$10,974
<u>Permanent Financing</u>			
Permanent Loan (tax exempt)	\$32,000	\$108,000	\$147,000
Deferred Developer Fee	\$2,500	\$2,500	\$2,500
4% Tax Credit Equity	\$171,000	\$171,000	\$171,000
Total Sources	\$205,500	\$281,500	\$320,500
IV. Supported Financing			
Supported Permanent Financing	\$205,500	\$281,500	\$320,500
(Less) Total Development Costs	(\$500,000)	(\$500,000)	(\$500,000)
Affordability Gap	(\$294,500)	(\$218,500)	(\$179,500)

^[1] Development costs estimated by KMA based on affordable project pro formas in Santa Clara County (includes prevailing wages) and residential land sale comps.

^[2] Maximum rents per Tax Credit Allocation Committee (TCAC) for projects utilizing Low Income Housing Tax Credits.

^[3] Utility allowances from Santa Clara County Housing Authority (2016).

^[4] Assumes tax exemption for non-profit general partner.

**TABLE 8
TOTAL HOUSING NEXUS COST
JOBS HOUSING NEXUS ANALYSIS
LOS ALTOS, CA**

Nexus Cost Per Sq.Ft. of Building Area

INCOME CATEGORY	Affordability Gap Per Unit	Office	Retail	Hotel
Extremely Low (0% - 30% AMI)	\$294,500 ¹	\$7.80	\$106.10	\$44.60
Very Low Income (30% - 50% AMI)	\$218,500 ¹	\$26.20	\$89.10	\$42.80
Low Income (50% to 80% AMI)	\$179,500 ¹	\$39.50	\$47.00	\$24.60
Moderate Income (80% to 120% AMI)	\$217,000 ²	\$66.60	\$18.50	\$13.50
Total		\$140.10	\$260.70	\$125.50

Notes:

⁽¹⁾ Assumes rental units. Affordability Gap reflected is the remaining gap after financing available through 4% tax credits. See Table 7.

⁽²⁾ Assumes ownership unit. See Table 5.

⁽³⁾ Calculated by multiplying housing demand factors from Table 4 by the affordability gap.

APPENDIX A: DISCUSSION OF VARIOUS FACTORS IN RELATION TO NEXUS CONCEPT

This appendix provides a discussion of various specific factors and assumptions in relation to the nexus concept to supplement the overview provided in Section II.

1. Addressing the Housing Needs of a New Population vs. the Existing Population

This nexus analysis assumes there is no excess supply of affordable housing available to absorb or offset new demand; therefore, new affordable units are needed to mitigate the new affordable housing demand generated by development of new workplace buildings.

This nexus study does not address the housing needs of the existing population. Rather, the study focuses exclusively on documenting and quantifying the housing needs created by development of new workplace buildings.

Local analyses of housing conditions have found that new housing affordable to lower income households is not being added to the supply in sufficient quantity to meet the needs of new employee households. If this were not the case and significant numbers of units were being added to the supply to accommodate the Low to Moderate income groups, or if residential units were experiencing significant long term vacancy levels, particularly in affordable units, then the need for new units would be questionable.

2. No Excess Supply of Affordable Housing

An assumption of this residential nexus analysis is that there is no excess supply of affordable housing available to absorb or offset new demand; therefore, new affordable units are needed to mitigate the new affordable housing demand generated by development of new market rate residential units. Based on a review of the current Census information for the City of Los Altos, conditions are consistent with this underlying assumption. According to the Census (2010 to 2014 ACS), approximately 34% of all households in the City were paying thirty percent or more of their income on housing. In addition, housing vacancy is minimal.

3. Substitution Factor

Any given new building may be occupied partly, or even perhaps totally, by employees relocating from elsewhere in the region. Buildings are often leased entirely to firms relocating from other buildings in the same jurisdiction. However, when a firm relocates to a new building from elsewhere in the region, there is a space in an existing building that is vacated and occupied by another firm. That building in turn may be filled by some combination of newcomers to the area and existing workers. Somewhere in the chain there are jobs new to the region. The net effect is that new buildings accommodate new employees, although not necessarily inside the new buildings themselves.

4. Indirect Employment and Multiplier Effects

The multiplier effect refers to the concept that the income generated by a new job recycles through the economy and results in additional jobs. The total number of jobs generated is broken down into three categories – direct, indirect and induced. In the case of the nexus analysis, the direct jobs are those located in the new workspace buildings that would be subject to the linkage fee. Multiplier effects encompass indirect and induced employment. Indirect jobs are generated by suppliers to the businesses located in the new workspace buildings. Induced jobs are generated by local spending on goods and services by employees.

Multiplier effects vary by industry. Industries that draw heavily on a network of local suppliers tend to generate larger multiplier effects. Industries that are labor intensive also tend to have larger multiplier effects as a result of the induced effects of employee spending.

Theoretically, a jobs-housing nexus analysis could consider multiplier effects although the potential for double-counting exists to the extent indirect and induced jobs are added in other new buildings in jurisdictions that have jobs housing linkage fees. KMA chose to omit the multiplier effects (the indirect and induced employment impacts) to avoid potential double-counting and make the analysis more conservative.

In addition, the nexus analysis addresses direct “inside” employment only. In the case of an office building, for example, direct employment covers the various managerial, professional and clerical people that work in the building; it does not include the security guards, the delivery services, the landscape maintenance workers, and many others that are associated with the normal functioning of an office building. In other words, any analysis that ties lower income housing to the number of workers inside buildings will continue to understate the demand. Thus, confining the analysis to the direct employees does not address all the lower income workers associated with each type of building and understates the impacts.

5. Economic Cycles

An impact analysis of this nature is intended to support a one-time impact requirement to address impacts generated over the life of a project (generally 40 years or more). Short-term conditions, such as a recession or a vigorous boom period, are not an appropriate basis for estimating impacts over the life of the building. These cycles can produce impacts that are higher or lower on a temporary basis.

Development of new workspace buildings tends to be minimal during a recession and generally remains minimal until conditions improve or there is confidence that improved conditions are imminent. When this occurs, the improved economic condition will absorb existing vacant space and underutilized capacity of existing workers, employed and unemployed. By the time new buildings become occupied, conditions will have likely improved.

To the limited extent that new workspace buildings are built during a recession, housing impacts from these new buildings may not be fully experienced immediately, but the impacts will be experienced at some point. New buildings delivered during a recession can sometimes sit vacant for a period after completion. Even if new buildings are immediately occupied, overall absorption of space can still be zero or negative if other buildings are vacated in the process. Jobs added may also be filled in part by unemployed or underemployed workers who are already housed locally. As the economy recovers, firms will begin to expand and hire again filling unoccupied space as unemployment is reduced. New space delivered during the recession still adds to the total supply of employment space in the region. Though the jobs are not realized immediately, as the economy recovers and vacant space is filled, this new employment space absorbs or accommodates job growth. Although there may be a delay in experiencing the impacts, the fundamental relationship between new buildings, added jobs, and housing needs remains over the long term.

In contrast, during a vigorous economic boom period, conditions exist in which elevated impacts are experienced on a temporary basis. As an example, compression of employment densities can occur as firms add employees while making do with existing space. Compressed employment densities mean more jobs added for a given amount of building area. Boom periods also tend to go hand-in-hand with rising development costs and increasing home prices. These factors can bring market rate housing out of reach of a larger percentage of the workforce and increase the cost of delivering affordable units.

While the economic cycles can produce impacts that are temporarily higher or lower than normal, an impact fee is designed to be collected once, during the development of the project. Over the lifetime of the project, the impacts of the development on the demand for affordable housing will be realized, despite short-term booms and recessions.

APPENDIX B: SUPPORTING NEXUS TABLES

**APPENDIX B TABLE 1
 2014 NATIONAL OFFICE WORKER DISTRIBUTION BY OCCUPATION
 JOBS HOUSING NEXUS ANALYSIS
 LOS ALTOS, CA**

Major Occupations (3% or more)	2014 National Office Industry Occupation Distribution	
Management Occupations	2,478,949	9.0%
Business and Financial Operations Occupations	3,102,766	11.2%
Computer and Mathematical Occupations	6,461,261	23.4%
Architecture and Engineering Occupations	1,358,359	4.9%
Healthcare Practitioners and Technical Occupations	1,152,766	4.2%
Sales and Related Occupations	1,789,343	6.5%
Office and Administrative Support Occupations	5,752,417	20.9%
All Other Office Occupations	<u>5,488,426</u>	<u>19.9%</u>
INDUSTRY TOTAL	27,584,287	100.0%

Industries weighted to reflect Santa Clara County industry mix.

APPENDIX B TABLE 2
 AVERAGE ANNUAL COMPENSATION, 2015
 OFFICE WORKER OCCUPATIONS
 JOBS HOUSING NEXUS ANALYSIS
 LOS ALTOS, CA

<u>Occupation</u> ¹	<u>2015 Avg. Compensation</u> ²	<u>% of Total Occupation Group</u> ³	<u>% of Total Office Workers</u>
Page 1 of 3			
<i>Management Occupations</i>			
General and Operations Managers	\$157,600	25.0%	2.2%
Marketing Managers	\$190,500	7.0%	0.6%
Sales Managers	\$167,900	6.3%	0.6%
Computer and Information Systems Managers	\$186,700	20.1%	1.8%
Financial Managers	\$168,700	9.1%	0.8%
Architectural and Engineering Managers	\$190,600	4.3%	0.4%
Managers, All Other	\$163,400	5.6%	0.5%
All Other Management Occupations (Avg. All Categories)	<u>\$162,300</u>	<u>22.8%</u>	<u>2.0%</u>
	Weighted Mean Annual Wage	\$170,200	100.0%
<i>Business and Financial Operations Occupations</i>			
Human Resources Specialists	\$89,400	7.2%	0.8%
Management Analysts	\$111,500	13.8%	1.5%
Training and Development Specialists	\$95,300	4.0%	0.5%
Market Research Analysts and Marketing Specialists	\$110,200	12.6%	1.4%
Business Operations Specialists, All Other	\$98,100	12.3%	1.4%
Accountants and Auditors	\$94,200	21.7%	2.4%
Financial Analysts	\$109,600	5.2%	0.6%
All Other Business and Financial Operations (Avg. All Categories)	<u>\$96,400</u>	<u>23.2%</u>	<u>2.6%</u>
	Weighted Mean Annual Wage	\$100,100	100.0%
<i>Computer and Mathematical Occupations</i>			
Computer Systems Analysts	\$110,000	12.4%	2.9%
Computer Programmers	\$95,300	10.2%	2.4%
Software Developers, Applications	\$144,400	28.4%	6.7%
Software Developers, Systems Software	\$140,300	11.5%	2.7%
Web Developers	\$108,100	4.1%	1.0%
Network and Computer Systems Administrators	\$101,500	6.2%	1.4%
Computer User Support Specialists	\$76,500	11.1%	2.6%
All Other Computer and Mathematical Occupations (Avg. All Categories)	<u>\$125,600</u>	<u>16.0%</u>	<u>3.8%</u>
	Weighted Mean Annual Wage	\$120,000	100.0%

<u>Occupation</u> ¹	<u>2015 Avg. Compensation</u> ²	<u>% of Total Occupation Group</u> ³	<u>% of Total Office Workers</u>
Page 2 of 3			
<i>Architecture and Engineering Occupations</i>			
Architects, Except Landscape and Naval	\$89,500	6.0%	0.3%
Civil Engineers	\$101,200	11.2%	0.6%
Computer Hardware Engineers	\$138,100	8.0%	0.4%
Electrical Engineers	\$130,000	7.6%	0.4%
Electronics Engineers, Except Computer	\$132,400	6.3%	0.3%
Industrial Engineers	\$116,300	5.0%	0.2%
Mechanical Engineers	\$113,300	10.3%	0.5%
Engineers, All Other	\$124,100	4.9%	0.2%
Architectural and Civil Drafters	\$61,900	5.4%	0.3%
Electrical and Electronics Engineering Technicians	\$70,200	4.5%	0.2%
All Other Architecture and Engineering Occupations (Avg. All Categories)	<u>\$113,400</u>	<u>30.8%</u>	<u>1.5%</u>
Weighted Mean Annual Wage	\$111,000	100.0%	4.9%
<i>Healthcare Practitioners and Technical Occupations</i>			
Dentists, General	\$158,300	7.4%	0.3%
Physicians and Surgeons, All Other	\$153,300	6.1%	0.3%
Registered Nurses	\$123,500	12.9%	0.5%
Dental Hygienists	\$96,500	15.6%	0.7%
Veterinary Technologists and Technicians	\$38,700	4.1%	0.2%
Licensed Practical and Licensed Vocational Nurses	\$60,400	5.6%	0.2%
All Other Healthcare Practitioners and Technical Occupations (Avg. All Categories)	<u>\$111,800</u>	<u>48.4%</u>	<u>2.0%</u>
Weighted Mean Annual Wage	\$111,100	100.0%	4.2%
<i>Sales and Related Occupations</i>			
First-Line Supervisors of Non-Retail Sales Workers	\$115,400	4.5%	0.3%
Advertising Sales Agents	\$78,900	6.9%	0.4%
Insurance Sales Agents	\$75,400	5.9%	0.4%
Securities, Commodities, and Financial Services Sales Agents	\$91,800	4.6%	0.3%
Sales Representatives, Services, All Other	\$89,500	33.6%	2.2%
Sales Representatives, Wholesale and Manufacturing, Technical and Scientific Prc	\$118,700	11.8%	0.8%
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scier	\$77,000	5.8%	0.4%
Real Estate Sales Agents	\$64,600	5.5%	0.4%
All Other Sales and Related Occupations (Avg. All Categories)	<u>\$55,500</u>	<u>21.5%</u>	<u>1.4%</u>
Weighted Mean Annual Wage	\$83,200	100.0%	6.5%

<u>Occupation</u> ¹	<u>2015 Avg. Compensation</u> ²	<u>% of Total Occupation Group</u> ³	<u>% of Total Office Workers</u>
<i>Office and Administrative Support Occupations</i>			
First-Line Supervisors of Office and Administrative Support Workers	\$70,600	6.7%	1.4%
Bookkeeping, Accounting, and Auditing Clerks	\$50,300	8.3%	1.7%
Customer Service Representatives	\$48,200	15.5%	3.2%
Receptionists and Information Clerks	\$36,600	5.9%	1.2%
Executive Secretaries and Executive Administrative Assistants	\$67,200	4.8%	1.0%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive Office Clerks, General	\$45,000	10.6%	2.2%
Office Clerks, General	\$40,900	13.6%	2.8%
All Other Office and Administrative Support Occupations (Avg. All Categories)	<u>\$48,100</u>	<u>34.5%</u>	<u>7.2%</u>
Weighted Mean Annual Wage	\$48,700	100.0%	20.9%
Weighted Average Annual Wage - All Occupations	\$100,000		80.1%

¹ Including occupations representing 4% or more of the major occupation group.

² The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

³ Occupation percentages are based on the 2014 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2014 Occupational Employment Survey data applicable to Santa Clara County, updated by the California Employment Development Department to 2015 wage levels.

**APPENDIX B TABLE 3
 2014 NATIONAL RETAIL WORKER DISTRIBUTION BY OCCUPATION
 JOBS HOUSING NEXUS ANALYSIS
 LOS ALTOS, CA**

Major Occupations (2% or more)	2014 National Retail Industry Occupation Distribution	
Management Occupations	628,109	2.3%
Food Preparation and Serving Related Occupations	11,168,090	40.7%
Personal Care and Service Occupations	761,400	2.8%
Sales and Related Occupations	8,674,839	31.6%
Office and Administrative Support Occupations	2,539,341	9.3%
Installation, Maintenance, and Repair Occupations	632,209	2.3%
Production Occupations	572,365	2.1%
Transportation and Material Moving Occupations	1,225,101	4.5%
All Other Retail Occupations	<u>1,239,781</u>	<u>4.5%</u>
INDUSTRY TOTAL	27,441,236	100.0%

Industries weighted to reflect Santa Clara County industry mix.

APPENDIX B TABLE 4
 AVERAGE ANNUAL COMPENSATION, 2015
 RETAIL WORKER OCCUPATIONS
 JOBS HOUSING NEXUS ANALYSIS
 LOS ALTOS, CA

<u>Occupation</u> ¹	<u>2015 Avg. Compensation</u> ²	<u>% of Total Occupation Group</u> ³	<u>% of Total Retail Workers</u>
Page 1 of 2			
<i>Management Occupations</i>			
General and Operations Managers	\$157,600	50.1%	1.1%
Sales Managers	\$167,900	11.9%	0.3%
Food Service Managers	\$57,200	28.3%	0.6%
All Other Management Occupations (Avg. All Categories)	<u>\$162,300</u>	<u>9.8%</u>	<u>0.2%</u>
Weighted Mean Annual Wage	\$130,900	100.0%	2.3%
<i>Food Preparation and Serving Related Occupations</i>			
First-Line Supervisors of Food Preparation and Serving Workers	\$36,900	7.1%	2.9%
Cooks, Fast Food	\$21,300	5.0%	2.0%
Cooks, Restaurant	\$27,500	9.8%	4.0%
Food Preparation Workers	\$24,400	6.5%	2.6%
Combined Food Preparation and Serving Workers, Including Fast Food	\$23,000	28.3%	11.5%
Waiters and Waitresses	\$25,500	21.2%	8.6%
Dishwashers	\$20,300	4.2%	1.7%
All Other Business and Financial Operations (Avg. All Categories)	<u>\$25,300</u>	<u>18.0%</u>	<u>7.3%</u>
Weighted Mean Annual Wage	\$25,300	100.0%	40.7%
<i>Personal Care and Service Occupations</i>			
First-Line Supervisors of Personal Service Workers	\$42,800	4.3%	0.1%
Nonfarm Animal Caretakers	\$32,400	10.8%	0.3%
Hairdressers, Hairstylists, and Cosmetologists	\$24,600	51.9%	1.4%
Manicurists and Pedicurists	\$21,900	12.5%	0.3%
Skincare Specialists	\$30,400	4.7%	0.1%
All Other Personal Care and Service Occupations (Avg. All Categories)	<u>\$29,100</u>	<u>15.8%</u>	<u>0.4%</u>
Weighted Mean Annual Wage	\$26,900	100.0%	2.8%
<i>Sales and Related Occupations</i>			
First-Line Supervisors of Retail Sales Workers	\$51,400	12.0%	3.8%
Cashiers	\$26,600	31.0%	9.8%
Retail Salespersons	\$29,200	50.3%	15.9%
All Other Sales and Related Occupations (Avg. All Categories)	<u>\$55,500</u>	<u>6.7%</u>	<u>2.1%</u>
Weighted Mean Annual Wage	\$32,800	100.0%	31.6%

<u>Occupation</u> ¹	<u>2015 Avg. Compensation</u> ²	<u>% of Total Occupation Group</u> ³	<u>% of Total Retail Workers</u>
Page 2 of 2			
<i>Office and Administrative Support Occupations</i>			
First-Line Supervisors of Office and Administrative Support Workers	\$70,600	6.4%	0.6%
Bookkeeping, Accounting, and Auditing Clerks	\$50,300	6.9%	0.6%
Customer Service Representatives	\$48,200	11.3%	1.0%
Receptionists and Information Clerks	\$36,600	4.1%	0.4%
Shipping, Receiving, and Traffic Clerks	\$36,500	4.9%	0.5%
Stock Clerks and Order Fillers	\$31,300	47.3%	4.4%
Office Clerks, General	\$40,900	8.2%	0.8%
All Other Office and Administrative Support Occupations (Avg. All Categories)	<u>\$48,100</u>	<u>10.9%</u>	<u>1.0%</u>
	Weighted Mean Annual Wage	\$40,100	100.0%
<i>Installation, Maintenance, and Repair Occupations</i>			
First-Line Supervisors of Mechanics, Installers, and Repairers	\$80,600	7.9%	0.2%
Computer, Automated Teller, and Office Machine Repairers	\$46,200	6.7%	0.2%
Automotive Service Technicians and Mechanics	\$52,700	37.4%	0.9%
Tire Repairers and Changers	\$32,300	9.4%	0.2%
Maintenance and Repair Workers, General	\$47,300	7.8%	0.2%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	<u>\$55,900</u>	<u>30.8%</u>	<u>0.7%</u>
	Weighted Mean Annual Wage	\$53,100	100.0%
<i>Production Occupations</i>			
First-Line Supervisors of Production and Operating Workers	\$68,400	6.2%	0.1%
Bakers	\$29,200	16.2%	0.3%
Butchers and Meat Cutters	\$35,100	20.5%	0.4%
Meat, Poultry, and Fish Cutters and Trimmers	\$27,500	4.2%	0.1%
Laundry and Dry-Cleaning Workers	\$26,300	15.3%	0.3%
Pressers, Textile, Garment, and Related Materials	\$24,300	6.1%	0.1%
All Other Production Occupations (Avg. All Categories)	<u>\$40,800</u>	<u>31.6%</u>	<u>0.7%</u>
	Weighted Mean Annual Wage	\$35,700	100.0%
<i>Transportation and Material Moving Occupations</i>			
Driver/Sales Workers	\$34,400	18.0%	0.8%
Light Truck or Delivery Services Drivers	\$39,300	16.2%	0.7%
Parking Lot Attendants	\$21,500	6.7%	0.3%
Cleaners of Vehicles and Equipment	\$25,800	6.8%	0.3%
Laborers and Freight, Stock, and Material Movers, Hand	\$31,700	23.6%	1.1%
Packers and Packagers, Hand	\$25,300	13.8%	0.6%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	<u>\$37,300</u>	<u>15.0%</u>	<u>0.7%</u>
	Weighted Mean Annual Wage	\$32,300	100.0%
	Weighted Average Annual Wage - All Occupations	\$33,000	91.0%

¹ Including occupations representing 4% or more of the major occupation group.

² The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

³ Occupation percentages are based on the 2014 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2014 Occupational Employment Survey data applicable to Santa Clara County, updated by the California Employment Development Department to 2015 wage levels.

**APPENDIX B TABLE 5
2014 NATIONAL HOTEL WORKER DISTRIBUTION BY OCCUPATION
JOBS HOUSING NEXUS ANALYSIS
LOS ALTOS, CA**

Major Occupations (2% or more)	2014 National Hotel Industry Occupation Distribution	
Management Occupations	68,960	4.5%
Food Preparation and Serving Related Occupations	379,520	24.7%
Building and Grounds Cleaning and Maintenance Occupations	489,570	31.9%
Personal Care and Service Occupations	61,530	4.0%
Sales and Related Occupations	33,960	2.2%
Office and Administrative Support Occupations	310,980	20.3%
Installation, Maintenance, and Repair Occupations	76,990	5.0%
Production Occupations	34,090	2.2%
All Other Hotel Occupations	<u>78,960</u>	<u>5.1%</u>
INDUSTRY TOTAL	1,534,560	100.0%

APPENDIX B TABLE 6
AVERAGE ANNUAL COMPENSATION, 2015
HOTEL WORKER OCCUPATIONS
JOBS HOUSING NEXUS ANALYSIS
LOS ALTOS, CA

<u>Occupation</u> ¹	<u>2015 Avg. Compensation</u> ²	<u>% of Total Occupation Group</u> ³	<u>% of Total Hotel Workers</u>
<i>Page 1 of 2</i>			
<i>Management Occupations</i>			
General and Operations Managers	\$157,600	22.9%	1.0%
Sales Managers	\$167,900	9.3%	0.4%
Financial Managers	\$168,700	4.4%	0.2%
Food Service Managers	\$57,200	11.1%	0.5%
Lodging Managers	\$54,300	40.2%	1.8%
All Other Management Occupations (Avg. All Categories)	<u>\$162,300</u>	<u>12.2%</u>	<u>0.5%</u>
Weighted Mean Annual Wage	\$107,000	100.0%	4.5%
<i>Food Preparation and Serving Related Occupations</i>			
First-Line Supervisors of Food Preparation and Serving Workers	\$36,900	5.3%	1.3%
Cooks, Restaurant	\$27,500	13.8%	3.4%
Bartenders	\$26,300	7.8%	1.9%
Waiters and Waitresses	\$25,500	29.5%	7.3%
Food Servers, Nonrestaurant	\$33,200	8.3%	2.1%
Dining Room and Cafeteria Attendants and Bartender Helpers	\$21,300	10.5%	2.6%
Dishwashers	\$20,300	6.5%	1.6%
All Other Business and Financial Operations (Avg. All Categories)	<u>\$25,300</u>	<u>18.1%</u>	<u>4.5%</u>
Weighted Mean Annual Wage	\$26,300	100.0%	24.7%
<i>Building and Grounds Cleaning and Maintenance Occupations</i>			
First-Line Supervisors of Housekeeping and Janitorial Workers	\$55,800	5.8%	1.9%
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	\$29,000	6.1%	1.9%
Maids and Housekeeping Cleaners	\$31,100	85.1%	27.1%
All Other Building and Grounds Cleaning and Maintenance Occupations (Avg. All C	<u>\$31,900</u>	<u>3.0%</u>	<u>1.0%</u>
Weighted Mean Annual Wage	\$32,400	100.0%	31.9%
<i>Personal Care and Service Occupations</i>			
First-Line Supervisors of Personal Service Workers	\$42,800	4.3%	0.2%
Amusement and Recreation Attendants	\$23,900	15.0%	0.6%
Baggage Porters and Bellhops	\$25,000	34.4%	1.4%
Concierges	\$32,900	17.8%	0.7%
Recreation Workers	\$31,100	9.8%	0.4%
All Other Personal Care and Service Occupations (Avg. All Categories)	<u>\$29,100</u>	<u>18.6%</u>	<u>0.7%</u>
Weighted Mean Annual Wage	\$28,400	100.0%	4.0%

<u>Occupation</u> ¹	<u>2015 Avg. Compensation</u> ²	<u>% of Total Occupation Group</u> ³	<u>% of Total Hotel Workers</u>
Page 2 of 2			
<i>Sales and Related Occupations</i>			
Cashiers	\$26,600	24.1%	0.5%
Retail Salespersons	\$29,200	11.7%	0.3%
Sales Representatives, Services, All Other	\$89,500	50.6%	1.1%
All Other Sales and Related Occupations (Avg. All Categories)	<u>\$55,500</u>	<u>13.5%</u>	<u>0.3%</u>
Weighted Mean Annual Wage	\$62,700	100.0%	2.2%
<i>Office and Administrative Support Occupations</i>			
First-Line Supervisors of Office and Administrative Support Workers	\$70,600	7.5%	1.5%
Bookkeeping, Accounting, and Auditing Clerks	\$50,300	5.2%	1.1%
Hotel, Motel, and Resort Desk Clerks	\$26,300	71.8%	14.5%
All Other Office and Administrative Support Occupations (Avg. All Categories)	<u>\$48,100</u>	<u>15.5%</u>	<u>3.1%</u>
Weighted Mean Annual Wage	\$34,300	100.0%	20.3%
<i>Installation, Maintenance, and Repair Occupations</i>			
First-Line Supervisors of Mechanics, Installers, and Repairers	\$80,600	8.0%	0.4%
Maintenance and Repair Workers, General	\$47,300	89.8%	4.5%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	<u>\$55,900</u>	<u>2.1%</u>	<u>0.1%</u>
Weighted Mean Annual Wage	\$50,200	100.0%	5.0%
<i>Production Occupations</i>			
Bakers	\$29,200	6.7%	0.1%
Laundry and Dry-Cleaning Workers	\$26,300	85.0%	1.9%
All Other Production Occupations (Avg. All Categories)	<u>\$40,800</u>	<u>8.3%</u>	<u>0.2%</u>
Weighted Mean Annual Wage	\$27,700	100.0%	2.2%
Weighted Average Annual Wage - All Occupations	\$36,000		92.6%

¹ Including occupations representing 4% or more of the major occupation group.

² The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

³ Occupation percentages are based on the 2014 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2014 Occupational Employment Survey data applicable to Santa Clara County, updated by the California Employment Development Department to 2015 wage levels.

**APPENDIX C: NON-DUPLICATION BETWEEN POTENTIAL
RESIDENTIAL AND NON RESIDENTIAL IMPACT FEE PROGRAMS**

The City of Los Altos is considering establishing an impact fee on non-residential and certain residential construction to help mitigate the impacts of the new buildings on the demand for affordable housing in the City. KMA conducted both a Non-Residential Nexus Analysis and a Residential Nexus to assist the City in updating its Affordable Housing programs; in this appendix, KMA conducts an 'overlap analysis' to determine whether any double-counting of impacts is possible.

To briefly summarize the Non-Residential Nexus Analysis (which is a jobs-housing nexus analysis), the logic begins with jobs located in new workplace buildings including office buildings, retail spaces and hotels. The nexus analysis then identifies the compensation structure of the new jobs depending on the building type, the income of the new worker households, and the housing affordability level of the new worker households, concluding with the number of new worker households in the lower income affordability levels.

In the Residential Nexus Analysis, the logic begins with the households purchasing or renting new market rate units. The purchasing power of those households generates new jobs in the local economy. The nexus analysis quantifies the jobs created by the spending of the new households and then identifies the compensation structure of the new jobs, the income of the new worker households, and the housing affordability level of the new worker households, concluding with the number of new worker households in the lower income affordability levels.

Some of the jobs that are counted in the Non-Residential Nexus Analysis are also counted in the Residential Nexus Analysis. The overlap potential exists in jobs generated by the expenditures of City residents, such as expenditures for food, personal services, restaurant meals and entertainment. However, many jobs counted in the jobs housing nexus are not addressed in the residential nexus analysis at all. Firms in office, industrial, warehouse and hotel buildings often serve a much broader, sometimes international, market and are generally not focused on providing services to local residents at all. These non-local serving jobs are not counted in the residential nexus analysis. Retail, which typically is primarily local-serving, is the building type that has the greatest potential for overlap between the jobs counted in the residential and non-residential nexus analyses.

Theoretically, there is a set of conditions in which 100% of the jobs counted for purposes of the Non-Residential Nexus are also counted for purposes of the Residential Nexus Analysis. For example, a small retail store or restaurant might be located on the ground floor of a new apartment building and entirely dependent upon customers from the apartments in the floors above. The commercial space on the ground floor pays the non-residential fee and the apartments would pay a residential impact fee. In this special case, the two programs mitigate the affordable housing demand of the very same workers. The combined requirements of the two programs to fund construction of affordable units must not exceed 100% of the demand for affordable units generated by employees in the new commercial space.

Complete overlap between jobs counted in the Non-Residential Nexus Analysis and jobs counted in the Residential Nexus Analysis could occur only in a very narrow set of theoretical circumstances. The following analysis demonstrates that the combined mitigation requirements do not exceed the nexus even if every job counted in the Residential Nexus Analysis is also counted in the Non-Residential Nexus Analysis. As discussed, the theoretical possibility of 100% overlap exists mainly with retail jobs that serve residents of new housing in Los Altos; therefore, the overlap analysis is focused on the retail land use.

Recommended Non-Residential Fee as a Percent of Maximum Fee

The Non-Residential Nexus Analysis calculates the maximum mitigation amount supported by the analysis. KMA recommended a fee in the range of \$10 - \$15 per square foot for retail development. The overlap analysis is conducted on the high end of this range; if the City ultimately selects a higher fee level, the overlap analysis should be revised to the higher fee level.

Building Type	Maximum Nexus Amount	Maximum Recommended Fee Level	Percent of Maximum
Retail	\$260.70	\$15.00	6%

Source: Keyser Marston Associates Summary, Context Materials and Recommendations Report.

The conclusion is that the maximum recommended fee level for Los Altos represents approximately 6% of the nexus cost. So, at most, the Non-Residential fee in Los Altos would mitigate approximately 6% of the demand for affordable units generated by new non-residential space.

Residential Requirement under Consideration as a Percent of Maximum Fee

For small for-sale projects, KMA has recommended that Los Altos consider affordable housing fees of up to a maximum of \$40 per square foot and \$35 for lower density single family detached projects with four or fewer units per acre. For apartments, fees are recommended to be set no higher than \$45 per square foot. The table below compares the maximum supported fee amounts to the highest fee level recommended for apartment and small for-sale projects. Again, if the City ultimately selects a higher fee level, this overlap analysis should be revised.

Maximum Recommended Fee as Percent of Maximum Fee Amount						
	Single Family Detached	Single Family - Small Lot	Townhome	Condominium	Apartments - Lower Density	Apartments - Higher Density
Maximum Nexus Amount	\$39.40	\$52.30	\$47.50	\$52.10	\$48.50	\$53.30
Max Recommended Fee	\$35.00	\$40.00	\$40.00	\$40.00	\$45.00	\$45.00
Max Fee as Percent of Nexus	89%	76%	84%	77%	93%	84%

Source: Keyser Marston Associates Summary and Recommendations Report.

The conclusion is that the maximum recommended affordable housing impact fee levels range from 76% to 93% of the maximums supported by the Residential Nexus Analysis.

Combined Requirements within Nexus Maximums

The highest recommended non-residential fee level for Los Altos mitigates 6% of the maximum supported impact fee amount in Los Altos. The recommended fee levels represent at most 93% of the maximum supported impact fee amount. Therefore, the combined affordable housing mitigations would not exceed the nexus even if there were 100% overlap in the jobs counted in the two nexus analyses.

Total Percent of Housing Demand Mitigated	
	<i>Apartments – Lower Density</i>
Max Residential Fee as Percent of Residential Nexus	93%
Max Non-Res. Fee as Percent of Non-Residential Nexus for Retail	6%
Total Percent of Demand Mitigated	99%