



KEYSER MARSTON ASSOCIATES

SUMMARY, CONTEXT MATERIALS AND RECOMMENDATIONS AFFORDABLE HOUSING NEXUS STUDIES

Prepared for:
City of Milpitas

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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	7
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	32
D. Non-Residential Development Cost Context.....	39
E. Jobs Housing Linkage Fees in Other Jurisdictions	42

LIST OF TABLES

Table 1: Summary of Apartment Feasibility Analysis	22
Table 2A to 2E: Cost of Onsite Compliance and Equivalent In-Lieu Fees	26
Table 3: Comparison of Affordable Housing Requirements – Residential	35
Table 4: Summary of Jobs Housing Linkage Fee Programs, California	46

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 Keyser Marston Associates, Inc. (KMA) and presents analyses designed to provide context for policy decisions. It also outlines recommendations for the City of Milpitas regarding the City’s affordable housing policies for residential development and consideration of a potential new affordable housing impact fee for non-residential development.

The report has been prepared by KMA for the City of Milpitas, 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 Milpitas.

A. Background and Context

The City of Milpitas has many policies in the General Plan to encourage residential development of all income levels, including affordable units. A policy to encourage inclusionary type units, or 20% affordable units within market rate projects, is negotiated on a case by case basis as to affordability level. An ordinance adopted in 2015 provides for fee payment on residential market rate units, a measure understood to be temporary until a more comprehensive program is proposed following the work program to produce these nexus analyses and other materials. The temporary ordinance requires that projects of five or more units ensure that 5% of total units are affordable to very low and low income households, or pay an in-lieu fee equivalent to 5% of the project’s building permit value. 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 as well.

Under the 2009 *Palmer* court decision (described further in the Residential Nexus Analysis), the City does not have the ability to apply its inclusionary policy to rental projects, except through negotiation. 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 policies.

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 – illustration of the revenue market rate residential projects would forgo if a percentage of units were required to be made affordable;
 - 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's 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 a fee high enough to support a meaningful contribution to affordable housing in Milpitas.
5. Setting a fee low enough to not discourage development.

A. Residential Findings and Recommendations

KMA's recommendations for updates to the City's Inclusionary Housing Policy, 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 Milpitas					
	<i>Single Family Detached</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
Per Market Rate Unit	\$69,900	\$52,700	\$39,400	\$35,000	\$40,800
Per Square Foot	\$30.50	\$33.00	\$43.80	\$31.90	\$45.40

Source: Keyser Marston Associates, Attachment A Residential Nexus Analysis.

KMA recommends that impact fees for rental projects and small for-sale projects be set below the levels shown 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 and Table 4 at the end of this report.

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.

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, Milpitas's interim requirement at 5% is less than other jurisdictions in Santa Clara County while the City's General Plan objective of 20% affordable units in new projects is beyond the level required in most other cities. The onsite requirements for the cities analyzed are also 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.

Requirements in Other Jurisdictions - Ownership Units				
<i>City</i>	<i>Affordable Units Required (Percent)</i>	<i>Affordability Level</i>	<i>Fee In-Lieu of Providing Affordable Units</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 at this time. 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 Illustrative Fee Levels					
	Each \$1 Fee	\$10 Fee	\$20 Fee	\$30 Fee	\$40 Fee
Increase in Rents/Income	0.14%	1.4%	2.8%	4.2%	5.6%
Decrease in Direct Costs	0.31%	3.1%	6.3%	9.4%	12.5%
Decrease in Land Values (based on \$120/sf)	1.02%	10.2%	20.5%	30.7%	40.9%

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

Milpitas has one of the most active residential development markets in Santa Clara County. There are many recently built, under construction or proposed residential developments in Milpitas at this time, including single family detached units, townhome projects, and apartment projects. There are also several condominium projects (or rental projects with condominium maps) under discussion, although they are still in the preliminary stages of development. The median home price in Milpitas is just below that for the County as a whole and is above the median for neighboring San Jose.

5. Program Recommendations

The City of Milpitas has been implementing a General Plan policy that new residential projects should include 20% of the units at affordable prices, the specifics negotiated on a case by case basis. As an interim measure until a more comprehensive affordable housing requirement program is developed and put in place, the City in 2015 adopted a requirement that 5% of units be sold at prices affordable to low and very low income households or the developer could make an in-lieu payment at 5% of building permit valuation.

KMA understands that the City intends to consider adoption of an updated inclusionary housing program that will require for-sale projects to deliver a percentage of the units at prices affordable to low and moderate income levels or make an affordable housing fee payment. A key decision in the design of the program is whether on-site affordable units will be required or encouraged or if fee payment will be the primary requirement or an option that is available to most or all projects. For rental projects, impact fee payment must be the primary requirement with any on-site provision of affordable units structured as an alternative to impact fee payment, per the current legal environment.

KMA's recommendations for Milpitas, including fee level recommendations and on-site affordable unit percentages that would represent a similar cost of compliance to the fees, are as follows:

- For ownership projects, KMA recommends a fee charged per square foot to cover the diversity of single family detached, townhome and condominium units. This fee could also be used for fractional units incorporated into an on-site inclusionary program. The fee level we suggest is in the range of \$15 to \$20 per square foot. This range is significantly below the nexus supported levels which are over \$30 per square foot. This fee range may be translated to an equivalent on-site affordable unit percentage requirement for overall program planning use. At \$15 per square foot applied to townhome projects, the equivalent percentages would be about 7% of units affordable to moderate income households or 4% of units at low income. The higher \$20 per square foot fee would approximate the cost of providing 10% of units at moderate income or 6% at low income, again applied to the townhome project. (See Table 2 on page 26 for on-site equivalents at moderate and low income levels).
- For rental projects, KMA recommends a fee level in the range of \$12 to \$17 per square foot. This recommendation is based on the fees charged by the two neighbors, San Jose at \$17 and Fremont, at \$17.50 and the relative market strength of Milpitas and its neighbors. This fee range is significantly lower than nexus supported levels. Again, for purposes of understanding the on-site compliance equivalent costs, the \$12 fee would be similar to a 3% to 4% on-site affordable unit requirement at low income and the \$17 fee level would be similar to 5% to 6% on-site affordable unit requirement at low income. Both calculations refer to the higher density apartment prototype, which is expected to represent most of the activity in Milpitas. The percentages are from the on-site compliance cost analysis included in Section IV.B.

The City may wish to consider treating higher density condominiums the same as rental projects in that they have similar development costs and serve a similar market segment.

B. Non-Residential Affordable Housing Impact Fees

The analysis prepared by KMA will enable the City of Milpitas 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 Milpitas. 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.

Maximum Fee Per Square Foot of Building Area

Building Type	Maximum Supported Fee Per Square Foot
Office	\$142.70
Retail	\$268.00
Hotel	\$128.70
Light Industrial	\$149.60
Warehouse	\$47.80

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 Milpitas in real estate demand.

2. Fees in Other Jurisdictions

The following chart summarizes fee levels for jurisdictions in Santa Clara and Alameda counties that have adopted non-residential fees. The jurisdictions with the highest fees tend to be in areas with very strong demand for non-residential space, such as Palo Alto, Mountain View, and other cities within Silicon Valley. In Alameda County, fee levels are more moderate. 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 Campbell, Los Altos, Saratoga, Fremont, Santa Clara, Hayward, Union City, and Santa Clara County. San Jose, neighbor to the City of Milpitas and by far the largest city in in the County, has voted not to pursue a non-residential fee at this time. More details can be found in Section IV and Table 4.

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

Non-Residential Linkage Fees	Office \$/SF	Retail \$/SF	Hotel \$/SF	Industrial \$/SF
<u>Santa Clara County</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
<u>Alameda County</u>				
Newark	\$3.59	\$3.59	\$3.59	\$0.69
Emeryville	\$4.10	\$4.10	\$4.10	\$4.10
Pleasanton	\$3.04	\$3.04	\$3.04	\$3.04
Dublin	\$1.27	\$1.02	\$0.43	\$0.49
Oakland	\$5.24	N/A	N/A	N/A
Berkeley	\$4.50	\$4.50	\$4.50	\$2.25

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. 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.
Light Industrial	\$250 - \$300 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 1% to 5% of costs, we would see the following fee levels:

Fees as a Percent of Development Costs					
<i>Building Type</i>	<i>1%</i>	<i>2%</i>	<i>3%</i>	<i>4%</i>	<i>5%</i>
Office	\$6 psf	\$11 psf	\$17 psf	\$23 psf	\$29 psf
Hotel	\$4 psf	\$7 psf	\$11 psf	\$15 psf	\$19 psf
Retail / Restaurant	\$4 psf	\$9 psf	\$13 psf	\$18 psf	\$22 psf
Light Industrial	\$3 psf	\$5 psf	\$8 psf	\$11 psf	\$14 psf

4. Market Context

Employment space in Milpitas is dominated by flex industrial / R&D types as well as warehouse type space, which together total over 20 million square feet. The City has comparatively little pure office type space and the pipeline for projects in the immediate future contains little office. The City has a major regional retail concentration in the 1.3 million square foot Great Mall of the Bay Area, but the City is not receiving a level of retail development proposals consistent with the planning for newly developing portions of the City.

5. Recommended Fee Levels for Non-Residential

Given the maximums established by the nexus analysis, the market strength of Milpitas 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 \$4 to \$8 per square foot range for all types of non-residential development. If the City is seeking to encourage industrial and warehouse uses, a more modest rate at the lower end of this range or below could be considered in recognition of the lower rent / lower cost nature of these structures which can make them more sensitive to fees. In our opinion, fees adopted within any low to moderate range will have little bearing on development decisions in Milpitas. While higher fees could likely be sustained without significantly limiting development activity, we believe the recommended range represents a good starting point for a new adoption.

III. SUMMARY OF NEXUS ANALYSES

This section provides a concise summary of the residential and non-residential nexus analyses prepared for the City of Milpitas. 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.

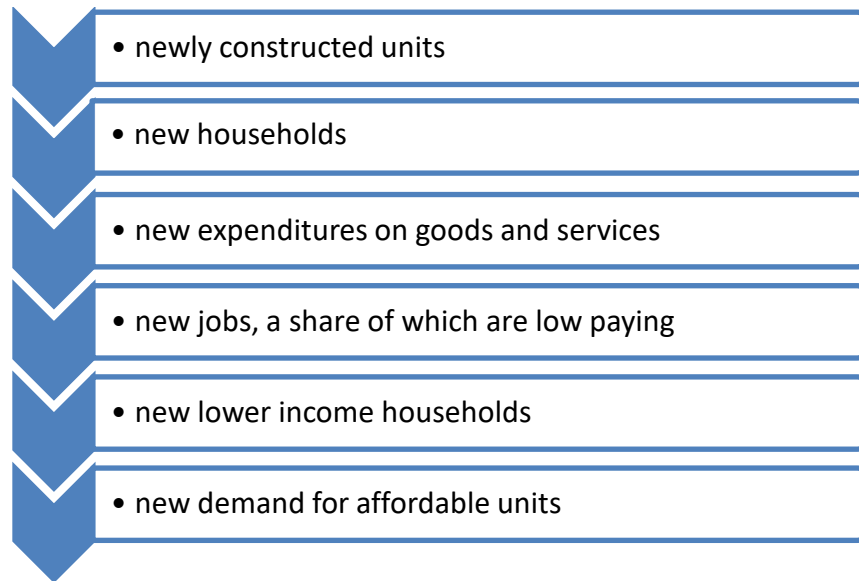
While nexus findings represent upper limits for impact fee-type requirements, inclusionary program requirements, including applicable in-lieu fees, are not bound by nexus findings based on the ruling by the California Supreme Court in the San Jose inclusionary housing case. Under current law, inclusionary requirements cannot be applied to rental units.

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 Milpitas. 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 Milpitas and therefore need affordable housing.

Nexus Analysis Concept



1. Market Rate Residential Prototypes

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

A summary of the five 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 Milpitas					
	<i>Single Family Detached</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
Avg. Unit Size	2,300 SF	1,600 SF	900 SF	1,100 SF	900 SF
Avg. No. of Bedrooms	3.50	2.80	2.00	2.00	1.50
Avg. Sales Price / Rent	\$1,035,000	\$750,000	\$525,000	\$2,500 /mo.	\$3,000 /mo.
Per Square Foot	\$450 /SF	\$469 /SF	\$583 /SF	\$2.27 /SF	\$3.33 /SF

2. Household Expenditures and Job Generation

Using the sales price or rent levels applicable to each of the five 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. “Downsized” 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>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
Avg. Sales Price / Rent	\$1,035,000	\$750,000	\$525,000	\$2,500	\$3,000
Gross Household Income	\$202,000	\$148,000	\$109,000	\$104,000	\$123,000
Net Annual Income available	\$131,300	\$100,600	\$75,200	\$67,000	\$78,000
Total Jobs Generated [from IMPLAN] (100 Units)	79.2	59.8	44.7	39.8	46.3
Net New Jobs after 20% reduction for declining industries (100 units)	63.3	47.8	35.7	31.8	37.1

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>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
Net New Jobs (100 Units)	63.3	47.8	35.7	31.8	37.1
Divide by No. of Workers per Worker Household	1.72	1.72	1.72	1.72	1.72
Net new worker households (100 Units)	36.9	27.8	20.8	18.5	21.6

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 Milpitas. 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 Milpitas prototype units.

New Worker Households per 100 Market Rate Units					
	<i>Single Family Detached</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
Extremely Low (0%-30% AMI)	6.6	5.0	3.8	3.4	3.9
Very Low (30%-50% AMI)	10.0	7.5	5.6	5.0	5.8
Low (50%-80% AMI)	8.5	6.3	4.7	4.2	4.9
Moderate (80%-120% AMI)	5.4	4.0	3.0	2.7	3.1
Total, Less than 120% AMI	30.4	22.9	17.1	15.2	17.8
Greater than 120% AMI	6.4	4.9	3.7	3.3	3.8
Total, New Households	36.9	27.8	20.8	18.5	21.6

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 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 are calculated for each of the income tiers; the nexus costs are calculated by multiplying the affordability gaps by the number of households in each income level.

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.

Maximum Supported Residential Impact Fees, City of Milpitas					
	<i>Single Family Detached</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
Per Market Rate Unit	\$69,900	\$52,700	\$39,400	\$35,000	\$40,800
Per Square Foot*	\$30.50	\$33.00	\$43.80	\$31.90	\$45.40

* Applies to net rentable / sellable area exclusive of garage space, external corridors and other common areas.

These costs express the maximum supported impact fees for the five residential prototype developments in Milpitas. 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 Milpitas.

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 Milpitas in recent years and expected to be built in the near term future. For purposes of the analysis, the following five building types were identified:

- Office
- Hotel
- Retail / Restaurant / Service
- Light Industrial
- Warehouse

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 five 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 five building types are as follows:

Building Type	Maximum Supported Fee Per Square Foot
Office	\$142.70
Retail	\$268.00
Hotel	\$128.70
Light Industrial	\$149.60
Warehouse	\$47.80

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 five 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 County 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 potential on-site inclusionary requirements;
- **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 cities of Santa Clara and Milpitas.

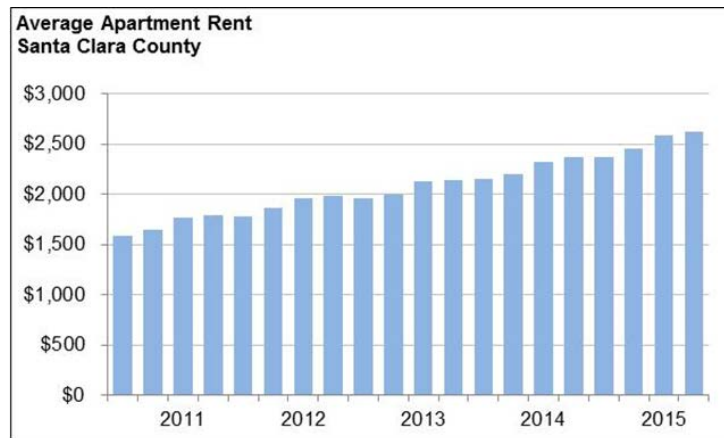
The financial feasibility analysis is focused on rental projects because the City's inclusionary housing policy for rental projects has not been enforceable since the 2009 *Palmer* decision, except through negotiation, and adoption of a new rental impact fee would represent an additional cost that would 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 Santa Clara and Milpitas 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 \$288,000/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 \$104,000/unit.

- Rental income for the apartment prototype has been estimated based on apartment rent comps. Rents are estimated at \$3,100/month, or \$3.44/square foot/month. After a vacancy factor, operating expenses, and property taxes, the net operating income (NOI) is estimated at \$26,400/unit/year. Using this NOI and applying a 5.5% project return, the project value/supported investment is estimated at \$480,000/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 60 units per acre is approximately \$88,000/unit or \$121/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

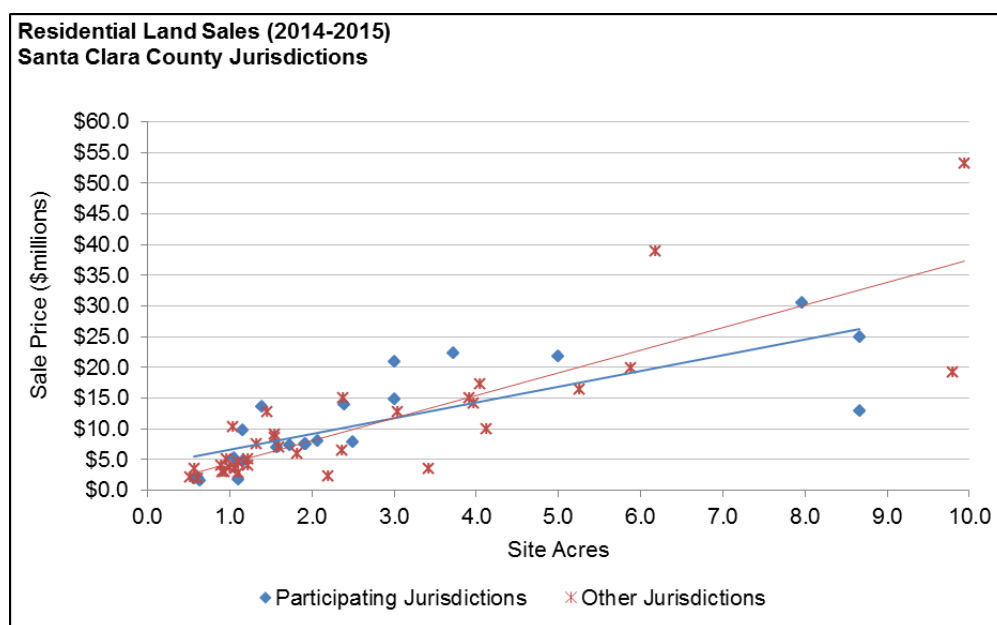
The feasibility analysis summarized in Table 1 on the next page indicates that apartment projects in the City of Milpitas, assumed at 60 units per acre on average, can afford to pay on average \$121/square foot for land with no affordable housing fee in place. The analysis also tested the land value supported with illustrative fee scenarios of \$10 to \$40 per net square foot. As shown, the supported land value decreases by approximately \$22 - \$23 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 down to \$72 per square foot.

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

Program		
Average Unit Size	900 sf (NSF)	
Average Bedrooms	1.5 bedrooms	
Density	60 du/acre	
Parking	Structure	
Development Costs	\$/NSF	Total
<u>Directs</u>	\$320	\$288,000
<u>Indirects</u>		
A&E	\$16	\$14,000
Fees & Permits (excl. Affordable)	\$42	\$38,000
Overhead & Administration	\$13	\$12,000
Other Indirects	\$29	\$26,000
Debt Financing Costs	\$16	\$14,000
Total Indirects	\$116	\$104,000
Total Costs before Land	\$436	\$392,000
Operating Income	\$/NSF	Total
Gross Income (\$3,100 rent + other income)	\$43	\$38,500
(Less) Vacancy (5%)	(\$2)	(\$1,900)
(Less) Operating Expenses & Taxes	(\$11)	(\$10,200)
Net Operating Income (NOI)	\$29	\$26,400
Threshold Return on Cost	5.50% ROC	
Total Supported Private Investment	\$533	\$480,000
Residual Land Value	\$/Land SF	\$/Unit
Land Value: No Affordable Housing Fee	\$121	\$88,000
<u>Land Values With Illustrative Fee Scenarios</u>		
<i>Illustrative Fee at \$10/square foot</i>	\$109	\$79,000
<i>Illustrative Fee at \$20/square foot</i>	\$96	\$70,000
<i>Illustrative Fee at \$30/square foot</i>	\$84	\$61,000
<i>Illustrative Fee at \$40/square foot</i>	\$72	\$52,000

Prevailing Land Values

In order to assess prevailing land values for residential development, 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. We estimate land values are in the \$100 to \$120 per square foot range, or within the same range as the \$121 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 Santa Clara and Milpitas which includes several recently completed apartment projects with additional rental projects currently under construction.

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 3% increase in rents
- An approximately 6% decrease in direct construction costs
- An approximately 21% decrease in land costs

Additional examples of potential market adjustments at illustrative fee levels of \$1, \$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 Illustrative Fee Levels					
	Each \$1 Fee	\$10 Fee	\$20 Fee	\$30 Fee	\$40 Fee
Increase in Rents/Income	0.14%	1.4%	2.8%	4.2%	5.6%
Decrease in Direct Costs	0.31%	3.1%	6.3%	9.4%	12.5%
Decrease in Land Values (based on \$120/sf)	1.02%	10.2%	20.5%	30.7%	40.9%

B. On-Site Compliance Cost Analysis

The City of Milpitas recently adopted a temporary ordinance requiring projects of five or more units to set aside 5% of units as affordable to low or very low income households, or pay an in-lieu fee. It is anticipated that the City will adopt a longer term policy once this study is completed. One factor in determining the appropriate program for the City is the cost to the developer of complying with the requirements. To assist the City in understanding the cost associated with an onsite obligation, KMA estimated the foregone revenue for the developer when units are sold at affordable prices; this is referred to as the 'onsite compliance cost.' This information is often useful as context when considering potential onsite and fee obligations.

For ownership units, KMA modeled the cost associated with setting aside 1% of units to sell at Moderate prices (affordable to households earning 110% of Area Median Income) and Low prices (affordable to households earning 70% of AMI). With this information, the City can easily estimate the onsite compliance costs of other requirements, such as 10% Moderate or a split requirement with some units at Low and some at Moderate. This is done by scaling up the cost figures associated with 1%. 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 1% of units as affordable to Moderate Income ranges from \$1,700 to \$6,200 per unit or \$1.90 to \$2.70 per net square foot, depending on the prototype. For Low Income units, the range is \$3,600 to \$8,400 per unit or \$3.50 to \$4.00 per net square foot, depending on the prototype.

To estimate onsite compliance costs for a 10% at Moderate onsite obligation on a townhome unit, for example, the cost associated with a 1% obligation (\$3,570 per unit) is multiplied by 10, or \$35,700 per unit. To estimate compliance costs for a split obligation with Low and Moderate income units, the costs associated with the Low income units are added to the costs of the Moderate income units.

For rental projects, provision of on-site units may be permitted as an alternative to impact fee payment. KMA analyzed the cost associated with setting aside each 1% of units in rental project at Low and Very Low. For Low-Income units, the onsite compliance costs were evaluated with rents set at 60% of AMI and at 80% of AMI. With current market rents, the cost to a developer associated with designating 1% of units as affordable to Low Income ranges from \$1,500 to \$3,200 per unit or \$1.40 to \$3.50 per net square foot, depending on the prototype and whether rents are set at 60% or 80% of AMI. For Very Low Income units, the range is \$2,400 to \$3,400 per unit or \$2.20 to \$3.80 per net square foot. The results for rental units are summarized in Table 2C with supporting calculations provided on Tables 2D and 2E.

The onsite compliance cost figures should not be interpreted as recommended fee levels.

TABLE 2
COST OF ONSITE COMPLIANCE AND EQUIVALENT IN-LIEU FEES: FOR SALE UNITS
RESIDENTIAL NEXUS ANALYSIS
CITY OF MILPITAS, CA

		Prototype 1 Single Family Detached		Prototype 2 Townhome		Prototype 3 Condominium	
Unit Size ¹		2,300 sq ft		1,600 sq ft		900 sq ft	
Number of Bedrooms ¹		3.5		2.8		2	
Market Rate		Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Sales Prices ¹		\$450	\$1,035,000	\$469	\$750,000	\$583	\$525,000
Affordable Prices²			Per Unit		Per Unit		Per Unit
At Moderate Income (110%)			\$411,725		\$392,920		\$352,850
At Low Income (70%)			\$190,525		\$184,540		\$161,550
Affordability Gap³			Per Unit		Per Unit		Per Unit
Per Affordable Moderate Unit			\$623,275		\$357,080		\$172,150
Per Affordable Low Unit			\$844,475		\$565,460		\$363,450
Cost of Onsite Compliance⁴		Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Inclusionary Percentage @	1.0% Mod	\$2.71	\$6,233	\$2.23	\$3,571	\$1.91	\$1,722
Inclusionary Percentage @	1.0% Low	\$3.67	\$8,445	\$3.53	\$5,655	\$4.04	\$3,635

1. See Residential Nexus Analysis Table A-1.

2. Estimate calculated by KMA based on standard affordable pricing assumptions.

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 MILPITAS

	Condo	Townhome	Townhome	SFD	SFD
Unit Size	2-Bedroom Unit	2-Bedroom Unit	3-Bedroom Unit	3-Bedroom Unit	4-Bedroom Unit
Household Size	3-person HH	3-person HH	4-person HH	4-person HH	5-person HH
100% AMI Santa Clara County 2016	\$96,400	\$96,400	\$107,100	\$107,100	\$115,650
Annual Income @ 110%	\$106,040	\$106,040	\$117,810	\$117,810	\$127,215
% for Housing Costs	35%	35%	35%	35%	35%
Available for Housing Costs	\$37,114	\$37,114	\$41,234	\$41,234	\$44,525
(Less) Property Taxes	(\$4,236)	(\$4,320)	(\$4,812)	(\$4,752)	(\$5,124)
(Less) HOA	(\$4,200)	(\$3,300)	(\$3,300)	(\$2,400)	(\$2,400)
(Less) Utilities	(\$1,116)	(\$1,416)	(\$1,776)	(\$3,144)	(\$3,552)
(Less) Insurance	(\$700)	(\$700)	(\$800)	(\$800)	(\$900)
(Less) Mortgage Insurance	(\$4,523)	(\$4,617)	(\$5,144)	(\$5,076)	(\$5,481)
Income Available for Mortgage	\$22,340	\$22,761	\$25,402	\$25,062	\$27,068
Mortgage Amount	\$335,200	\$341,600	\$381,200	\$376,100	\$406,200
Down Payment (homebuyer cash)	\$17,650	\$18,000	\$20,050	\$19,800	\$21,350
Supported Home Price	\$352,850	\$359,600	\$401,250	\$395,900	\$427,550
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⁾	\$350	\$275	\$275	\$200	\$200
- Utilities (per month) ⁽⁵⁾	\$93	\$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 MILPITAS, CA

	Condo	Townhome	Townhome	SFD	SFD
Unit Size	2-Bedroom Unit	2-Bedroom Unit	3-Bedroom Unit	3-Bedroom Unit	4-Bedroom Unit
Household Size	3-person HH	3-person HH	4-person HH	4-person HH	5-person HH
100% AMI Santa Clara County 2016	\$96,400	\$96,400	\$107,100	\$107,100	\$115,650
Annual Income @ 70%	\$67,480	\$67,480	\$74,970	\$74,970	\$80,955
% for Housing Costs	30%	30%	30%	30%	30%
Available for Housing Costs	\$20,244	\$20,244	\$22,491	\$22,491	\$24,287
(Less) Property Taxes	(\$1,932)	(\$2,016)	(\$2,256)	(\$2,196)	(\$2,376)
(Less) HOA	(\$4,200)	(\$3,300)	(\$3,300)	(\$2,400)	(\$2,400)
(Less) Utilities	(\$1,116)	(\$1,416)	(\$1,776)	(\$3,144)	(\$3,552)
(Less) Insurance	(\$700)	(\$700)	(\$800)	(\$800)	(\$900)
(Less) Mortgage Insurance	(\$2,066)	(\$2,160)	(\$2,417)	(\$2,349)	(\$2,538)
Income Available for Mortgage	\$10,231	\$10,652	\$11,943	\$11,602	\$12,521
Mortgage Amount	\$153,500	\$159,900	\$179,200	\$174,100	\$187,900
Down Payment (homebuyer cash)	\$8,050	\$8,400	\$9,400	\$9,150	\$9,900
Supported Home Price	\$161,550	\$168,300	\$188,600	\$183,250	\$197,800
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⁾	\$350	\$275	\$275	\$200	\$200
- Utilities (per month) ⁽⁵⁾	\$93	\$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).

TABLE 2C
COST OF ONSITE COMPLIANCE AND EQUIVALENT IN-LIEU FEES: RENTAL UNITS
CITY OF MILPITAS, CA

	Apartments - Lower Density		Apartments Higher Density	
	<u>Per Unit</u>	<u>Per Sq.Ft.</u>	<u>Per Unit</u>	<u>Per Sq.Ft.</u>
<i>Fee Equivalent to the Cost of each 1% of Units in Project Made Affordable</i>				
1% Low (Rents @60% AMI)	\$2,160	\$1.96	\$3,160	\$3.51
1% Low (Rents @80% AMI)	\$1,500	\$1.36	\$2,540	\$2.82
1% Very Low (Rents @50% AMI)	\$2,420	\$2.20	\$3,420	\$3.80
<i>Fee Equivalent to the Cost to Make 10% of Units in Project Affordable at Low Income</i>				
10% Low (Rents @60% AMI)	\$21,600	\$19.64	\$31,600	\$35.11
10% Low (Rents @80% AMI)	\$15,000	\$13.64	\$25,400	\$28.22
<i>Fee Equivalent to the Cost to Make 8% of Units in Project Affordable at Low Income</i>				
8% Low (Rents @60% AMI)	\$17,280	\$15.71	\$25,280	\$28.09
8% Low (Rents @80% AMI)	\$12,000	\$10.91	\$20,320	\$22.58

TABLE 2D
COST OF ONSITE COMPLIANCE - RENTAL UNITS WITH LOW-INCOME @60% AMI
CITY OF MILPITAS, CA

	Apartments - Lower Density		Apartments Higher Density		
1	Gross Unit Size	1,100 sq ft	900 sq ft		
2	Number of Bedrooms	2	1.5		
3	Household Size	3	2.5		
	Market Rate	Per Unit	Per Unit		
4	Rent per month	\$2,500	\$3,000		
5	Annual Rent	\$30,000	\$36,000		
6	Household Income	\$100,000	\$120,000		
7	(Less Vacancy Allowance @ 5%)	(\$1,500)	(\$1,800)		
8	Annual Operating Expenses ⁴	<u>(\$9,500)</u>	<u>(\$10,200)</u>		
9	Annual Net Operating Income (NOI)	\$19,000	\$24,000		
10	Unit Value @ 5.5% Return on Cost	\$345,000	\$436,000		
	Affordable Income & Rents	Low Income	Very Low	Low Income	Very Low
11	Household Income Limit ¹	\$57,840	\$50,250	\$54,630	\$47,450
12	Gross Rent ²	\$1,446	\$1,256	\$1,366	\$1,186
13	(Less Vacancy Allowance @ 5%)	(\$72)	(\$63)	(\$68)	(\$59)
14	(Less Utility Allowance) ³	(\$90)	(\$90)	(\$80)	(\$80)
15	Net Rent	\$1,284	\$1,103	\$1,217	\$1,047
16	Annual Rent	\$15,404	\$13,241	\$14,610	\$12,563
17	Annual Operating Expenses ⁴	(\$6,700)	(\$6,300)	(\$6,500)	(\$6,200)
18	Annual Net Operating Income (NOI)	\$8,704	\$6,941	\$8,110	\$6,363
19	Unit value @ 6.75% Return on Cost	\$129,000	\$103,000	\$120,000	\$94,000
20	Gap in Unit Value	\$216,000	\$242,000	\$316,000	\$342,000
	Onsite Cost Equivalents				
21	1% Low	\$2,160	\$3,160		
22	Per square foot	\$1.96	\$3.51		
23	1% Very Low	\$2,420	\$3,420		
24	Per square foot	\$2.20	\$3.80		
25	10% Low	\$21,600	\$31,600		
26	Per square foot	\$19.64	\$35.11		
27	8% Low	\$17,280	\$25,280		
28	Per square foot	\$15.71	\$28.09		

1. California Department of Housing & Community Development, 2016. For the higher density apartment, represents an average of 2- and 3-person households. Low-income household income calculated at 60% of median, for purposes of setting rent limit.

2. Calculated at 30% of household income.

3. Monthly utilities include direct-billed utilities and landlord reimbursements estimated based on County Housing Authority utility allowance schedule. For the higher density apartment, represents an average of 1- and 2-bedroom units.

4. Assumes \$5,000 in annual operating expenses plus property taxes estimated at 1.2% of market rate unit value.

Note: Market rate unit values differ from those in the Financial Feasibility Analysis, which was conducted on a broader regional area and as such, had different assumptions regarding rental rates, property taxes, etc.

TABLE 2E
COST OF ONSITE COMPLIANCE - RENTAL UNITS WITH LOW-INCOME @80% AMI
CITY OF MILPITAS, CA

	Apartments - Lower Density		Apartments Higher Density		
1	Gross Unit Size	1,100 sq ft	900 sq ft		
2	Number of Bedrooms	2	1.5		
3	Household Size	3	2.5		
	Market Rate	Per Unit	Per Unit		
4	Rent per month	\$2,500	\$3,000		
5	Annual Rent	\$30,000	\$36,000		
6	Household Income	\$100,000	\$120,000		
7	(Less Vacancy Allowance @ 5%)	(\$1,500)	(\$1,800)		
8	Annual Operating Expenses ⁴	<u>(\$9,500)</u>	<u>(\$10,200)</u>		
9	Annual Net Operating Income (NOI)	\$19,000	\$24,000		
10	Unit Value @ 5.5% Return on Cost	\$345,000	\$436,000		
	Affordable Income & Rents	Low Income	Very Low	Low Income	Very Low
11	HH Income Limit ¹	\$76,400	\$50,250	\$72,150	\$47,450
12	Gross Rent ²	\$1,910	\$1,256	\$1,804	\$1,186
13	(Less Vacancy Allowance @ 5%)	(\$96)	(\$63)	(\$90)	(\$59)
14	(Less Utility Allowance) ³	(\$90)	(\$90)	(\$80)	(\$80)
15	Net Rent	\$1,725	\$1,103	\$1,634	\$1,047
16	Annual Rent	\$20,694	\$13,241	\$19,603	\$12,563
17	Annual Operating Expenses ⁴	(\$7,500)	(\$6,300)	(\$7,300)	(\$6,200)
18	Annual Net Operating Income (NOI)	\$13,194	\$6,941	\$12,303	\$6,363
19	Unit value @ 6.75% Return on Cost	\$195,000	\$103,000	\$182,000	\$94,000
20	Gap in Unit Value	\$150,000	\$242,000	\$254,000	\$342,000
	Onsite Cost Equivalents				
21	1% Low	\$1,500	\$2,540		
22	Per square foot	\$1.36	\$2.82		
23	1% Very Low	\$2,420	\$3,420		
24	Per square foot	\$2.20	\$3.80		
25	10% Low	\$15,000	\$25,400		
26	Per square foot	\$13.64	\$28.22		
27	8% Low	\$12,000	\$20,320		
28	Per square foot	\$10.91	\$22.58		

1. California Department of Housing & Community Development, 2016. For the higher density apartment, represents an average of 2- and 3-person households.

2. Calculated at 30% of household income.

3. Monthly utilities include direct-billed utilities and landlord reimbursements estimated based on County Housing Authority utility allowance schedule. For the higher density apartment, represents an average of 1- and 2-bedroom units.

4. Assumes \$5,000 in annual operating expenses plus property taxes estimated at 1.2% of market rate unit value.

Note: Market rate unit values differ from those in the Financial Feasibility Analysis, which was conducted on a broader regional area and as such, had different assumptions regarding rental rates, property taxes, etc.

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. 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. To the north of Fremont, 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: Low and Moderate	FS: Moderate If <10 units, one unit at Low.	FS/R: Low and Very Low	FS: Very Low to Moderate
Income Level for Pricing(% AMI)	FS: Moderate @ 110% Low @ 70%	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	code does not specify allocation between Low and Moderate; staff indicates approximately 50/50 allocation has been the experience.	<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.	Policy established in the City's General Plan.

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

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: <i>Detached</i> \$15/sf, <i>Attached</i> \$16.50/sf, <i>MF</i> \$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%
Income Level for Qualification	FS: 1/2 Median 1/2 Moderate R: 40% Low, 60% Very Low	FS: Median R: Low	FS: Moderate	R: On-site credits (see below) 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.	Fee payment with City approval only. Single-unit, owner occupied projects exempt.

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

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 Proposed \$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%, Proposed 20%	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	FS: Low R: Current Very Low Proposed 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.

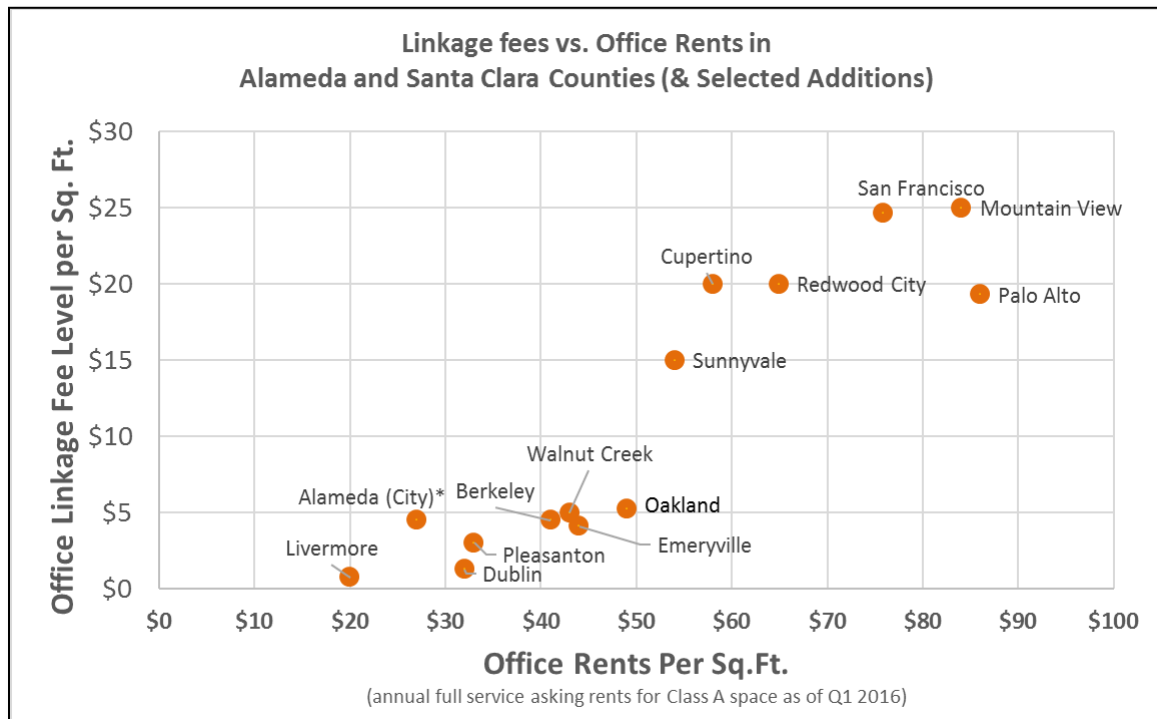
Affordable Housing Fee Levels in Selected Communities

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.

Milpitas has not historically been a significant office location (it has far more R&D / Light Industrial / flex space). The brokerage firm, Colliers International, combines Milpitas and Fremont in its reporting and identifies less than 1 million square feet of Class A office space between the two cities with an average asking rent of around \$27 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 4 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 Integrated 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 Dvlpmnt \$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.						

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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	
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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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. Specifies No. of 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.

Note: This report has been prepared as a general 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 in the fee schedule. For more information, please contact the staff of the County of Sonoma Planning and Development Department at (707) 461-1111 or (707) 461-1112.

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
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 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 Office \$11.21 Hotel/Lodging \$3.07 Hospital \$6.15 Industrial \$7.53 Institutional \$10.23 Creative Office \$9.59 Medical Office \$6.89	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.
City of West Hollywood Population: 35,000	1986	Non-Residential \$8.00 (per staff increase from \$4 to \$8 anticipated for FY16-17)	N/A	N/A	Substantial	Fees adjusted by CPI annually
City of San Diego Population: 1,342,000	1990 Updated 2014	Office \$1.76 Hotel \$1.06 R&D \$0.80 Retail \$1.06	No minimum threshold Industrial/ warehouse, non-profit hospitals exempt.	Can dedicate land or air rights in lieu of fee	Substantial	
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 Milpitas

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	21
C. The KMA Jobs Housing Nexus Model.....	24
D. Mitigation Costs	36
III. ADDENDUM: ADDITIONAL BACKGROUND AND NOTES ON SPECIFIC ASSUMPTIONS	45
APPENDIX A: RESIDENTIAL MARKET SURVEY.....	48
APPENDIX B: WORKER OCCUPATIONS AND COMPENSATION LEVELS.....	59

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 Milpitas. The report has been prepared by Keyser Marston Associates, Inc. (KMA) for the City of Milpitas, 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 Milpitas and the various types of units that are subject to the City's affordable housing requirements 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 Milpitas.

The City of Milpitas has many policies in the General Plan to encourage residential development of all income levels, including affordable units. A policy to encourage inclusionary type units, or 20% affordable units within market rate projects, is negotiated on a case by case basis as to affordability level. An ordinance adopted in 2015 provides for fee payment on residential market rate units, a measure understood to be temporary until a more comprehensive program is proposed following the work program to produce these nexus analyses and other materials. The temporary ordinance requires that projects of five or more units ensure that 5% of total units are affordable to very low and low income households, or pay an in-lieu fee equivalent to 5% of the project's building permit value.

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 Milpitas. 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.

Inclusionary 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 inclusionary requirements

applicable to small projects, it is generally 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.

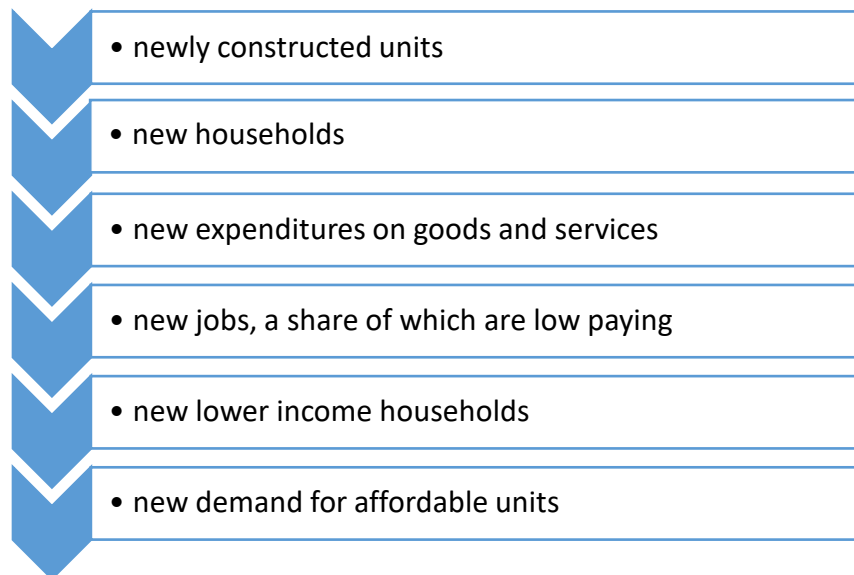
The *Palmer* case (Palmer/Sixth Street Properties L.P. v. City of Los Angeles [2009] 175 Cal. App. 4th 1396) was decided in 2009 and precluded California cities from requiring long term rent restrictions or inclusionary requirements on rental units. Since the *Palmer* ruling, many California cities have adopted affordable housing impact fees on rental projects supported by residential nexus studies similar to this one.

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 newly constructed market rate units represent net new households in Milpitas. These households represent new income in Milpitas 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 Milpitas 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 Milpitas.

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 Milpitas. 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 Milpitas 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 Milpitas 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 Milpitas, 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

Five 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 Milpitas or which are expected in the future including:

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

Not all of these prototypes are active at the time of report preparation but all have the potential to become active at some point over the next five to ten years.

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 Milpitas or that are likely to be built in Milpitas 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 five representative residential development prototypes envisioned to be built in Milpitas 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 Milpitas, although it could potentially be built in the future in the Mid-Town Area of the City. 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.

Milpitas has one of the most active residential development markets in Santa Clara County. At the time of the market survey in late 2015 and early 2016, there were many recently built, under construction or proposed residential developments in Milpitas at this time, including single family detached units, townhome projects, and apartment projects. There are also several condominium projects (or rental projects with condominium maps) under discussion, although they are still in the preliminary stages of development and have not been approved by the City. Many new for-sale projects were being marketed in Milpitas, including several single family projects and many townhome/attached projects. To estimate condominium prices, KMA analyzed recent resale prices of stacked flat condominiums at Centria and Terra Serena Luna, in Milpitas, both built in 2007. In order to inform achievable market rents for new apartment developments in Milpitas, KMA performed a survey of asking apartment rents in selected properties.

The five 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 Milpitas.

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

Prototypical Residential Units for City of Milpitas					
	<i>Single Family Detached</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
Avg. Unit Size	2,300 SF	1,600 SF	900 SF	1,100 SF	900 SF
Avg. No. of Bedrooms	3.50	2.80	2.00	2.00	1.50
Avg. Sales Price / Rent	\$1,035,000	\$750,000	\$525,000	\$2,500 /mo.	\$3,000 /mo.
Per Square Foot	\$450 /SF	\$469 /SF	\$583 /SF	\$2.27 /SF	\$3.33 /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.

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. The selected terms for the analysis are: a down-payment of 20% which is representative of new purchase loans originated locally.¹ A 30-year fixed rate loan at a 5% interest is assumed. The interest rate at 5% reflects a longer term average rate based on data for the last fifteen years from 2001 to 2015.² An interest rate premium of 0.25% is added to non-conforming loans that exceed the \$625,000 limit established by the Federal Housing Finance Agency (FHFA). Tables A-2 to A-4 at the end of this section provide the details.

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

¹ 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.

² 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.

part of housing expenses for purposes of determining mortgage eligibility.³ 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 loans⁴ and is consistent with criteria used by lenders to determine mortgage eligibility.⁵

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.⁶ 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-6 and summarized below.

Gross Household Income					
	<i>Single Family Detached</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
Gross Household Income	\$202,000	\$148,000	\$109,000	\$104,000	\$123,000

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

³ 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.

⁴ 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. 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.

⁵ 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.

⁶ Health and Safety Code Section 50052.5 defines affordable rent levels based on 30% of income.

of this adjustment step. Table A-7 at the end of this section shows the calculation of income available for expenditures.

Income available for expenditures is estimated at approximately 65% to 69% 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 \$100,000 and \$200,000 per year, or the residents of townhome and condominium ownership units, who itemize deductions on their tax returns will pay an average of 12.4% of gross income for federal taxes. Households in the single family units are estimated to pay 14.2% of gross income for federal taxes based on linear interpolation between averages for the \$100,000 - \$200,000 and \$200,000 - \$500,000 income ranges. 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 6% 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 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.

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 65% - 69%. 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>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
Gross Household Income	\$202,000	\$148,000	\$109,000	\$104,000	\$123,000
Percent Income available for Expenditures	65%	68%	69%	68%	67%
Spending Adjustment / Rental Vacancy	N/A	N/A	N/A	95%	95%
Household Income Available for Expenditure ⁽¹⁾					
One Unit	\$131,300	\$100,600	\$75,200	\$67,000	\$78,000
100 Units [input to IMPLAN]	\$13,130,000	\$10,060,000	\$7,520,000	\$6,700,000	\$7,800,000

(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-8 and A-9 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 MILPITAS, CA

	<u>Single Family Detached</u>	<u>Townhome</u>	<u>Condominium</u>	<u>Apartments - Lower Density</u>	<u>Apartments - Higher Density</u>
Example Projects	Momentum at Pace Cobblestone Orchid Waterstone	Coyote Creek Palazzo at Montague Avenue (Madison) Velocity at Pace Journey / Voyage	Summerhill Homes Anton True Life Co.	(MidTown Area)	Ilara Amalfi I
Density / Lot Size	2,000 - 4,000 sf lots	15 - 20 dua	40 - 50 dua	20 - 40 dua	50+ dua
Building Type	Two-story homes	Three-story attached.	Four stories (excl. garage)	Two to four stories	Four stories (excl. garage)
Unit Mix	3 and 4 BR	2 and 3 BR	Studio, 1 and 2 BR	1, 2 and 3 BR	Studio, 1, and 2 BR
Average Unit Size	2,300 sf	1,600 sf	900 sf	1,100 sf	900 sf
Average No. of Bedrooms	3.5 BR	2.8 BR	2.0 BR	2.0 BR	1.5 BR
Parking Type	Attached garage	Attached garage	Ground-floor garage (podium), multi-story garage (wrap), or subterranean	Surface parking lot (carports)	Ground-floor garage (podium), multi-story garage (wrap), or subterranean
Average Parking Spaces	2	2	1.5 - 2.0	1.5-2.0	1.5-2.0
Sales Price/Rent per square foot	\$1,035,000 \$450	\$750,000 \$469	\$525,000 \$583	\$2,500 \$2.27	\$3,000 \$3.33

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

Prototype 1			
Single Family Detached			
Sales Price	\$450 /SF	2,300 SF ¹	\$1,035,000 ¹
Mortgage Payment			
Downpayment @ 20%		20% ²	\$207,000
Loan Amount			\$828,000
Interest Rate			5.25% ³
Term of Mortgage			30 years
Annual Mortgage Payment	\$4,600 /month		\$54,900
Other Costs			
Property Taxes	1.20% of sales price ⁴		\$12,420
HOA Dues	\$200 per month ¹		\$2,400
Homeowner Insurance	0.10% of sales price ⁵		\$1,000
Total Annual Housing Cost	\$5,900 /month		\$70,720
% of Income Spent on Hsg			35% ⁶
Annual Household Income Required			\$202,000
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-3
PROTOTYPE 2: TOWNHOME
SALES PRICE TO INCOME RATIO
RESIDENTIAL NEXUS ANALYSIS
MILPITAS, CA

			Prototype 2 Townhome
Sales Price	\$469 /SF	1,600 SF ¹	\$750,000 ¹
Mortgage Payment			
Downpayment @ 20%		20% ²	\$150,000
Loan Amount			\$600,000
Interest Rate			5.00% ³
Term of Mortgage			30 years
Annual Mortgage Payment	\$3,200 /month		\$38,700
Other Costs			
Property Taxes	1.20% of sales price ⁴		\$9,000
HOA Dues	\$275 per month ¹		\$3,300
Homeowner Insurance	0.10% sale price ⁵		\$800
Total Annual Housing Cost	\$4,300 /month		\$51,800
% of Income Spent on Hsg			35% ⁶
Annual Household Income Required			\$148,000
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.

(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-4
PROTOTYPE 3: CONDOMINIUM
SALES PRICE TO INCOME RATIO
RESIDENTIAL NEXUS ANALYSIS
MILPITAS, CA

			Prototype 3 Condominium
Sales Price	\$583 /SF	900 SF ¹	\$525,000 ¹
Mortgage Payment			
Downpayment @ 20%		20% ²	\$105,000
Loan Amount			\$420,000
Interest Rate			5.00% ³
Term of Mortgage			30 years
Annual Mortgage Payment	\$2,300 /month		\$27,100
Other Costs			
Property Taxes	1.20% of sales price ⁴		\$6,300
HOA Dues	\$350 per month ¹		\$4,200
Homeowner Insurance	0.10% sale price ⁵		\$500
Total Annual Housing Cost	\$3,200 /month		\$38,100
% of Income Spent on Hsg			35% ⁶
Annual Household Income Required			\$109,000
Sales Price to Income Ratio			4.8

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.

(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: APARTMENTS - LOWER DENSITY
RENT TO INCOME RATIO
RESIDENTIAL NEXUS ANALYSIS
MILPITAS, CA

Prototype 4		
<u>Apartments - Lower Density</u>		
Market Rent	<u>Unit Size</u>	
Monthly	1,100 SF ¹	\$2,500 ¹
Utilities ²		<u>\$90</u>
Monthly housing cost		\$2,590
Annual housing cost		\$31,080
% of Income Spent on Rent		30% ³
Annual Household Income Required		\$104,000
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-6
PROTOTYPE 5: APARTMENTS - HIGHER DENSITY
RENT TO INCOME RATIO
RESIDENTIAL NEXUS ANALYSIS
MILPITAS, CA

Prototype 5		
<u>Apartments - Higher Density</u>		
Market Rent	<u>Unit Size</u>	
Monthly	900 SF ¹	\$3,000 ¹
Utilities ²		<u>\$70</u>
Monthly housing cost		\$3,070
Annual housing cost		\$36,840
% of Income Spent on Rent		30% ³
Annual Household Income Required		\$123,000
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
INCOME AVAILABLE FOR EXPENDITURES¹
RESIDENTIAL NEXUS ANALYSIS
MILPITAS, CA

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>	<i>Prototype 5</i>
	Single Family Detached	Townhome	Condominium	Apartments - Lower Density	Apartments - Higher Density
Gross Income	100%	100%	100%	100%	100%
<u>Less:</u>					
Federal Income Taxes ²	14.2%	12.4%	12.4%	13.4%	13.4%
State Income Taxes ³	6%	4%	3%	3%	4%
FICA Tax Rate ⁴	7.65%	7.65%	7.65%	7.65%	7.65%
Savings & other deductions ⁵	8%	8%	8%	8%	8%
Percent of Income Available for Expenditures ⁶ [Input to IMPLAN model]	65%	68%	69%	68%	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. Tax rates reflect averages for applicable income range. Linear interpolation between averages for two categories used for the single family estimate.
- 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-8
FOR SALE PROTOTYPES: SALES PRICE TO INCOME SUMMARY
RESIDENTIAL NEXUS ANALYSIS
MILPITAS, CA

		<u>Per Unit</u>	<u>Per Sq.Ft.</u>	<u>100 Unit Building Module</u> (Per 100 Units)
PROTOTYPE 1: SINGLE FAMILY DETACHED				
Building Sq.Ft. (excludes garage)		2,300		230,000
Sales Price		\$1,035,000	\$450	\$103,500,000
Sales Price to Income Ratio		5.1		5.1
Gross Household Income		\$202,000		\$20,200,000
Income Available for Expenditure ¹	65% of gross	\$131,300		\$13,130,000
PROTOTYPE 2: TOWNHOME				
Building Sq.Ft. (excludes garage)		1,600		160,000
Sales Price		\$750,000	\$469	\$75,000,000
Sales Price to Income Ratio		5.1		5.1
Gross Household Income		\$148,000		\$14,800,000
Income Available for Expenditure ¹	68% of gross	\$100,600		\$10,060,000
PROTOTYPE 3: CONDOMINIUM				
Building Sq.Ft. (excludes garage)		900		90,000
Sales Price		\$525,000	\$583	\$52,500,000
Sales Price to Income Ratio		4.8		4.8
Gross Household Income		\$109,000		\$10,900,000
Income Available for Expenditure ¹	69% of gross	\$75,200		\$7,520,000

Notes:

(1) Represents net income available for expenditures after income tax, payroll taxes, and savings. See Table A-7 for derivation.

Source: See Table A-1 through Table A-7.

TABLE A-9
NEW MARKET RATE RESIDENTIAL HOUSEHOLD SUMMARY
RESIDENTIAL NEXUS ANALYSIS
MILPITAS, CA

		<u>Per Unit</u>	<u>Per Sq.Ft.</u>	<u>100 Unit Building Module (Per 100 Units)</u>
PROTOTYPE 4: APARTMENTS - LOWER DENSITY				
Building Sq.Ft.		1,100		110,000
Rent				
Monthly		\$2,500	\$2.27 /SF	\$250,000
Monthly with Utilities		\$2,590		
Annual with Utilities		\$31,080		\$3,108,000
Rent to Income Ratio		3.3		3.3
Gross Household Income		\$104,000		\$10,400,000
Income Available for Expenditure ¹	68% of gross	\$71,000		\$7,070,000
Expenditures adjusted for vacancy ²	5% vacancy	\$67,000		\$6,700,000
PROTOTYPE 5: APARTMENTS - HIGHER DENSITY				
Building Sq.Ft. (gross)		900		90,000
Rent				
Monthly		\$3,000	\$3.33 /SF	\$300,000
Monthly with Utilities		\$3,070		
Annual with Utilities		\$36,840		\$3,684,000
Rent to Income Ratio		3.3		3.3
Gross Household Income		\$123,000		\$12,300,000
Income Available for Expenditure ¹	67% of gross	\$82,000		\$8,240,000
Expenditures adjusted for vacancy ²	5% vacancy	\$78,000		\$7,800,000

Notes:

(1) Represents net income available for expenditures after income tax, payroll taxes, and savings. See Table A-7 for derivation.

(2) Allowance to account for standard operational vacancy.

Source: See Table A-2 through A-4.

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 Milpitas or nearby. In addition, the employment impacts will extend throughout the county and beyond based on where jobs are located that serve Milpitas residents. In fact, Milpitas 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>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
Annual Household Expenditures (100 Units)	\$13,130,000	\$10,060,000	\$7,520,000	\$6,700,000	\$7,800,000
Total Jobs Generated (100 Units)	79.2	59.8	44.7	39.8	46.3

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
MILPITAS, 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>	
	Single Family Detached	Townhome	Condominium	Apartments - Lower Density	Apartments - Higher Density	% of Jobs
Household Expenditures (100 Market Rate Units)	\$13,130,000	\$10,060,000	\$7,520,000	\$6,700,000	\$7,800,000	
Jobs Generated by Industry ¹						
Full-service restaurants	4.8	3.9	2.9	2.6	3.1	6%
Individual and family services	3.9	2.9	2.2	1.9	2.2	5%
Limited-service restaurants	4.0	3.3	2.5	2.2	2.6	5%
All other food and drinking places	<u>2.5</u>	<u>2.0</u>	<u>1.5</u>	<u>1.4</u>	<u>1.6</u>	<u>3%</u>
Subtotal Restaurant	15.3	12.2	9.1	8.1	9.4	20%
Retail - Food and beverage stores	2.9	2.1	1.6	1.4	1.6	4%
Retail - General merchandise stores	2.3	1.7	1.2	1.1	1.3	3%
Personal care services	1.8	1.5	1.1	1.0	1.2	2%
Retail - Health and personal care stores	1.2	0.9	0.6	0.6	0.7	1%
Retail - Miscellaneous store retailers	1.1	0.8	0.6	0.6	0.6	1%
Retail - Building material and garden	1.1	0.8	0.6	0.5	0.6	1%
Other personal services	1.0	0.7	0.5	0.5	0.6	1%
Retail - Clothing and accessories	1.0	0.7	0.5	0.5	0.6	1%
Retail - Motor vehicle and parts dealers	0.9	0.6	0.5	0.4	0.5	1%
Retail - Nonstore retailers	<u>0.3</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0%</u>
Subtotal Retail and Service	13.5	10.1	7.6	6.7	7.8	17%
Hospitals	3.7	3.3	2.5	2.2	2.6	5%
Nursing and community care facilities	1.7	1.6	1.2	1.0	1.2	2%
Home health care services	0.7	0.7	0.5	0.4	0.5	1%
Offices of physicians	2.1	1.9	1.4	1.3	1.5	3%
Offices of dentists	0.9	0.8	0.6	0.5	0.6	1%
Offices of other health practitioners	<u>1.2</u>	<u>1.0</u>	<u>0.8</u>	<u>0.7</u>	<u>0.8</u>	<u>2%</u>
Subtotal Healthcare	10.4	9.3	6.9	6.2	7.2	15%
Other educational services	2.4	1.2	0.9	0.8	1.0	2%
Colleges, universities	2.4	1.2	0.9	0.8	0.9	2%
Elementary and secondary schools	<u>1.5</u>	<u>0.8</u>	<u>0.6</u>	<u>0.5</u>	<u>0.6</u>	<u>2%</u>
Subtotal Education	6.4	3.2	2.4	2.2	2.5	6%
Real estate	2.9	2.4	1.8	1.6	1.9	4%
Wholesale trade	2.0	1.5	1.1	1.0	1.2	3%
Other financial investment activities	1.8	1.3	1.0	0.9	1.0	2%
Child day care services	1.7	0.9	0.7	0.6	0.7	2%
Services to private households	1.4	1.0	0.7	0.6	0.8	2%
Services to buildings	1.3	1.0	0.8	0.7	0.8	2%
Automotive repair and maintenance	1.2	1.0	0.7	0.6	0.7	2%
All Other	21.2	15.8	11.8	10.6	12.3	27%
Total Number of Jobs Generated	79.2	59.8	44.7	39.8	46.3	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 five 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%⁷. 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

⁷ 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>
1.7	487 - Child day care services	1.7	6244 Child day care services	1.7	100%	6244 Child day care services
3.7	482 - Hospitals	3.7	622 Hospitals	3.5	92%	6221 General Medical and Surgical Hospitals
				0.1	4%	6222 Psychiatric and Substance Abuse Hospitals
				0.1	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 (15%), 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>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
Extremely Low (0%-30% AMI)	6.6	5.0	3.8	3.4	3.9
Very Low (30%-50% AMI)	10.0	7.5	5.6	5.0	5.8
Low (50%-80% AMI)	8.5	6.3	4.7	4.2	4.9
Moderate (80%-120% AMI)	5.4	4.0	3.0	2.7	3.1
Total, Less than 120% AMI	30.4	22.9	17.1	15.2	17.8
Greater than 120% AMI	6.4	4.9	3.7	3.3	3.8
Total, New Households	36.9	27.8	20.8	18.5	21.6

Housing demand for new worker households earning less than 120% of AMI ranges from 30.4 units per 100 market rate units for single family detached units to 15.2 per 100 market rate units for lower 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
MILPITAS, CA

	Prototype 1	Prototype 2	Prototype 3	Prototype 4	Prototype 5
	Single Family Detached	Townhome	Condominium	Apartments - Lower Density	Apartments - Higher Density
Step 1 - Employees ¹	79.2	59.8	44.7	39.8	46.3
Step 2 - Adjustment for Changing Industries (20%) (2)	63.3	47.8	35.7	31.8	37.1
Step 3 - Adjustment for Number of Households (1.72) (3)	36.9	27.8	20.8	18.5	21.6
Step 4 - Occupation Distribution ⁴					
Management Occupations	4.2%	4.1%	4.1%	4.1%	4.1%
Business and Financial Operations	4.1%	4.0%	4.0%	4.0%	4.0%
Computer and Mathematical	1.2%	1.1%	1.1%	1.1%	1.1%
Architecture and Engineering	0.3%	0.4%	0.4%	0.4%	0.4%
Life, Physical, and Social Science	0.4%	0.3%	0.3%	0.3%	0.3%
Community and Social Services	2.3%	2.2%	2.2%	2.2%	2.2%
Legal	0.6%	0.6%	0.6%	0.6%	0.6%
Education, Training, and Library	5.8%	4.1%	4.1%	4.1%	4.1%
Arts, Design, Entertainment, Sports, and Media	1.5%	1.3%	1.3%	1.3%	1.3%
Healthcare Practitioners and Technical	7.2%	8.2%	8.2%	8.2%	8.2%
Healthcare Support	4.2%	4.8%	4.8%	4.8%	4.8%
Protective Service	1.1%	1.1%	1.1%	1.1%	1.1%
Food Preparation and Serving Related	15.1%	16.2%	16.2%	16.2%	16.2%
Building and Grounds Cleaning and Maint.	5.4%	5.3%	5.3%	5.3%	5.3%
Personal Care and Service	7.5%	7.3%	7.3%	7.3%	7.3%
Sales and Related	13.4%	13.3%	13.3%	13.3%	13.3%
Office and Administrative Support	15.2%	15.2%	15.2%	15.2%	15.2%
Farming, Fishing, and Forestry	0.1%	0.1%	0.1%	0.1%	0.1%
Construction and Extraction	0.9%	1.0%	1.0%	1.0%	1.0%
Installation, Maintenance, and Repair	3.3%	3.5%	3.5%	3.5%	3.5%
Production	1.5%	1.4%	1.4%	1.4%	1.4%
Transportation and Material Moving	<u>4.6%</u>	<u>4.5%</u>	<u>4.5%</u>	<u>4.5%</u>	<u>4.5%</u>
Totals	100.0%	100.0%	100.0%	100.0%	100.0%
Management Occupations	1.5	1.1	0.9	0.8	0.9
Business and Financial Operations	1.5	1.1	0.8	0.7	0.9
Computer and Mathematical	0.4	0.3	0.2	0.2	0.2
Architecture and Engineering	0.1	0.1	0.1	0.1	0.1
Life, Physical, and Social Science	0.1	0.1	0.1	0.1	0.1
Community and Social Services	0.8	0.6	0.5	0.4	0.5
Legal	0.2	0.2	0.1	0.1	0.1
Education, Training, and Library	2.1	1.1	0.9	0.8	0.9
Arts, Design, Entertainment, Sports, and Media	0.6	0.4	0.3	0.2	0.3
Healthcare Practitioners and Technical	2.7	2.3	1.7	1.5	1.8
Healthcare Support	1.6	1.3	1.0	0.9	1.0
Protective Service	0.4	0.3	0.2	0.2	0.2
Food Preparation and Serving Related	5.6	4.5	3.4	3.0	3.5
Building and Grounds Cleaning and Maint.	2.0	1.5	1.1	1.0	1.2
Personal Care and Service	2.7	2.0	1.5	1.3	1.6
Sales and Related	5.0	3.7	2.8	2.5	2.9
Office and Administrative Support	5.6	4.2	3.2	2.8	3.3
Farming, Fishing, and Forestry	0.0	0.0	0.0	0.0	0.0
Construction and Extraction	0.3	0.3	0.2	0.2	0.2
Installation, Maintenance, and Repair	1.2	1.0	0.7	0.6	0.7
Production	0.5	0.4	0.3	0.3	0.3
Transportation and Material Moving	<u>1.7</u>	<u>1.2</u>	<u>0.9</u>	<u>0.8</u>	<u>1.0</u>
Totals	36.9	27.8	20.8	18.5	21.6

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.

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TABLE C-2A
EXTREMELY LOW-INCOME (ELI) EMPLOYEE HOUSEHOLDS¹ GENERATED
RESIDENTIAL NEXUS ANALYSIS
MILPITAS, 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>
	Single Family Detached	Townhome	Condominium	Apartments - Lower Density	Apartments - Higher Density
Step 5 & 6 - Extremely Low Income Households (under 30% AMI) within Major Occupation Categories ²					
Management	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	0.03	0.02	0.02	0.01	0.02
Legal	-	-	-	-	-
Education Training and Library	0.21	0.11	0.09	0.08	0.09
Arts, Design, Entertainment, Sports, & Media	-	-	-	-	-
Healthcare Practitioners and Technical	0.01	0.00	0.00	0.00	0.00
Healthcare Support	0.24	0.20	0.15	0.13	0.16
Protective Service	-	-	-	-	-
Food Preparation and Serving Related	2.20	1.77	1.33	1.18	1.37
Building Grounds and Maintenance	0.48	0.35	0.26	0.23	0.27
Personal Care and Service	0.81	0.62	0.46	0.41	0.48
Sales and Related	1.13	0.84	0.63	0.56	0.65
Office and Admin	0.39	0.29	0.22	0.20	0.23
Farm, Fishing, and Forestry	-	-	-	-	-
Construction and Extraction	-	-	-	-	-
Installation Maintenance and Repair	0.03	0.02	0.02	0.02	0.02
Production	-	-	-	-	-
Transportation and Material Moving	0.38	0.28	0.21	0.19	0.22
ELI Households - Major Occupations	5.91	4.53	3.38	3.01	3.51
ELI Households ¹ - all other occupations	0.68	0.51	0.38	0.34	0.40
Total ELI Households¹	6.59	5.04	3.76	3.35	3.91

(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
MILPITAS, 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>
	Single Family Detached	Townhome	Condominium	Apartments - Lower Density	Apartments - Higher Density
Step 5 & 6 - Very Low Income Households (30%-50% AMI) within Major Occupation Categories ²					
Management	0.02	0.02	0.01	0.01	0.01
Business and Financial Operations	0.03	0.02	0.01	0.01	0.01
Computer and Mathematical	-	-	-	-	-
Architecture and Engineering	-	-	-	-	-
Life, Physical and Social Science	-	-	-	-	-
Community and Social Services	0.17	0.13	0.09	0.08	0.10
Legal	-	-	-	-	-
Education Training and Library	0.53	0.29	0.21	0.19	0.22
Arts, Design, Entertainment, Sports, & Media	-	-	-	-	-
Healthcare Practitioners and Technical	0.05	0.04	0.03	0.03	0.03
Healthcare Support	0.53	0.45	0.34	0.30	0.35
Protective Service	-	-	-	-	-
Food Preparation and Serving Related	2.05	1.65	1.24	1.10	1.28
Building Grounds and Maintenance	0.74	0.55	0.41	0.36	0.42
Personal Care and Service	1.00	0.73	0.55	0.49	0.57
Sales and Related	1.56	1.16	0.87	0.77	0.90
Office and Admin	1.44	1.09	0.82	0.73	0.85
Farm, Fishing, and Forestry	-	-	-	-	-
Construction and Extraction	-	-	-	-	-
Installation Maintenance and Repair	0.24	0.19	0.14	0.12	0.14
Production	-	-	-	-	-
Transportation and Material Moving	0.59	0.43	0.32	0.29	0.33
Very Low Households - Major Occupations	8.95	6.75	5.04	4.49	5.23
Very Low Households ¹ - all other occupations	1.03	0.76	0.57	0.51	0.59
Total Very Low Inc. Households¹	9.98	7.51	5.61	5.00	5.82

(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
MILPITAS, 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>
	Single Family Detached	Townhome	Condominium	Apartments - Lower Density	Apartments - Higher Density
Step 5 & 6 - Low Income Households (50%-80% AMI) within Major Occupation Categories²					
Management	0.10	0.08	0.06	0.05	0.06
Business and Financial Operations	0.19	0.14	0.10	0.09	0.11
Computer and Mathematical	-	-	-	-	-
Architecture and Engineering	-	-	-	-	-
Life, Physical and Social Science	-	-	-	-	-
Community and Social Services	0.24	0.18	0.13	0.12	0.14
Legal	-	-	-	-	-
Education Training and Library	0.57	0.30	0.23	0.20	0.24
Arts, Design, Entertainment, Sports, & Media	-	-	-	-	-
Healthcare Practitioners and Technical	0.18	0.15	0.11	0.10	0.11
Healthcare Support	0.45	0.39	0.29	0.26	0.30
Protective Service	-	-	-	-	-
Food Preparation and Serving Related	1.03	0.83	0.62	0.55	0.64
Building Grounds and Maintenance	0.48	0.36	0.27	0.24	0.28
Personal Care and Service	0.64	0.46	0.35	0.31	0.36
Sales and Related	1.22	0.91	0.68	0.61	0.70
Office and Admin	1.70	1.29	0.96	0.86	1.00
Farm, Fishing, and Forestry	-	-	-	-	-
Construction and Extraction	-	-	-	-	-
Installation Maintenance and Repair	0.36	0.28	0.21	0.19	0.22
Production	-	-	-	-	-
Transportation and Material Moving	0.43	0.31	0.23	0.21	0.24
Low Households - Major Occupations	7.60	5.68	4.25	3.78	4.40
Low Households ¹ - all other occupations	0.87	0.64	0.48	0.43	0.50
Total Low Inc. Households¹	8.47	6.32	4.72	4.21	4.90

(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
MILPITAS, 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>
	Single Family Detached	Townhome	Condominium	Apartments - Lower Density	Apartments - Higher Density
Step 5 & 6 - Moderate Income Households (80%-120% AMI) within Major Occupation Categories ²					
Management	0.23	0.17	0.13	0.12	0.14
Business and Financial Operations	0.34	0.25	0.19	0.17	0.20
Computer and Mathematical	-	-	-	-	-
Architecture and Engineering	-	-	-	-	-
Life, Physical and Social Science	-	-	-	-	-
Community and Social Services	0.22	0.16	0.12	0.11	0.12
Legal	-	-	-	-	-
Education Training and Library	0.45	0.24	0.18	0.16	0.19
Arts, Design, Entertainment, Sports, & Media	-	-	-	-	-
Healthcare Practitioners and Technical	0.51	0.44	0.33	0.29	0.34
Healthcare Support	0.25	0.21	0.16	0.14	0.17
Protective Service	-	-	-	-	-
Food Preparation and Serving Related	0.13	0.11	0.08	0.07	0.08
Building Grounds and Maintenance	0.23	0.17	0.13	0.11	0.13
Personal Care and Service	0.18	0.12	0.09	0.08	0.10
Sales and Related	0.54	0.40	0.30	0.27	0.31
Office and Admin	1.24	0.94	0.70	0.63	0.73
Farm, Fishing, and Forestry	-	-	-	-	-
Construction and Extraction	-	-	-	-	-
Installation Maintenance and Repair	0.32	0.25	0.19	0.17	0.19
Production	-	-	-	-	-
Transportation and Material Moving	0.20	0.15	0.11	0.10	0.11
Moderate Households - Major Occupations	4.86	3.62	2.71	2.41	2.81
Moderate Households ¹ - all other occupations	0.56	0.41	0.31	0.27	0.32
Total Moderate Inc. Households¹	5.41	4.03	3.01	2.69	3.13

(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
MILPITAS, 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>
Number of New Households¹	Single Family Detached	Townhome	Condominium	Apartments - Lower Density	Apartments - Higher Density
Under 30% AMI	6.6	5.0	3.8	3.4	3.9
30% to 50% AMI	10.0	7.5	5.6	5.0	5.8
50% to 80% AMI	8.5	6.3	4.7	4.2	4.9
80% to 120% AMI	5.4	4.0	3.0	2.7	3.1
Subtotal through 120% AMI	30.4	22.9	17.1	15.2	17.8
Over 120% AMI	6.4	4.9	3.7	3.3	3.8
Total Employee Households	36.9	27.8	20.8	18.5	21.6

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>
Number of New Households¹	Single Family Detached	Townhome	Condominium	Apartments - Lower Density	Apartments - Higher Density
Under 30% AMI	0.07	0.05	0.04	0.03	0.04
30% to 50% AMI	0.10	0.08	0.06	0.05	0.06
50% to 80% AMI	0.08	0.06	0.05	0.04	0.05
80% to 120% AMI	0.05	0.04	0.03	0.03	0.03
Subtotal through 120% AMI	0.30	0.23	0.17	0.15	0.18
Over 120% AMI	0.06	0.05	0.04	0.03	0.04
Total Employee Households	0.37	0.28	0.21	0.19	0.22

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 Milpitas, 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 Milpitas is a two-bedroom unit for a three-person household. An attached condominium unit at approximately 30 units per acre 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 60 and 90 units per acre. 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 \$517,000.

Development Costs for Affordable Units

Income Group	Unit Tenure / Type	Development Cost
Under 30% AMI	Rental	\$517,000
30% to 50% AMI	Rental	\$517,000
50% to 80% AMI	Rental	\$517,000
80% to 120% AMI	Ownership	\$584,000

The multi-family construction costs reflect the costs of building at 60 to 90 units per acre, including a structured parking garage, which the for-sale condominium development is assumed to not require at 30 units per acre. As a result, the total development cost for the multi-family rental units is estimated to be somewhat similar to that of the for-sale condominium units despite a smaller unit size. 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.

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.

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 \$215,500, the Very Low-Income units at \$291,500, and the Low-income units at \$330,500. 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	\$215,500
30% to 50% AMI	Rental	3 persons	\$291,500
50% to 80% AMI	Rental	3 persons	\$330,500
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
<u><i>Affordable Rental Units</i></u>			
Extremely Low (Under 30% AMI)	\$215,500	\$517,000	\$301,500
Very Low (30% to 50% AMI)	\$291,500	\$517,000	\$225,500
Low (50% to 80% AMI)	\$330,500	\$517,000	\$186,500
<u><i>Affordable Ownership Units</i></u>			
Moderate (80% to 120% AMI)	\$367,000	\$584,000	\$217,000

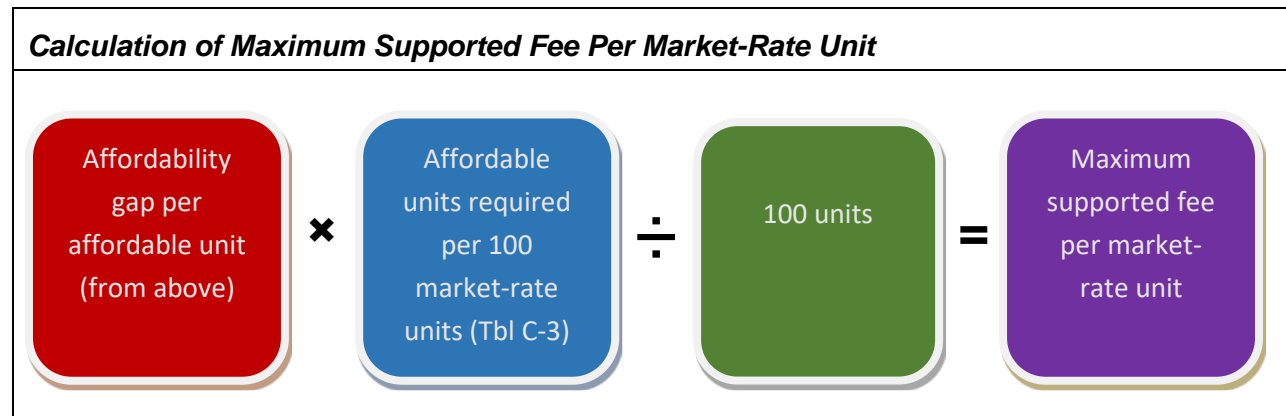
AMI = Area Median Income

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 five prototypes to the affordability gaps, or the costs of delivering housing to them in Milpitas.

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 Milpitas					
<i>Income Category</i>	<i>Single Family Detached</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
Extremely Low (0%-30% AMI)	\$19,900	\$15,200	\$11,400	\$10,100	\$11,800
Very Low (30%-50% AMI)	\$22,500	\$16,900	\$12,700	\$11,300	\$13,100
Low (50%-80% AMI)	\$15,800	\$11,800	\$8,800	\$7,800	\$9,100
Moderate (80%-120% AMI)	\$11,700	\$8,800	\$6,500	\$5,800	\$6,800
Total Supported Fee/ Nexus Costs	\$69,900	\$52,700	\$39,400	\$35,000	\$40,800

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 Milpitas					
	<i>Single Family Detached</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
<i>Unit Size (Sq Ft)</i>	<i>2,300 SF</i>	<i>1,600 SF</i>	<i>900 SF</i>	<i>1,100 SF</i>	<i>900 SF</i>
Extremely Low (0%-30% AMI)	\$8.70	\$9.50	\$12.70	\$9.20	\$13.10
Very Low (30%-50% AMI)	\$9.80	\$10.60	\$14.10	\$10.30	\$14.60
Low (50%-80% AMI)	\$6.90	\$7.40	\$9.80	\$7.10	\$10.10
Moderate (80%-120% AMI)	\$5.10	\$5.50	\$7.20	\$5.30	\$7.60
Total Nexus Costs	\$30.50	\$33.00	\$43.80	\$31.90	\$45.40

These costs express the total linkage or nexus costs for the five prototype developments in the City of Milpitas. 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 fees may be set.**

Table D-1
Affordability Gap Calculation for Moderate Income
Residential Nexus Analysis
Milpitas, 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 AML, whereas qualifying income can be up to 120% of AML.

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

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

Unit Size Household Size	2-Bedroom Unit 3-person HH	3-Bedroom Unit 4-person HH	4-Bedroom Unit 5-person HH
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
<u>Key Assumptions</u>			
- 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
Milpitas, CA

	Extremely Low	Very Low	Low Income
I. Affordable Prototype			
Tenure	Rental		
Average Unit Size	800 square feet		
Density	~60-90 du/acre		
II. Development Costs ^[1]			
	Per Unit	Per Unit	Per Unit
Land Acquisition	\$55,000	\$55,000	\$55,000
Directs	\$328,000	\$328,000	\$328,000
Indirects	\$115,000	\$115,000	\$115,000
Financing	\$19,000	\$19,000	\$19,000
Total Development Costs	\$517,000	\$517,000	\$517,000
III. Supported Financing			
	Per Unit	Per Unit	Per Unit
<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	Per Unit	Per Unit	Per Unit
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) 5.0%	\$32,000	\$108,000	\$147,000
Deferred Developer Fee	\$2,500	\$2,500	\$2,500
4% Tax Credit Equity	\$181,000	\$181,000	\$181,000
Total Sources	\$215,500	\$291,500	\$330,500
IV. Affordability Gap			
	Per Unit	Per Unit	Per Unit
Supported Permanent Financing	\$215,500	\$291,500	\$330,500
(Less) Total Development Costs	(\$517,000)	(\$517,000)	(\$517,000)
Affordability Gap	(\$301,500)	(\$225,500)	(\$186,500)

^[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
MILPITAS, 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
		Single Family Detached	Townhome	Condominium	Apartments - Lower Density	Apartments - Higher Density
Household Income Level						
Under 30% AMI	\$301,500	\$19,900	\$15,200	\$11,400	\$10,100	\$11,800
30% to 50% AMI	\$225,500	\$22,500	\$16,900	\$12,700	\$11,300	\$13,100
50% to 80% AMI	\$186,500	\$15,800	\$11,800	\$8,800	\$7,800	\$9,100
80% to 120% AMI	\$217,000	\$11,700	\$8,800	\$6,500	\$5,800	\$6,800
Total Supported Fee Per Unit		\$69,900	\$52,700	\$39,400	\$35,000	\$40,800

TOTAL NEXUS COST PER SQUARE FOOT⁴

		Nexus Cost Per Square Foot ⁴				
		Prototype 1	Prototype 2	Prototype 3	Prototype 4	Prototype 5
		Single Family Detached	Townhome	Condominium	Apartments - Lower Density	Apartments - Higher Density
Avg. Unit Size (SF)		2,300 SF	1,600 SF	900 SF	1,100 SF	900 SF
Household Income Level						
Under 30% AMI		\$8.70	\$9.50	\$12.70	\$9.20	\$13.10
30% to 50% AMI		\$9.80	\$10.60	\$14.10	\$10.30	\$14.60
50% to 80% AMI		\$6.90	\$7.40	\$9.80	\$7.10	\$10.10
80% to 120% AMI		\$5.10	\$5.50	\$7.20	\$5.30	\$7.60
Total Supported Fee Per Sq.Ft.		\$30.50	\$33.00	\$43.80	\$31.90	\$45.40

Notes:

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

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 Milpitas, conditions are consistent with this underlying assumption. According to the Census (2010 to 2014 ACS), approximately 40% 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 Milpitas, 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

Milpitas's 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 Milpitas.

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 Milpitas 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 Milpitas 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 Milpitas, although it could potentially be built in the future in the MidTown Area of the City. The prototypes are presented on Appendix A Table 1 and summarized below.

Milpitas Residential Prototypes

	<i>Lot Size / Density</i>	<i>Average Unit Size</i>
<i>For-Sale Prototypes</i>		
1) Single Family Detached	2,000 – 4,000 sq. ft.	2,300 sq. ft.
2) Townhomes	15-20 du/acre	1,600 sq. ft.
3) Condominiums	40-50 du/acre	900 sq. ft.
<i>Rental Prototypes</i>		
4) Apartments – Lower Density	20-40 du/acre	1,100 sq. ft.
5) Apartments – Higher Density	50+ du/acre	900 sq. ft.

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

III. MARKET SURVEY & PRICING ESTIMATES

A. Residential Building Activity

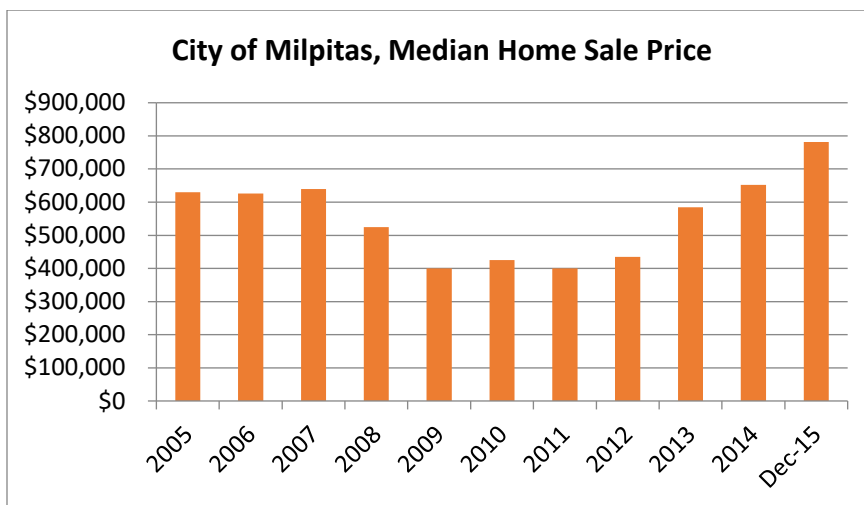
Milpitas has one of the most active residential development markets in Santa Clara County. At the time of the market survey in late 2015 and early 2016, there were many recently built, under construction or proposed residential developments in Milpitas at this time, including single family detached units, townhome projects, and apartment projects. There are also several condominium projects (or rental projects with condominium maps) under discussion, although they are still in the preliminary stages of development and have not been approved by the City. 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 Milpitas. The list of projects that we reviewed is shown in the table below.

Current & Recent Development Projects

<i>Project</i>	<i>Unit Type</i>
Momentum at Pace (Trumark)	Single Family Detached
Waterstone	Single Family Detached
Cobblestone (TRI Pointe)	Single Family Detached
Orchid (DR Horton)	Single Family Detached
Coyote Creek (William Lyon)	Townhomes & Flats
Palazzo at Montague	Townhomes
Avenue (Taylor Morrison)	Townhomes
Velocity at Pace (Trumark)	Townhomes
Journey & Voyage (K. Hovnanian)	Townhomes
Ilara Apartments	Apartments
Amalfi I Apartments	Apartments

Overview of For-Sale Market

The ownership housing market in Milpitas was significantly impacted by the recession and it took several years for median home prices to recover. It wasn't until 2014 that the median price recovered to its pre-recession level. In 2014, the median home price in Milpitas was \$652,000, which just exceeded the pre-recession high in 2007. A year later, in December 2015, the median home price was \$782,000.



Source: Dataquick

Additional data can be found on Appendix A Table 2.

B. Recent Home Prices of Newer Residential Units

At the time of the market survey, there were many new for-sale projects being marketed in Milpitas, including several single family projects and many townhome/attached projects. Appendix A Table 3 presents market sales prices for these units.

To estimate condominium prices, KMA analyzed recent resale prices of stacked flat condominiums at Centria and Terra Serena Luna, in Milpitas. Both projects were built in 2007. The resales prices were from 2014. Appendix A Table 4 presents a summary of the resale data for these projects.

C. For-Sale Prototype Price Estimates

The current and 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 prototype pricing estimates took into consideration the following factors:

- In general, newly built homes sell for a premium over re-sales, all else being equal;
- Typically, larger homes sell for a higher total price but a lower price per square foot than smaller homes.

The table below summarizes KMA's conclusions regarding current for-sale prototype unit size and pricing.

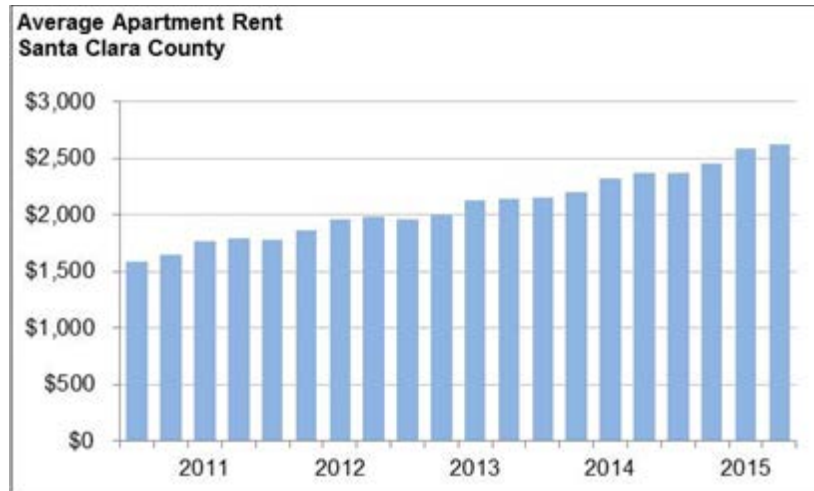
For-Sale Prototype Price Estimates

	<i>Unit Size</i>	<i>Price</i>	<i>Price PSF</i>
Single Family Detached	2,300 sq. ft.	\$1,035,000	\$450
Townhomes	1,600 sq. ft.	\$750,000	\$469
Condominiums	900 sq. ft.	\$525,000	\$583

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

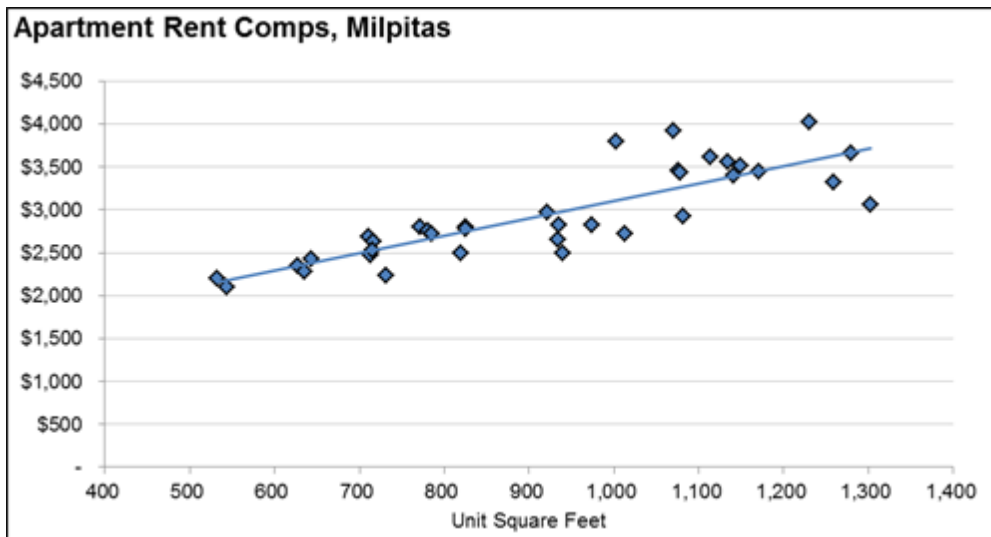
D. Rental Housing Market

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 Milpitas, KMA performed a survey of asking apartment rents in select properties. Rents for these properties 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 Milpitas, assuming an average unit size of 900 to 1,100 square feet, would be in the range of \$3,000 to \$3,500 (or \$3.18 to \$3.33/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 A-1
MARKET RATE RESIDENTIAL PROTOTYPES
RESIDENTIAL NEXUS ANALYSIS
CITY OF MILPITAS, CA**

	<u>Single Family Detached</u>	<u>Townhome</u>	<u>Condominium</u>	<u>Apartments - Lower Density</u>	<u>Apartments - Higher Density</u>
Example Projects	Momentum at Pace Cobblestone Orchid Waterstone	Coyote Creek Palazzo at Montague Avenue (Madison) Velocity at Pace Journey / Voyage	Summerhill Homes Anton True Life Co.	(MidTown Area)	Ilara Amalfi I
Density / Lot Size	2,000 - 4,000 sf lots	15 - 20 dua	40 - 50 dua	20 - 40 dua	50+ dua
Building Type	Two-story homes	Three-story attached.	Four stories (excl. garage)	Two to four stories	Four stories (excl. garage)
Unit Mix	3 and 4 BR	2 and 3 BR	Studio, 1 and 2 BR	1, 2 and 3 BR	Studio, 1, and 2 BR
Average Unit Size	2,300 sf	1,600 sf	900 sf	1,100 sf	900 sf
Average No. of Bedrooms	3.5 BR	2.8 BR	2.0 BR	2.0 BR	1.5 BR
Parking Type	Attached garage	Attached garage	Ground-floor garage (podium), multi-story garage (wrap), or subterranean	Surface parking lot (carports)	Ground-floor garage (podium), multi-story garage (wrap), or subterranean
Average Parking Spaces	2	2	1.5 - 2.0	1.5-2.0	1.5-2.0
Sales Price/Rent per square foot	\$1,035,000 \$450	\$750,000 \$469	\$525,000 \$583	\$2,500 \$2.27	\$3,000 \$3.33

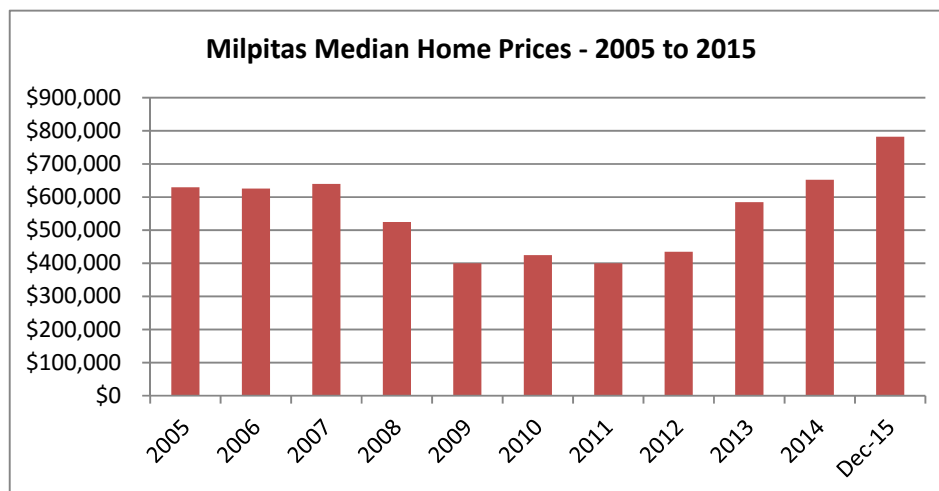
Appendix A, Table 2
Median Home Prices
Milpitas, CA

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%

Milpitas Median Home Sale Prices, 2005-2015

<u>Year</u>	<u>Median Price</u>	<u>%Change</u>
2005	\$630,000	
2006	\$626,000	-1%
2007	\$640,000	2%
2008	\$525,000	-18%
2009	\$400,000	-24%
2010	\$425,000	6%
2011	\$400,000	-6%
2012	\$435,000	9%
2013	\$585,000	34%
2014	\$652,000	11%
Dec-15	\$782,000	20%



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

**APPENDIX A TABLE 3
NEW HOME SALES
RESIDENTIAL NEXUS ANALYSIS
CITY OF MILPITAS**

<u>City / Project</u>	<u># of Units</u>	<u>Bd.</u>	<u>SF</u>	<u>Sales Price</u>	<u>\$/SF</u>	<u>Notes</u>
The Courts						
A	15	2	1,223	\$654,990	\$536	Attached.
C	20	2	1,258	\$659,990	\$525	William Lyon Homes
B	19	2	1,316	\$659,990	\$502	HOA Dues: \$250
D	26	3	1,454	\$704,990	\$485	
E	21	4	1,674	\$754,990	\$451	
G	20	3	1,951	\$789,990	\$405	
H	<u>20</u>	<u>3</u>	<u>1,978</u>	<u>\$804,990</u>	<u>\$407</u>	
	141	2.8	1,561	\$720,912	\$471	
The Rows						
A	19	2	1,258	\$689,990	\$548	Attached.
B	23	3	1,370	\$654,990	\$478	William Lyon Homes
D	22	3	1,462	\$664,990	\$455	HOA Dues: \$250
C	21	3	1,464	\$659,990	\$451	
E	22	3	1,522	\$694,990	\$457	
F	21	3	1,668	\$729,990	\$438	
G	<u>16</u>	<u>3</u>	<u>1,788</u>	<u>\$754,990</u>	<u>\$422</u>	
	144	2.9	1,496	\$690,025	\$464	
Orchid						
1	27	4	2,468	\$1,120,750	\$454	Detached
2	26	4	2,636	\$1,189,345	\$451	3,200 sf lots, average.
3	<u>27</u>	<u>4</u>	<u>2,717</u>	<u>\$1,207,870</u>	<u>\$445</u>	DR Horton
	80	4	2,607	\$1,172,446	\$450	HOA Dues: \$199
Palazzo @ Montague						
1	22	3	1,634	\$788,227	\$482	Townhomes.
2	21	3	1,860	\$851,526	\$458	KB Home
3	<u>17</u>	<u>3</u>	<u>1,861</u>	<u>\$860,000</u>	<u>\$462</u>	HOA Dues: \$275
	60	3	1,777	\$830,717	\$468	
Cobblestone						
1	8	3	1,672	\$1,009,930	\$604	Detached.
2	8	3	1,951	\$1,055,900	\$541	2,400 sf lots, average
4	6	3	2,519	\$1,195,900	\$475	TRI Pointe
3	<u>4</u>	<u>3</u>	<u>2,561</u>	<u>\$1,190,000</u>	<u>\$465</u>	HOA Dues: \$19
	26	3	2,090	\$1,094,694	\$533	
Madison						
1	22	2	1,254	\$620,000	\$494	Attached
2	24	2	1,308	\$593,000	\$453	Taylor Morrison
3	29	3	1,401	\$690,000	\$493	HOA Dues: \$210
4	23	3	2,077	\$725,000	\$349	
5	<u>21</u>	<u>4</u>	<u>2,246</u>	<u>\$770,000</u>	<u>\$343</u>	
	119	2.8	1,635	\$678,378	\$431	

**APPENDIX A TABLE 3
NEW HOME SALES
RESIDENTIAL NEXUS ANALYSIS
CITY OF MILPITAS**

<u>City / Project</u>	<u># of Units</u>	<u>Bd.</u>	<u>SF</u>	<u>Sales Price</u>	<u>\$/SF</u>	<u>Notes</u>
Momentum at Pace						
1	22	4	2,250	\$1,000,000	\$444	Detached.
2	<u>21</u>	<u>3</u>	<u>2,497</u>	<u>\$1,020,000</u>	<u>\$408</u>	1,950 sf lots, average.
	43	3.5	2,371	\$1,009,767	\$427	Trumark Homes. HOA Dues: \$188
Velocity at Pace						
1	13	2	1,355	\$675,000	\$498	Attached
5	12	2	1,504	\$692,000	\$460	Trumark Homes.
6	20	2	1,531	\$727,000	\$475	HOA Dues: \$335
2	14	3	1,635	\$760,000	\$465	
3	16	3	1,788	\$786,000	\$440	
4	<u>15</u>	<u>4</u>	<u>1,947</u>	<u>\$829,000</u>	<u>\$426</u>	
	90	2.7	1,633	\$747,444	\$460	
Journey						
Anchor	12	2	1,416	\$694,990	\$491	Attached
Beacon	14	2	1,584	\$719,990	\$455	K. Hovnanian
Harbor	14	3	1,709	\$749,990	\$439	HOA Dues: \$316
Coastal	14	3	1,767	\$763,730	\$432	
Marina	<u>10</u>	<u>2</u>	<u>1,981</u>	<u>\$804,990</u>	<u>\$406</u>	
	64	2	1,682	\$744,714	\$445	
Voyage						
Breakwater	10	2	1,512	\$752,990	\$498	Attached
Compass	9	3	1,633	\$788,990		K. Hovnanian
Fairwater	9	3	1,882	\$849,730	\$452	HOA Dues: \$316
Regatta	10	4	1,892	\$880,360	\$465	
Spinnacker	<u>10</u>	<u>4</u>	<u>2,144</u>	<u>\$886,990</u>	<u>\$414</u>	
	48	3	1,815	\$832,331	\$372	

Source: Real Estate Economics, November 2015, except where noted.

**APPENDIX A TABLE 4
RECENT CONDOMINIUM SALES
RESIDENTIAL NEXUS ANALYSIS
CITY OF MILPITAS, CA**

	Yr. Built	BD	BA	Net SF	Sale Price	\$/SF	Sale Date
1101 S Main St 113	2007	1	1	635	\$175,500	\$276	05/16/2014
1101 S Main St 116	2007	2	2	1,013	\$477,500	\$471	10/01/2014
1101 S Main St 209	2007	2	2	1,146	\$450,000	\$393	01/16/2014
1101 S Main St 218	2007	1	1	926	\$415,000	\$448	04/16/2014
1101 S Main St 302	2007	1	1	635	\$340,000	\$535	08/22/2014
1101 S Main St 310	2007	2	2	977	\$458,000	\$469	06/02/2014
1101 S Main St 315	2007	2	2	1,013	\$488,000	\$482	11/18/2014
1101 S Main St 332	2007	2	3	1,386	\$538,000	\$388	02/05/2014
1101 S Main St 429	2007	1	1	768	\$398,000	\$518	09/26/2014
600 S Abel St 222	2007	2	2	1,108	\$366,000	\$330	03/21/2014
600 S Abel St 223	2007	2	2	1,108	\$511,000	\$461	01/27/2014
600 S Abel St 304	2007	2	2	1,259	\$535,000	\$425	06/23/2014
600 S Abel St 309	2007	2	2	1,108	\$545,000	\$492	04/01/2014
600 S Abel St 405	2007	2	2	1,259	\$548,000	\$435	09/08/2014
600 S Abel St 427	2007	2	2	1,259	\$600,000	\$477	05/28/2014
600 S Abel St 520	2007	2	2	1,259	\$550,000	\$437	09/26/2014
600 S Abel St 522	2007	2	2	1,108	\$555,000	\$501	04/01/2014
700 S Abel St 102	2007	2	2	1,309	\$557,000	\$426	03/18/2014
700 S Abel St 214	2007	2	3	1,421	\$609,000	\$429	10/24/2014
700 S Abel St 219	2007	2	2	1,259	\$575,000	\$457	05/21/2014
700 S Abel St 300	2007	2	3	1,421	\$595,000	\$419	05/07/2014
700 S Abel St 307	2007	2	2	1,259	\$367,000	\$292	07/02/2014
700 S Abel St 310	2007	1	1	932	\$399,000	\$428	03/14/2014
700 S Abel St 319	2007	2	2	1,259	\$320,500	\$255	01/07/2014
700 S Abel St 413	2007	3	2	1,851	\$675,000	\$365	11/07/2014
700 S Abel St 421	2007	2	2	1,108	\$535,000	\$483	11/10/2014
700 S Abel St 505	2007	2	2	1,259	\$530,000	\$421	01/06/2014
700 S Abel St 523	2007	2	2	1,108	\$539,000	\$486	10/03/2014
800 S Abel St 101	2007	2	2	1,309	\$550,000	\$420	03/26/2014
800 S Abel St 102	2007	2	2	1,309	\$535,000	\$409	01/13/2014
800 S Abel St 202	2007	2	2	1,309	\$535,000	\$409	01/17/2014
800 S Abel St 206	2007	2	2	1,259	\$552,000	\$438	07/22/2014
800 S Abel St 307	2007	2	2	1,259	\$542,000	\$431	10/02/2014
800 S Abel St 415	2007	2	2	1,309	\$595,000	\$455	06/09/2014
800 S Abel St 524	2007	2	2	1,259	\$585,000	\$465	12/15/2014
800 S Abel St 527	2007	2	2	1,259	\$549,000	\$436	09/10/2014
Average, Condo Units				1,178	\$502,625	\$429	

Source: ListSource, February 2016.

Appendix A. Table 5.
Comparable Apartment Rents
Milpitas

	Sq. Ft.	Monthly Rent		\$/SF		Notes
		Low	High	Low	High	
ILARA						
Studio	532	\$2,200	- \$2,200	\$4.14	- \$4.14	1201 S. Main St, Milpitas Built: 2015 200 Units
Studio	627	\$2,345	- \$2,345	\$3.74	- \$3.74	
Studio	713	\$2,475	- \$2,475	\$3.47	- \$3.47	
1 Bd / 1 Ba	711	\$2,670	- \$2,710	\$3.76	- \$3.81	
1 Bd / 1 Ba	772	\$2,720	- \$2,870	\$3.52	- \$3.72	
1 Bd / 1 Ba	781	\$2,760	- \$2,760	\$3.53	- \$3.53	
1 Bd / 1 Ba	785	\$2,660	- \$2,775	\$3.39	- \$3.54	
1 Bd / 1 Ba	921	\$2,955	- \$2,980	\$3.21	- \$3.24	
2 Bd / 2 Ba	1076	\$3,340	- \$3,580	\$3.10	- \$3.33	
2 Bd / 2 Ba	1078	\$3,370	- \$3,495	\$3.13	- \$3.24	
2 Bd / 2 Ba	1114	\$3,615	- \$3,615	\$3.25	- \$3.25	
2 Bd / 2 Ba	1134	\$3,450	- \$3,655	\$3.04	- \$3.22	
2 Bd / 2 Ba	1141	\$3,310	- \$3,480	\$2.90	- \$3.05	
2 Bd / 2 Ba	1149	\$3,430	- \$3,600	\$2.99	- \$3.13	
2 Bd / 2 Ba	1171	\$3,355	- \$3,525	\$2.87	- \$3.01	
2 Bd / 2 Ba	1280	\$3,610	- \$3,710	\$2.82	- \$2.90	
Cerano						
1 Bd / 1 Ba	716	\$2,370	- \$2,895	\$3.31	- \$4.04	501 Murphy Ranch Rd, Milpitas Built: 2013 373 Units
1 Bd / 1 Ba	825	\$2,560	- \$3,045	\$3.10	- \$3.69	
1 Bd / 1 Ba	825	\$2,495	- \$3,050	\$3.02	- \$3.70	
2 Bd / 2 Ba	1,003	\$3,335	- \$4,260	\$3.33	- \$4.25	
2 Bd / 2 Ba	1,070	\$3,405	- \$4,430	\$3.18	- \$4.14	
2 Bd / 2 Ba	1,230	\$3,535	- \$4,500	\$2.87	- \$3.66	
The Crossing At Montague						
1 Bd / 1 Ba	643	\$2,425	- \$2,425	\$3.77	- \$3.77	755 East Capitol Ave, Milpitas Built: 2002 468 Units
1 Bd / 1 Ba	715	\$2,525	- \$2,525	\$3.53	- \$3.53	
2 Bd / 1 Ba	935	\$2,825	- \$2,825	\$3.02	- \$3.02	
2 Bd / 2 Ba	1,082	\$2,925	- \$2,925	\$2.70	- \$2.70	
3 Bd / 2 Ba	1,259	\$3,325	- \$3,325	\$2.64	- \$2.64	
Mill Creek Apartments						
1 Bd / 1 Ba	544	\$2,096	- \$2,096	\$3.85	- \$3.85	440 Dixon Landing Rd, Milpitas Built: 1990 516 Units
1 Bd / 1 Ba	731	\$2,237	- \$2,237	\$3.06	- \$3.06	
2 Bd / 2 Ba	940	\$2,493	- \$2,493	\$2.65	- \$2.65	
2 Bd / 2 Ba	1,013	\$2,725	- \$2,725	\$2.69	- \$2.69	
3 Bd / 2 Ba	1,303	\$3,057	- \$3,057	\$2.35	- \$2.35	
Meritage						
1 Bd / 1 Ba	635	\$2,285	- \$2,285	\$3.60	- \$3.60	555 South Park Victoria Dr, Milpitas Built: 1972 137 Units
2 Bd / 1 Ba	820	\$2,500	- \$2,500	\$3.05	- \$3.05	
2 Bd / 1.5 Ba	934	\$2,650	- \$2,650	\$2.84	- \$2.84	
3 Bd / 2 Ba	974	\$2,800	- \$2,850	\$2.87	- \$2.93	

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
 MILPITAS, 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
MILPITAS, 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%	4.0%
<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%	3.8%
<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%	2.2%

RESIDENTIAL NEXUS APPENDIX B TABLE 2
AVERAGE ANNUAL WORKER COMPENSATION, 2015
SERVICES TO HOUSEHOLDS EARNING \$100,000 TO \$150,000
RESIDENTIAL NEXUS ANALYSIS
MILPITAS, 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 Education	\$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 Categories)	<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 Categories)	<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
MILPITAS, 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 Workers	\$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 (Avg. All Categories)	<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 and Scientific Products	\$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 Executive	\$45,000	11.5%	1.7%
Office Clerks, General	\$40,900	14.2%	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%	14.8%

RESIDENTIAL NEXUS APPENDIX B TABLE 2
AVERAGE ANNUAL WORKER COMPENSATION, 2015
SERVICES TO HOUSEHOLDS EARNING \$100,000 TO \$150,000
RESIDENTIAL NEXUS ANALYSIS
MILPITAS, 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 Installers	\$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 Categories)	<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 Packagers, Hand	\$25,300	6.9%	0.3%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	<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
MILPITAS, CA

Major Occupations (2% or more)	Worker Occupation Distribution ¹ Services to Households Earning \$150,000 and up
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
MILPITAS, 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	\$140,800	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	\$100,200	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	\$52,500	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
MILPITAS, CA

Occupation ³	2015 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total No. of Service Workers
Page 2 of 4			
<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
MILPITAS, 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 Catego	<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 Pi	\$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
MILPITAS, 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%
			<hr/> <hr/> 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 Milpitas

Prepared by:
Keyser Marston Associates, Inc.

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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.....	21
City Assisted Affordable Unit Prototypes.....	21
Development Costs	21
Unit Values	22
Affordability Gap	23
Maximum Fees to Mitigate Impacts.....	23
Conservative Assumptions	25
 Appendix A: Discussion of Various Factors in Relation to Nexus Concept	 31
 Appendix B: Supporting Nexus Tables	 36
 Appendix C: Non-Duplication between Potential Residential and Non-Residential Impact Fee Programs	 52

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 Milpitas. 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 Milpitas, 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.

The City of Milpitas has many policies in the General Plan to encourage residential development of all income levels, including affordable units. A policy to encourage inclusionary type units, or 20% affordable units within market rate projects, is negotiated on a case by case basis as to affordability level. An ordinance adopted in 2015 provides for fee payment on residential market rate units, a measure understood to be temporary until a more comprehensive program is proposed following the work program to produce these nexus analyses and other materials. Another measure to increase funding resources for affordable housing would be an impact fee on non-residential development. This nexus analysis provides documentation enabling the City to adopt an affordable housing impact fee on commercial and industrial development in Milpitas.

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 Milpitas. 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 five 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.
- Light Industrial, which includes light manufacturing and maintenance and repair industries, such as auto service and body repair businesses. This category also includes research & development, to reflect the fact that some R&D occurs in light industrial-type buildings instead of in office buildings.
- Warehouse, or large structures primarily devoted to storage, typically with a small amount of office space.

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 Milpitas. 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 Milpitas.

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 five 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 Milpitas 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 five 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 Milpitas 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.
- *Light Industrial* – 400 square feet per employee. This density covers flex space, typically leased to a mix of office, light manufacturing, R&D and storage uses. This designation may also be applied to auto related servicing and other activities of a semi-industrial character.
- *Warehouse* – 2,000 square feet per employee. This reflects that the primary activity in the building is assumed to be storage. A small amount of office or administrative space is assumed within warehouse structures. The warehouse category, for fee purposes, is often defined as structures over a threshold size, such as 50,000 square feet. Also some cities use this category to cover heavy manufacturing when the density of employment is similarly low.

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.

- For light industrial buildings, the industries include light manufacturing, research and development, and automotive and other maintenance and repair services. The categories are weighted to reflect the mix of these industries within Santa Clara County.
- For warehouse buildings, the applicable industry category is Warehouse & Storage.

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 five 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.
- Light industrial occupations consist of scientific occupations (15%), production jobs (15%), maintenance and repair jobs (11%), office and administrative (11%), and others.
- Warehouse workers are largely engaged in transportation and material moving (60%), followed by office and administrative support.

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 five 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	Light Industrial	Warehouse
Extremely Low (0%-30% AMI)	2.6	36.0	15.1	6.5	3.7
Very Low Income (30%-50% AMI)	12.0	40.8	19.6	16.7	7.3
Low Income (50%-80% AMI)	22.0	26.2	13.7	22.1	6.2
Moderate Income (80%-120% AMI)	30.7	8.5	6.2	23.5	3.9
Subtotal through 120% AMI	67.3	111.5	54.6	68.8	21.2
Above Moderate (over 120% AMI)	88.0	5.0	3.6	47.6	2.1
Total	155.3	116.5	58.2	116.5	23.3

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	Light Industrial	Warehouse
Extremely Low (0%-30% AMI)	1.7%	30.9%	26.0%	5.6%	15.9%
Very Low Income (30%-50% AMI)	7.7%	35.0%	33.6%	14.4%	31.5%
Low Income (50%-80% AMI)	14.2%	22.5%	23.5%	19.0%	26.8%
Moderate Income (80%-120% AMI)	19.8%	7.3%	10.7%	20.2%	16.7%
Subtotal through 120% AMI	43.4%	95.7%	93.8%	59.1%	90.9%
Above Moderate (over 120% AMI)	56.6%	4.3%	6.2%	40.9%	9.1%
Total	100%	100%	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
JOB HOUSING NEXUS ANALYSIS
MILPITAS, CA

<i>Per 100,000 Sq.Ft. of Building Area</i>	Office	Retail	Hotel	Light Industrial	Warehouse
Step 1 - Estimate of Number of Employees					
Employment Density (SF/Employee)	300	400	800	400	2,000
Number of Employees Per 100,000 SF Building Area	333	250	125	250	50
Step 2 - Net New Employees after Declining Industries Adjustment (20%)	267	200	100	200	40
Step 3 - Adjustment for Number of Households (1.72)	155.3	116.5	58.2	116.5	23.3
Step 4 - Occupation Distribution ⁽¹⁾					
Management Occupations	9.0%	2.3%	4.5%	8.8%	3.5%
Business and Financial Operations	11.2%	0.5%	1.5%	6.4%	2.0%
Computer and Mathematical	23.4%	0.1%	0.1%	7.1%	0.5%
Architecture and Engineering	4.9%	0.0%	0.0%	9.5%	0.2%
Life, Physical, and Social Science	2.8%	0.0%	0.0%	15.2%	0.0%
Community and Social Services	0.2%	0.0%	0.0%	0.3%	0.0%
Legal	1.9%	0.0%	0.0%	0.3%	0.0%
Education, Training, and Library	1.1%	0.0%	0.0%	0.4%	0.0%
Arts, Design, Entertainment, Sports, and Media	2.7%	0.4%	0.3%	1.1%	0.1%
Healthcare Practitioners and Technical	4.2%	1.9%	0.0%	1.6%	0.1%
Healthcare Support	2.4%	0.3%	0.5%	0.4%	0.0%
Protective Service	0.3%	0.3%	1.6%	0.3%	0.7%
Food Preparation and Serving Related	0.2%	40.7%	24.7%	0.5%	0.1%
Building and Grounds Cleaning and Maint.	0.9%	0.7%	31.9%	0.6%	1.0%
Personal Care and Service	0.3%	2.8%	4.0%	0.1%	0.0%
Sales and Related	6.5%	31.6%	2.2%	3.3%	1.7%
Office and Administrative Support	20.9%	9.3%	20.3%	11.1%	22.3%
Farming, Fishing, and Forestry	0.0%	0.0%	0.0%	0.3%	0.1%
Construction and Extraction	0.6%	0.1%	0.1%	0.3%	0.1%
Installation, Maintenance, and Repair	2.0%	2.3%	5.0%	11.1%	3.2%
Production	2.3%	2.1%	2.2%	15.1%	4.0%
Transportation and Material Moving	<u>2.1%</u>	<u>4.5%</u>	<u>1.1%</u>	<u>6.2%</u>	<u>60.3%</u>
Totals	100.0%	100.0%	100.0%	100.0%	100.0%
Management Occupations	14.0	2.7	2.6	10.2	0.8
Business and Financial Operations	17.5	0.6	0.9	7.5	0.5
Computer and Mathematical	36.4	0.1	0.0	8.2	0.1
Architecture and Engineering	7.6	0.0	0.0	11.1	0.1
Life, Physical, and Social Science	4.3	0.0	0.0	17.7	0.0
Community and Social Services	0.3	0.0	0.0	0.3	0.0
Legal	2.9	0.0	0.0	0.3	0.0
Education, Training, and Library	1.7	0.0	0.0	0.4	0.0
Arts, Design, Entertainment, Sports, and Media	4.3	0.4	0.1	1.2	0.0
Healthcare Practitioners and Technical	6.5	2.2	0.0	1.9	0.0
Healthcare Support	3.7	0.4	0.3	0.5	0.0
Protective Service	0.5	0.3	0.9	0.4	0.2
Food Preparation and Serving Related	0.4	47.4	14.4	0.6	0.0
Building and Grounds Cleaning and Maint.	1.3	0.8	18.6	0.7	0.2
Personal Care and Service	0.5	3.2	2.3	0.1	0.0
Sales and Related	10.1	36.8	1.3	3.9	0.4
Office and Administrative Support	32.4	10.8	11.8	13.0	5.2
Farming, Fishing, and Forestry	0.1	0.0	0.0	0.3	0.0
Construction and Extraction	0.9	0.2	0.1	0.4	0.0
Installation, Maintenance, and Repair	3.1	2.7	2.9	13.0	0.7
Production	3.6	2.4	1.3	17.6	0.9
Transportation and Material Moving	<u>3.3</u>	<u>5.2</u>	<u>0.6</u>	<u>7.2</u>	<u>14.1</u>
Totals	155.3	116.5	58.2	116.5	23.3

Notes:

(1) Appendix B Tables 1 through 10 contain additional information regarding worker occupation categories.

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

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

	Office	Retail	Hotel	Light Industrial	Warehouse
<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	0.00	0.00
Business and Financial Operations	0.00	0.00	0.00	0.00	0.00
Computer and Mathematical	0.00	0.00	0.00	0.00	0.00
Architecture and Engineering	0.00	0.00	0.00	0.00	0.00
Life, Physical and Social Science	0.00	0.00	0.00	0.02	0.00
Community and Social Services	0.00	0.00	0.00	0.00	0.00
Legal	0.00	0.00	0.00	0.00	0.00
Education Training and Library	0.00	0.00	0.00	0.00	0.00
Arts, Design, Entertainment, Sports, and Media	0.00	0.00	0.00	0.00	0.00
Healthcare Practitioners and Technical	0.01	0.00	0.00	0.00	0.00
Healthcare Support	0.00	0.00	0.00	0.00	0.00
Protective Service	0.00	0.00	0.00	0.00	0.00
Food Preparation and Serving Related	0.00	19.15	5.50	0.00	0.00
Building Grounds and Maintenance	0.00	0.00	4.50	0.00	0.00
Personal Care and Service	0.00	1.24	0.71	0.00	0.00
Sales and Related	0.41	10.54	0.19	0.47	0.00
Office and Admin	1.69	1.53	2.91	0.65	0.69
Farm, Fishing, and Forestry	0.00	0.00	0.00	0.00	0.00
Construction and Extraction	0.00	0.00	0.00	0.00	0.00
Installation Maintenance and Repair	0.00	0.10	0.13	0.30	0.03
Production	0.00	0.51	0.41	2.65	0.14
Transportation and Material Moving	0.00	1.32	0.00	2.03	2.68
HH earning up to 30% of Median - major occupations	2.11	34.40	14.36	6.11	3.53
HH earning from 0% to 30% of Median - all other occupatic	0.52	1.63	0.78	0.40	0.17
Total Households Earning from 0% to 30% of Median	2.6	36.0	15.1	6.5	3.7

Notes:

(1) Appendix B Tables 1 through 10 contain additional information on worker occupation categories and compensation levels.

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

Analysis for Households Earning 30% to 50% of Median

	Office	Retail	Hotel	Light Industrial	Warehouse
<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	0.00	0.00
Business and Financial Operations	0.15	0.00	0.00	0.08	0.01
Computer and Mathematical	0.36	0.00	0.00	0.05	0.00
Architecture and Engineering	0.06	0.00	0.00	0.07	0.00
Life, Physical and Social Science	0.00	0.00	0.00	1.24	0.00
Community and Social Services	0.00	0.00	0.00	0.00	0.00
Legal	0.00	0.00	0.00	0.00	0.00
Education Training and Library	0.00	0.00	0.00	0.00	0.00
Arts, Design, Entertainment, Sports, and Media	0.00	0.00	0.00	0.00	0.00
Healthcare Practitioners and Technical	0.18	0.00	0.00	0.00	0.00
Healthcare Support	0.00	0.00	0.00	0.00	0.00
Protective Service	0.00	0.00	0.00	0.00	0.00
Food Preparation and Serving Related	0.00	17.90	5.45	0.00	0.00
Building Grounds and Maintenance	0.00	0.00	6.68	0.00	0.00
Personal Care and Service	0.00	1.22	0.90	0.00	0.00
Sales and Related	1.13	13.09	0.27	0.73	0.00
Office and Admin	7.75	3.37	3.86	2.99	1.60
Farm, Fishing, and Forestry	0.00	0.00	0.00	0.00	0.00
Construction and Extraction	0.00	0.00	0.00	0.00	0.00
Installation Maintenance and Repair	0.00	0.54	0.66	2.46	0.15
Production	0.00	0.81	0.49	5.53	0.29
Transportation and Material Moving	0.00	1.87	0.00	2.56	4.95
HH earning from 30%-50% of Median - major occupations	9.62	38.94	18.57	15.71	7.00
HH earning from 30% to 50% of Median - all other occupati	2.39	1.84	1.01	1.03	0.34
Total Households Earning from 30% to 50% of Median	12.0	40.8	19.6	16.7	7.3

Notes:

(1) Appendix B Tables 1 through 10 contain additional information on worker occupation categories and compensation levels.

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

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

	Office	Retail	Hotel	Light Industrial	Warehouse
<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	0.14	0.03
Business and Financial Operations	2.06	0.00	0.00	0.95	0.07
Computer and Mathematical	1.95	0.00	0.00	0.34	0.00
Architecture and Engineering	0.53	0.00	0.00	0.58	0.00
Life, Physical and Social Science	0.00	0.00	0.00	3.17	0.00
Community and Social Services	0.00	0.00	0.00	0.00	0.00
Legal	0.00	0.00	0.00	0.00	0.00
Education Training and Library	0.00	0.00	0.00	0.00	0.00
Arts, Design, Entertainment, Sports, and Media	0.00	0.00	0.00	0.00	0.00
Healthcare Practitioners and Technical	0.64	0.00	0.00	0.00	0.00
Healthcare Support	0.00	0.00	0.00	0.00	0.00
Protective Service	0.00	0.00	0.00	0.00	0.00
Food Preparation and Serving Related	0.00	9.03	2.85	0.00	0.00
Building Grounds and Maintenance	0.00	0.00	4.41	0.00	0.00
Personal Care and Service	0.00	0.62	0.56	0.00	0.00
Sales and Related	1.89	9.32	0.26	0.77	0.00
Office and Admin	10.35	3.01	3.20	4.08	1.50
Farm, Fishing, and Forestry	0.00	0.00	0.00	0.00	0.00
Construction and Extraction	0.00	0.00	0.00	0.00	0.00
Installation Maintenance and Repair	0.00	0.78	0.94	3.83	0.23
Production	0.00	0.66	0.33	5.14	0.27
Transportation and Material Moving	0.00	1.31	0.00	1.73	3.85
HH earning from 50% to 80% of Median - major occupations	17.63	25.01	12.99	20.73	5.94
HH earning from 50% to 80% of Median - all other occupations	4.38	1.18	0.70	1.36	0.29
Total Households Earning from 50% to 80% of Median	22.0	26.2	13.7	22.1	6.2

Notes:

(1) Appendix B Tables 1 through 10 contain additional information on worker occupation categories and compensation levels.

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

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

	Office	Retail	Hotel	Light Industrial	Warehouse
<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	0.81	0.13
Business and Financial Operations	4.11	0.00	0.00	1.84	0.12
Computer and Mathematical	6.30	0.00	0.00	1.35	0.00
Architecture and Engineering	1.55	0.00	0.00	2.10	0.00
Life, Physical and Social Science	0.00	0.00	0.00	4.74	0.00
Community and Social Services	0.00	0.00	0.00	0.00	0.00
Legal	0.00	0.00	0.00	0.00	0.00
Education Training and Library	0.00	0.00	0.00	0.00	0.00
Arts, Design, Entertainment, Sports, and Media	0.00	0.00	0.00	0.00	0.00
Healthcare Practitioners and Technical	1.29	0.00	0.00	0.00	0.00
Healthcare Support	0.00	0.00	0.00	0.00	0.00
Protective Service	0.00	0.00	0.00	0.00	0.00
Food Preparation and Serving Related	0.00	1.18	0.55	0.00	0.00
Building Grounds and Maintenance	0.00	0.00	2.53	0.00	0.00
Personal Care and Service	0.00	0.13	0.16	0.00	0.00
Sales and Related	2.43	2.71	0.22	0.72	0.00
Office and Admin	7.79	2.02	1.15	3.21	0.99
Farm, Fishing, and Forestry	0.00	0.00	0.00	0.00	0.00
Construction and Extraction	0.00	0.00	0.00	0.00	0.00
Installation Maintenance and Repair	0.00	0.70	0.69	3.53	0.19
Production	0.00	0.34	0.06	3.08	0.16
Transportation and Material Moving	0.00	0.59	0.00	0.66	2.12
HH earning from 80% to 120% of Median - major occupation	24.58	8.13	5.91	22.05	3.71
HH earning from 80% to 120% of Median - all other occupat	6.10	0.38	0.32	1.45	0.18
Total Households Earning from 80% to 120% of Median	30.7	8.5	6.2	23.5	3.9

Notes:

(1) Appendix B Tables 1 through 10 contain additional information on worker occupation categories and compensation levels.

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

<i>Per 100,000 Sq.Ft. of Building Area</i>					
	Office	Retail	Hotel	Light Industrial	Warehouse
NUMBER OF HOUSEHOLDS BY INCOME TIER ⁽¹⁾					
Extremely Low (0% - 30% AMI)	2.6	36.0	15.1	6.5	3.7
Very Low Income (30% - 50% AMI)	12.0	40.8	19.6	16.7	7.3
Low Income (50% to 80% AMI)	22.0	26.2	13.7	22.1	6.2
Moderate Income (80% to 120% AMI)	30.7	8.5	6.2	23.5	3.9
Subtotal - Affordable Categories	67.3	111.5	54.6	68.8	21.2
Above Moderate Income (> 120% AMI)	88.0	5.0	3.6	47.6	2.1
Total New Worker Households	155.3	116.5	58.2	116.5	23.3
PERCENTAGE OF HOUSEHOLDS BY INCOME TIER					
Extremely Low (0% - 30% AMI)	1.7%	30.9%	26.0%	5.6%	15.9%
Very Low Income (30% - 50% AMI)	7.7%	35.0%	33.6%	14.4%	31.5%
Low Income (50% to 80% AMI)	14.2%	22.5%	23.5%	19.0%	26.8%
Moderate Income (80% to 120% AMI)	19.8%	7.3%	10.7%	20.2%	16.7%
Subtotal - Affordable Categories	43.4%	95.7%	93.8%	59.1%	90.9%
Above Moderate Income (> 120% AMI)	56.6%	4.3%	6.2%	40.9%	9.1%
Total	100%	100%	100%	100%	100%

Notes:

(1) Appendix B Tables 1 through 10 for information regarding worker compensation levels.

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

	Number of Housing Units per Square Foot of Building Area ⁽¹⁾				
	Office	Retail	Hotel	Light Industrial	Warehouse
Extremely Low (0% - 30% AMI)	0.00002634	0.00036032	0.00015136	0.00006512	0.00003708
Very Low Income (30% - 50% AMI)	0.00012013	0.00040780	0.00019575	0.00016744	0.00007346
Low Income (50% to 80% AMI)	0.00022013	0.00026196	0.00013698	0.00022089	0.00006236
Moderate Income (80% to 120% AMI)	0.00030683	0.00008511	0.00006229	0.00023495	0.00003889
Total	0.00067343	0.00111520	0.00054638	0.00068840	0.00021179

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 Milpitas, 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 Milpitas is a two-bedroom unit for a three-person household. An attached condominium unit at approximately 30 units per acre 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 60 and 90 units per acre. 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 \$517,000.

Development Costs for Affordable Units

Income Group	Unit Tenure / Type	Development Cost
Under 30% AMI	Rental	\$517,000
30% to 50% AMI	Rental	\$517,000
50% to 80% AMI	Rental	\$517,000
80% to 120% AMI	Ownership	\$584,000

The multi-family construction costs reflect the costs of building at 60 to 90 units per acre, including a structured parking garage, which the for-sale condominium development is assumed to not require at 30 units per acre. As a result, the total development cost for the multi-family rental units is estimated to be somewhat similar to that of the for-sale condominium units despite a smaller unit size. 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.

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.

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 \$215,500, the Very Low-Income units at \$291,500, and the Low-income units at \$330,500. 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	\$215,500
30% to 50% AMI	Rental	3 persons	\$291,500
50% to 80% AMI	Rental	3 persons	\$330,500
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
<u><i>Affordable Rental Units</i></u>			
Extremely Low (Under 30% AMI)	\$215,500	\$517,000	\$301,500
Very Low (30% to 50% AMI)	\$291,500	\$517,000	\$225,500
Low (50% to 80% AMI)	\$330,500	\$517,000	\$186,500
<u><i>Affordable Ownership Units</i></u>			
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 five building types in Milpitas are as follows:

Maximum Fee Per Square Foot of Building Area

Building Type	Maximum Supported Fee Per Square Foot
Office	\$142.70
Retail	\$268.00
Hotel	\$128.70
Light Industrial	\$149.60
Warehouse	\$47.80

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.

² Income criteria vary by household size.

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 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
Jobs Housing Nexus Analysis
Milpitas, 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 AML, whereas qualifying income can be up to 120% of AML.

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

Table 6.
Estimated Affordable Home Prices - Moderate Income
Jobs Housing Nexus Analysis
Milpitas, CA

Unit Size Household Size	2-Bedroom Unit 3-person HH	3-Bedroom Unit 4-person HH	4-Bedroom Unit 5-person HH
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
<u>Key Assumptions</u>			
- 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
Jobs Housing Nexus Analysis
Milpitas, CA

	Extremely Low	Very Low	Low Income
I. Affordable Prototype			
Tenure	Rental		
Average Unit Size	800 square feet		
Density	~60-90 du/acre		
II. Development Costs ^[1]			
	Per Unit	Per Unit	Per Unit
Land Acquisition	\$55,000	\$55,000	\$55,000
Directs	\$328,000	\$328,000	\$328,000
Indirects	\$115,000	\$115,000	\$115,000
Financing	\$19,000	\$19,000	\$19,000
Total Development Costs	\$517,000	\$517,000	\$517,000
III. Supported Financing			
	Per Unit	Per Unit	Per Unit
<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	Per Unit	Per Unit	Per Unit
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) 5.0%	\$32,000	\$108,000	\$147,000
Deferred Developer Fee	\$2,500	\$2,500	\$2,500
4% Tax Credit Equity	\$181,000	\$181,000	\$181,000
Total Sources	\$215,500	\$291,500	\$330,500
IV. Affordability Gap			
	Per Unit	Per Unit	Per Unit
Supported Permanent Financing	\$215,500	\$291,500	\$330,500
(Less) Total Development Costs	(\$517,000)	(\$517,000)	(\$517,000)
Affordability Gap	(\$301,500)	(\$225,500)	(\$186,500)

^[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
MILPITAS, CA

INCOME CATEGORY	Affordability Gap Per Unit	Nexus Cost Per Sq.Ft. of Building Area ³				
		Office	Retail	Hotel	Light Industrial	Warehouse
Extremely Low (0% - 30% AMI)	\$301,500 ¹	\$7.90	\$108.60	\$45.60	\$19.60	\$11.20
Very Low Income (30% - 50% AMI)	\$225,500 ¹	\$27.10	\$92.00	\$44.10	\$37.80	\$16.60
Low Income (50% to 80% AMI)	\$186,500 ¹	\$41.10	\$48.90	\$25.50	\$41.20	\$11.60
Moderate Income (80% to 120% AMI)	\$217,000 ²	\$66.60	\$18.50	\$13.50	\$51.00	\$8.40
Total		\$142.70	\$268.00	\$128.70	\$149.60	\$47.80

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 Milpitas, conditions are consistent with this underlying assumption. According to the Census (2010 to 2014 ACS), approximately 40% 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
MILPITAS, 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
MILPITAS, 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%	9.0%
<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%	11.2%
<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%	23.4%

<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 Pro	\$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>
Page 3 of 3			
<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	\$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%
<hr/>			
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
MILPITAS, 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
MILPITAS, 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%	9.3%
<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%	2.3%
<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%	2.1%
<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%	4.5%
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
MILPITAS, 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
MILPITAS, CA

<u>Occupation</u> ¹	<u>2015 Avg. Compensation</u> ²	<u>% of Total Occupation Group</u> ³	<u>% of Total Hotel Workers</u>
Page 1 of 2			
<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 B TABLE 7
2014 NATIONAL LIGHT INDUSTRIAL WORKER DISTRIBUTION BY OCCUPATION
JOBS HOUSING NEXUS ANALYSIS
MILPITAS, CA

Major Occupations (2% or more)	2014 National Light Industrial Industry Occupation Distribution	
Management Occupations	349,650	8.8%
Business and Financial Operations Occupations	256,476	6.4%
Computer and Mathematical Occupations	282,133	7.1%
Architecture and Engineering Occupations	379,825	9.5%
Life, Physical, and Social Science Occupations	605,361	15.2%
Sales and Related Occupations	132,409	3.3%
Office and Administrative Support Occupations	444,439	11.1%
Installation, Maintenance, and Repair Occupations	444,487	11.1%
Production Occupations	602,981	15.1%
Transportation and Material Moving Occupations	245,346	6.2%
All Other Light Industrial Occupations	<u>245,863</u>	<u>6.2%</u>
INDUSTRY TOTAL	3,988,970	100.0%

Industries weighted to reflect Santa Clara County industry mix. Includes Research & Development.

APPENDIX B TABLE 8
AVERAGE ANNUAL COMPENSATION, 2015
LIGHT INDUSTRIAL WORKER OCCUPATIONS
JOBS HOUSING NEXUS ANALYSIS
MILPITAS, CA

<u>Occupation</u> ¹	<u>2015 Avg. Compensation</u> ²	<u>% of Total Occupation Group</u> ³	<u>% of Total Light Industrial Workers</u>
Page 1 of 3			
<i>Management Occupations</i>			
General and Operations Managers	\$157,600	25.3%	2.2%
Marketing Managers	\$190,500	4.5%	0.4%
Computer and Information Systems Managers	\$186,700	6.4%	0.6%
Financial Managers	\$168,700	5.4%	0.5%
Industrial Production Managers	\$147,500	4.2%	0.4%
Architectural and Engineering Managers	\$190,600	9.6%	0.8%
Natural Sciences Managers	\$177,200	15.9%	1.4%
Managers, All Other	\$163,400	8.3%	0.7%
All Other Management Occupations (Avg. All Categories)	<u>\$162,300</u>	<u>20.5%</u>	<u>1.8%</u>
Weighted Mean Annual Wage	\$168,800	100.0%	8.8%
<i>Business and Financial Operations Occupations</i>			
Purchasing Agents, Except Wholesale, Retail, and Farm Products	\$81,100	8.7%	0.6%
Compliance Officers	\$93,800	8.3%	0.5%
Cost Estimators	\$77,900	4.4%	0.3%
Human Resources Specialists	\$89,400	6.2%	0.4%
Management Analysts	\$111,500	11.1%	0.7%
Training and Development Specialists	\$95,300	4.6%	0.3%
Market Research Analysts and Marketing Specialists	\$110,200	9.6%	0.6%
Business Operations Specialists, All Other	\$98,100	18.8%	1.2%
Accountants and Auditors	\$94,200	13.5%	0.9%
Financial Analysts	\$109,600	4.7%	0.3%
All Other Business and Financial Operations (Avg. All Categories)	<u>\$96,400</u>	<u>10.1%</u>	<u>0.6%</u>
Weighted Mean Annual Wage	\$97,200	100.0%	6.4%
<i>Computer and Mathematical Occupations</i>			
Computer Systems Analysts	\$110,000	10.5%	0.7%
Computer Programmers	\$95,300	6.0%	0.4%
Software Developers, Applications	\$144,400	19.1%	1.4%
Software Developers, Systems Software	\$140,300	18.6%	1.3%
Network and Computer Systems Administrators	\$101,500	9.0%	0.6%
Computer User Support Specialists	\$76,500	7.7%	0.5%
Statisticians	\$152,500	5.0%	0.4%
All Other Computer and Mathematical Occupations (Avg. All Categories)	<u>\$125,600</u>	<u>24.1%</u>	<u>1.7%</u>
Weighted Mean Annual Wage	\$123,900	100.0%	7.1%

<u>Occupation</u> ¹	<u>2015 Avg. Compensation</u> ²	<u>% of Total Occupation Group</u> ³	<u>% of Total Light Industrial Workers</u>
Page 2 of 3			
<i>Architecture and Engineering Occupations</i>			
Aerospace Engineers	\$109,700	8.2%	0.8%
Biomedical Engineers	\$119,300	5.3%	0.5%
Computer Hardware Engineers	\$138,100	5.2%	0.5%
Electrical Engineers	\$130,000	9.6%	0.9%
Electronics Engineers, Except Computer	\$132,400	6.8%	0.6%
Industrial Engineers	\$116,300	10.3%	1.0%
Mechanical Engineers	\$113,300	16.3%	1.6%
Engineers, All Other	\$124,100	8.4%	0.8%
Electrical and Electronics Engineering Technicians	\$70,200	4.8%	0.5%
Engineering Technicians, Except Drafters, All Other	\$77,400	4.6%	0.4%
All Other Architecture and Engineering Occupations (Avg. All Categories)	<u>\$113,400</u>	<u>20.4%</u>	<u>1.9%</u>
Weighted Mean Annual Wage	\$115,000	100.0%	9.5%
<i>Life, Physical, and Social Science Occupations</i>			
Biochemists and Biophysicists	\$112,100	9.4%	1.4%
Medical Scientists, Except Epidemiologists	\$103,700	21.7%	3.3%
Chemists	\$84,200	9.4%	1.4%
Biological Technicians	\$59,400	12.5%	1.9%
Chemical Technicians	\$54,900	4.1%	0.6%
Social Science Research Assistants	\$50,800	5.9%	0.9%
All Other Life, Physical, and Social Science Occupations (Avg. All Categories)	<u>\$86,000</u>	<u>37.0%</u>	<u>5.6%</u>
Weighted Mean Annual Wage	\$85,500	100.0%	15.2%
<i>Sales and Related Occupations</i>			
Cashiers	\$26,600	11.5%	0.4%
Counter and Rental Clerks	\$35,600	8.9%	0.3%
Retail Salespersons	\$29,200	12.0%	0.4%
Sales Representatives, Services, All Other	\$89,500	14.9%	0.5%
Sales Representatives, Wholesale and Manufacturing, Technical and Scientific Proc	\$118,700	17.8%	0.6%
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scient	\$77,000	20.2%	0.7%
All Other Sales and Related Occupations (Avg. All Categories)	<u>\$55,500</u>	<u>14.7%</u>	<u>0.5%</u>
Weighted Mean Annual Wage	\$67,900	100.0%	3.3%
<i>Office and Administrative Support Occupations</i>			
First-Line Supervisors of Office and Administrative Support Workers	\$70,600	5.5%	0.6%
Bookkeeping, Accounting, and Auditing Clerks	\$50,300	8.9%	1.0%
Customer Service Representatives	\$48,200	9.3%	1.0%
Production, Planning, and Expediting Clerks	\$66,500	4.3%	0.5%
Shipping, Receiving, and Traffic Clerks	\$36,500	5.9%	0.7%
Executive Secretaries and Executive Administrative Assistants	\$67,200	9.4%	1.0%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	\$45,000	18.3%	2.0%
Office Clerks, General	\$40,900	18.4%	2.1%
All Other Office and Administrative Support Occupations (Avg. All Categories)	<u>\$48,100</u>	<u>19.9%</u>	<u>2.2%</u>
Weighted Mean Annual Wage	\$49,600	100.0%	11.1%

<u>Occupation</u> ¹	<u>2015 Avg. Compensation</u> ²	<u>% of Total Occupation Group</u> ³	<u>% of Total Light Industrial Workers</u>
Page 3 of 3			
<i>Installation, Maintenance, and Repair Occupations</i>			
First-Line Supervisors of Mechanics, Installers, and Repairers	\$80,600	8.3%	0.9%
Computer, Automated Teller, and Office Machine Repairers	\$46,200	4.9%	0.5%
Automotive Body and Related Repairers	\$46,400	13.9%	1.5%
Automotive Service Technicians and Mechanics	\$52,700	33.6%	3.7%
Industrial Machinery Mechanics	\$57,100	6.1%	0.7%
Maintenance and Repair Workers, General	\$47,300	7.4%	0.8%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	<u>\$55,900</u>	<u>25.9%</u>	<u>2.9%</u>
Weighted Mean Annual Wage	\$54,500	100.0%	11.1%
<i>Production Occupations</i>			
First-Line Supervisors of Production and Operating Workers	\$68,400	6.8%	1.0%
Team Assemblers	\$35,200	10.7%	1.6%
Bakers	\$29,200	4.5%	0.7%
Food Batchmakers	\$24,300	4.5%	0.7%
Printing Press Operators	\$38,800	6.7%	1.0%
Inspectors, Testers, Sorters, Samplers, and Weighers	\$47,000	6.0%	0.9%
Dental Laboratory Technicians	\$45,600	7.2%	1.1%
Packaging and Filling Machine Operators and Tenders	\$29,200	7.9%	1.2%
Helpers--Production Workers	\$26,800	4.8%	0.7%
All Other Production Occupations (Avg. All Categories)	<u>\$40,800</u>	<u>41.0%</u>	<u>6.2%</u>
Weighted Mean Annual Wage	\$39,800	100.0%	15.1%
<i>Transportation and Material Moving Occupations</i>			
First-Line Supervisors of Helpers, Laborers, and Material Movers, Hand	\$53,500	4.5%	0.3%
Heavy and Tractor-Trailer Truck Drivers	\$47,200	4.8%	0.3%
Light Truck or Delivery Services Drivers	\$39,300	6.8%	0.4%
Automotive and Watercraft Service Attendants	\$25,700	10.5%	0.6%
Industrial Truck and Tractor Operators	\$38,500	5.9%	0.4%
Cleaners of Vehicles and Equipment	\$25,800	36.9%	2.3%
Laborers and Freight, Stock, and Material Movers, Hand	\$31,700	11.2%	0.7%
Packers and Packagers, Hand	\$25,300	9.8%	0.6%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	<u>\$37,300</u>	<u>9.7%</u>	<u>0.6%</u>
Weighted Mean Annual Wage	\$31,500	100.0%	6.2%
Weighted Average Annual Wage - All Occupations	\$80,000		93.8%

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 9
2014 NATIONAL WAREHOUSE WORKER DISTRIBUTION BY OCCUPATION
JOBS HOUSING NEXUS ANALYSIS
MILPITAS, CA

Major Occupations (2% or more)	2014 National Warehouse Industry Occupation Distribution	
Management Occupations	25,100	3.5%
Business and Financial Operations Occupations	14,700	2.0%
Office and Administrative Support Occupations	161,880	22.3%
Installation, Maintenance, and Repair Occupations	23,190	3.2%
Production Occupations	29,150	4.0%
Transportation and Material Moving Occupations	438,040	60.3%
All Other Warehouse Occupations	<u>34,030</u>	<u>4.7%</u>
INDUSTRY TOTAL	726,090	100.0%

APPENDIX B TABLE 10
AVERAGE ANNUAL COMPENSATION, 2015
WAREHOUSE WORKER OCCUPATIONS
JOBS HOUSING NEXUS ANALYSIS
MILPITAS, CA

<u>Occupation</u> ¹	<u>2015 Avg. Compensation</u> ²	<u>% of Total Occupation Group</u> ³	<u>% of Total Warehouse Workers</u>
Page 1 of 2			
<i>Management Occupations</i>			
General and Operations Managers	\$157,600	37.2%	1.3%
Sales Managers	\$167,900	4.9%	0.2%
Administrative Services Managers	\$122,400	5.3%	0.2%
Transportation, Storage, and Distribution Managers	\$118,800	36.1%	1.2%
All Other Management Occupations (Avg. All Categories)	<u>\$162,300</u>	<u>16.6%</u>	<u>0.6%</u>
Weighted Mean Annual Wage	\$143,000	100.0%	3.5%
<i>Business and Financial Operations Occupations</i>			
Wholesale and Retail Buyers, Except Farm Products	\$66,100	9.9%	0.2%
Purchasing Agents, Except Wholesale, Retail, and Farm Products	\$81,100	7.7%	0.2%
Human Resources Specialists	\$89,400	12.2%	0.2%
Logisticians	\$99,600	15.2%	0.3%
Training and Development Specialists	\$95,300	9.1%	0.2%
Market Research Analysts and Marketing Specialists	\$110,200	5.3%	0.1%
Business Operations Specialists, All Other	\$98,100	18.9%	0.4%
Accountants and Auditors	\$94,200	10.0%	0.2%
All Other Business and Financial Operations (Avg. All Categories)	<u>\$96,400</u>	<u>11.8%</u>	<u>0.2%</u>
Weighted Mean Annual Wage	\$92,600	100.0%	2.0%
<i>Office and Administrative Support Occupations</i>			
First-Line Supervisors of Office and Administrative Support Workers	\$70,600	5.4%	1.2%
Customer Service Representatives	\$48,200	8.5%	1.9%
Shipping, Receiving, and Traffic Clerks	\$36,500	21.2%	4.7%
Stock Clerks and Order Fillers	\$31,300	34.5%	7.7%
Office Clerks, General	\$40,900	6.0%	1.3%
All Other Office and Administrative Support Occupations (Avg. All Categories)	<u>\$48,100</u>	<u>24.3%</u>	<u>5.4%</u>
Weighted Mean Annual Wage	\$40,600	100.0%	22.3%

<u>Occupation</u> ¹	<u>2015 Avg. Compensation</u> ²	<u>% of Total Occupation Group</u> ³	<u>% of Total Warehouse Workers</u>
Page 2 of 2			
<i>Installation, Maintenance, and Repair Occupations</i>			
First-Line Supervisors of Mechanics, Installers, and Repairers	\$80,600	9.1%	0.3%
Bus and Truck Mechanics and Diesel Engine Specialists	\$58,600	7.7%	0.2%
Maintenance and Repair Workers, General	\$47,300	61.6%	2.0%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	<u>\$55,900</u>	<u>21.6%</u>	<u>0.7%</u>
Weighted Mean Annual Wage	\$53,100	100.0%	3.2%
<i>Production Occupations</i>			
First-Line Supervisors of Production and Operating Workers	\$68,400	8.3%	0.3%
Team Assemblers	\$35,200	19.1%	0.8%
Inspectors, Testers, Sorters, Samplers, and Weighers	\$47,000	21.9%	0.9%
Packaging and Filling Machine Operators and Tenders	\$29,200	17.1%	0.7%
Helpers--Production Workers	\$26,800	9.8%	0.4%
All Other Production Occupations (Avg. All Categories)	<u>\$40,800</u>	<u>23.8%</u>	<u>1.0%</u>
Weighted Mean Annual Wage	\$40,000	100.0%	4.0%
<i>Transportation and Material Moving Occupations</i>			
First-Line Supervisors of Helpers, Laborers, and Material Movers, Hand	\$53,500	4.9%	2.9%
Heavy and Tractor-Trailer Truck Drivers	\$47,200	8.1%	4.9%
Industrial Truck and Tractor Operators	\$38,500	21.0%	12.7%
Laborers and Freight, Stock, and Material Movers, Hand	\$31,700	42.8%	25.8%
Machine Feeders and Offbearers	\$31,400 ⁴	5.4%	3.2%
Packers and Packagers, Hand	\$25,300	10.4%	6.3%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	<u>\$37,300</u>	<u>7.4%</u>	<u>4.5%</u>
Weighted Mean Annual Wage	\$35,200	100.0%	60.3%
Weighted Average Annual Wage - All Occupations	\$42,000		95.3%

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

² The methodology utilized by the Bureau of Labor Statistics Occupational Employment Survey assumes that hourly paid employees are employed full-time. Annual compensation is calculated 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.

⁴ Wage data not available for Santa Clara County; wages estimated based on Alameda County wages for that occupation.

**APPENDIX C: NON-DUPLICATION BETWEEN POTENTIAL
RESIDENTIAL AND NON-RESIDENTIAL IMPACT FEE PROGRAMS**

The City of Milpitas 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 enable the potential adoption of affordable housing impact fees; 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 County 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 the City of Milpitas; 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 adoption of non-residential fees within the range of \$4 - \$8 per square foot for all non-residential 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	\$268.00	\$8	3%

Source: Keyser Marston Associates Summary, Context Materials and Recommendations Report.

The conclusion is that the maximum recommended fee level for the City of Milpitas represents 3% of the nexus cost. So, at most, the Non-Residential fee would mitigate approximately 3% of the demand for affordable units generated by new non-residential space.

Recommended Residential Impact Fee as a Percent of Maximum Fee

KMA has recommended that the City consider a residential affordable housing impact fee in the range of \$15 to \$20 per square foot level for for-sale projects and \$12 to \$17 per square foot for rental projects. The table below compares the maximum supported fee amounts to the maximum recommended fee levels. Again, if the City ultimately selects a higher fee level, this overlap analysis should be revised.

Maximum Recommended Fees as Percent of Maximum Fee					
	<i>Single Family Detached</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments - Lower Density</i>	<i>Apartments - Higher Density</i>
Maximum Nexus Amount	\$30.50	\$33.00	\$43.80	\$31.90	\$45.40
Max. Recommended Fee	\$20.00	\$20.00	\$20.00	\$17.00	\$17.00
Max. Rec. Fee as Percent of Nexus	66%	61%	46%	53%	37%

Source: Keyser Marston Associates [Summary, Context Materials and Recommendations Report](#).

The conclusion is that the maximum recommended affordable housing impact fee level represents 37% to 66% of the maximum supported by the Residential Nexus analysis.

Combined Requirements within Nexus Maximums

The highest non-residential fee level recommended mitigates 3% of the maximum supported impact fee amount. The maximum recommended impact fee level for residential development represents up to 66% 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.

Maximum Percent of Housing Demand Mitigated	
Max Residential Fee as Percent of Residential Nexus	66%
Max Non-Res. Fee as Percent of Non-Residential Nexus for Retail	3%
Maximum Percent of Demand Mitigated	69%