

CITY COUNCIL COMMITTEE

HOUSING & ECONOMIC DEVELOPMENT

Ron Leone, Chair
Dan Helix, Committee Member

5:30 p.m., Monday, March 28, 2016

**Building D, Permit Center Conference Room
1950 Parkside Drive, Concord**

ROLL CALL

PUBLIC COMMENT PERIOD

1. **CONSIDERATION** – Presentation of the Housing In-lieu Fee Nexus Study and Fee Recommendations. Report by Joan Ryan, Senior Planner.
3. **ADJOURNMENT**

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**REPORT TO COUNCIL COMMITTEE ON
HOUSING AND ECONOMIC DEVELOPMENT****TO HONORABLE COMMITTEE MEMBERS:**

DATE: March 28, 2016

**SUBJECT: PRESENTATION OF THE AFFORDABLE HOUSING IN-LIEU FEE NEXUS STUDY
AND FEE RECOMMENDATIONS****Report in Brief**

The State of California requires cities to produce a Housing Element, which makes adequate provisions for the existing and projected housing needs of all economic segments of the community and to determine how the City will meet its "fair share" of regional housing needs. Concord's last update to its Housing Element was on January 6, 2015, and covers an eight year period of 2014-2022. The City will need to update its Housing Element once again in 2022.

The Housing Element Update 2014-2022 includes a number of policies and programs to encourage affordable housing development. Some programs in the Housing Element identify ways to increase the funds available for affordable housing. Program H-1.5.8 for example, stated that the City would "*prepare an update to the Nexus Study for the City's Housing In-Lieu Fee and adopt a new fee rate based on the updated study.*" Housing In-Lieu Fees are collected on new housing development and may only be used specifically to create, provide or maintain affordable housing. City efforts to create, provide or maintain affordable housing can be accomplished through the funding of new construction, assistance in facilitating purchases, and/or funding of rehabilitation of existing affordable housing.

In August 2015, the City engaged Keyser Marston Associates to prepare a nexus analysis and financial feasibility analysis to validate the level of Housing In-Lieu Fees that could currently be justified in Concord while still providing a reasonable level of profit for developers. On November 30, 2015, staff shared the early findings of the study at the Housing and Economic Development Committee meeting. The Committee and members of the public provided comments and staff received further direction and a request for additional information from the Committee.

Since the November meeting, Keyser Marston has completed the draft Study, Attachment 1. Part of the feedback that the Committee provided at the November meeting was the need to be sensitive with fee increases as concerns were voiced about the potential to negatively impact the pace of new housing development. As a result, staff has modified its initial recommendations for Housing In-Lieu Fees based on the feedback received at the November 30, 2015 Committee meeting. Staff requests that the Committee review this report, as well as the draft Study and provide the following recommendations to the City Council to update the Housing In-Lieu Fee as follows:

Fees for new Ownership units - 1) Transition to a more equitable fee that is based on the size of the dwelling unit rather than the current flat fee per housing unit; 2) phase in an increased fee rate, starting at \$8/sq. ft. in January 2017 and increasing to \$9 and \$10 per sq. ft. in 2018 and 2019, respectively; 3) collect fees on smaller ownership projects (2-9 units) at a lower fee rate in order to support the concept that everyone shares in the obligation, even if at a lower rate; and 4) incentivize the development of

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high-density ownership units by charging a reduced fee rate citywide (zoning to support such units is primarily downtown).

Fees for new Rental units – 1) Begin to require an in-lieu fee for multi-family rental projects that are deemed complete after July 1, 2017; 2) Implement an in-lieu fee through a phased approach starting initially with a \$3/sq. ft. fee due at building permit issuance beginning in July 2018 and increasing over time to \$4 and \$5 per sq. ft. in 2019 and 2020, respectively. *Note: In order to not impede multi-family development currently in the planning pipeline, an in-lieu fee on new multi-family rental units would not be implemented until at least 500 new units have started construction within the City, thus the three year phase in of increased fees may begin in mid-2018, where fees will be applied at building permit issuance after July 1, 2018.*

Commercial Linkage Fee – The concept of a Commercial Linkage Fee was briefly discussed at the November Committee meeting. Staff has provided additional information for your review. Staff requests the Committee provide feedback as to their level of interest in pursuing a study of commercial linkage fees in 2017.

Background

The City's Inclusionary Housing Ordinance was adopted in 2004 to facilitate the development of housing affordable to low and moderate income households within the City. The Ordinance directs that all new residential ownership projects shall either: (1) include the minimum number of inclusionary housing units required (summarized later in the "Discussion" section of this report) or (2) if eligible, pay the in-lieu affordable housing fee determined pursuant to Section 18.185.040(D) of the Inclusionary Housing Ordinance. In 2004, the in-lieu affordable housing fee was initially set at \$17,660 per unit. On September 28, 2010, given the significant downturn of the housing market during the recession, the City Council re-examined the fee. The Council reduced the inclusionary fee at that time to \$5,043 per unit for ownership projects, and suspended rental inclusionary housing requirements as recessionary relief for residential projects. The total fees generated since the initiation of the program in 2004 is approximately \$1.55 million.

Fees generated through the City's Housing In-Lieu Fee may only be used for projects or programs that create or rehabilitate affordable housing. This includes using the fees to fund: (1) the City's First Time Homebuyer Program; (2) to assist in the creation of new affordable housing, typically by providing partial funding of a 100% affordable multi-family housing project for a non-profit developer; and (3) to fund rehabilitation and preservation of multi-family units in need of repair, such as through the City's loan programs.

Unfortunately, the current need for funds to create and maintain existing affordable housing units far outstrips the supply of those funds. Throughout the State and here in Concord, the loss of the Redevelopment Agencies (RDAs) and their requirements to provide funding for affordable housing has had a significant impact on affordable housing programs. Further, the recent recession has resulted in cutbacks in other affordable housing funding sources at both the State and federal level.

The City currently has a balance in its Affordable Housing Fund of approximately \$3 million dollars, which is used to fund the activities noted above. However, a commitment has been made with \$1.3 million of those funds for the rehabilitation of the Virginia Lane project. The fund is only supplemented by the payback of First Time Homebuyer and rehabilitation loans, which generated \$495,874 in FY 2014/15, and \$589,714 thus far in FY 2015/16 and via In-Lieu Housing fees. In FY 2014/2015, new ownership housing starts generated

only \$90,619 in in-lieu fees and \$35,301 thus far in the current fiscal year. The fees generated through pay off of the First Time Homebuyer loans and rehabilitation loans will further decrease over time, as the City's loan inventory continues to be paid off. Since 2012, the number of new loans has been limited; the City has funded only 1-2 First Time Homebuyer loans per year. Single family rehabilitation loans are now funded with the also limited Community Development Block Grant funds. Thus repayment revenue will decrease over time.

In addition, the existing affordable housing stock that is private and is typically owned by non-profit affordable housing groups is generally older and continues to demand attention and repairs. Such non-profits may request funding from public agencies to pay for the rehabilitation of affordable housing within their community. Most recently, the Concord City Council authorized a loan of \$1.3 million to Eden Housing, a non-profit affordable housing developer, to assist in the approximate \$19 million rehabilitation project of 91 units of affordable housing on Virginia Lane. With the very limited funding currently available, the City is focusing resources to help to rehabilitate existing affordable housing, since the creation of new affordable housing units is very expensive.

The environment for new residential development has been improving, with sales and rental rates increasing with the improving economy. Higher rents in other cities have resulted in increasing housing demand within Concord. This leads to higher Concord rents, which can displace lower income residents. In addition, there has been no significant increase in housing construction to increase supply, and the last major project was built in the downtown (Renaissance project) in 2006. This combination of increased demand and no real increase in supply means the housing environment for very low, low, and moderate income residents has become much more challenging.

Discussion

The need for affordable housing has steadily increased as rents have increased by 23% from 2013 to 2015 in Concord, according to the City's consultant. Staff recommends that the Committee consider implementation of a modest fee for multi-family development after a significant number of new rental units are constructed. Then, adopt an implementation schedule that would increase the in lieu affordable housing fee as development momentum increases, ensuring more affordable housing is provided along with market rate housing.

The City's Inclusionary Housing Ordinance requires residential developers of single family or multifamily ownership projects to sell a specified number of the new housing units at a price that is affordable for low or moderate income households. The Ordinance requires either: (a) 10 percent of all housing units be sold at a price that is affordable for moderate income households; or (b) 6 percent of all units be sold at a price that is affordable for low-income households. This currently only applies to projects of 5 or more units. Alternatively, the Ordinance also allows an option for projects that are less than 20 gross acres in size to pay a fee, in-lieu of providing the required inclusionary units. The current affordable housing in-lieu fee is \$5,043 per units; thus for example, a 20-unit development would incur a fee of \$100,860 (20 units x \$5,043).

Because of the low level of the current affordable housing in-lieu fee (\$5,043 per unit) as compared to the cost of selling a home at an affordable sales price, the in-lieu fee option has been the preference of all market rate developers. As noted earlier, the affordable housing in lieu fees may only be used to support the City's affordable housing program that maintains or assists in the creation of affordable housing units.

The City's Inclusionary Housing Ordinance requires residential developers of single family or multifamily rental projects to lease a specified number of the new units at a price that is affordable for low or very low income households. The Ordinance requires either: a) 10 percent of units be leased to low income households or 6 % for very low income households. However due to the *Palmer/Sixth Street Properties LP vs. City of Los Angeles* (2009) decision, cities can no longer require on-site affordable units for rental housing developments. As a result, many cities have adopted affordable housing impact fees.

Comparison of Affordable Housing Fees Among Five Local Jurisdictions

Keyser Marston Associates prepared a comparison of Concord's affordable housing requirements with five other jurisdictions selected jointly with staff (Pleasant Hill, Dublin, Martinez, Walnut Creek and Contra Costa County). The results summarize the inclusionary requirements for each City, including the current in-lieu fee, and any on-site requirement for ownership projects (page 14 of Attachment 1). Among the five jurisdictions studied, four jurisdictions (except Martinez) have an affordable housing requirement for new ownership units.

- Fees for Ownership Housing Development. Concord's current fee of \$5,043 per unit is lower than most comparable cities, but the methodologies for each program vary widely. For example, Pleasant Hill and Dublin base their fee on the number of affordable units required; these fees once calculated are then distributed among the total market rate units as a fee, typically at issuance of the building permit. Other cities such as Walnut Creek, base their fee on the square footage of the market rate unit (less garages) to provide more equity among different types/sizes of projects, since fees are scalable with smaller fees for smaller units and larger fees for larger units. The current fee in Walnut Creek for projects of 10 or more units is \$15 per square foot. The table on page 15 of Attachment 1 provides an "apples to apples" comparison of the fees among the jurisdictions, assuming an 1,800 sq. ft. unit size.
 - Fees for Rental Housing Development. Of the five jurisdictions studied, only Walnut Creek and Dublin are currently requiring new rental housing developments to comply with affordable housing obligations. The County, Martinez and Pleasant Hill have suspended their inclusionary housing programs for rental developments, due to previous legal suits (*Palmer/Sixth Street Properties L.P. v. City of Los Angeles*, 175 Cal. App. 4th 1396 (2009)). As a result of *Palmer*, cities can no longer require construction of on-site affordable units for rental housing development. But since *Palmer*, many cities have undertaken nexus studies to provide the basis for establishing a housing impact fee for rental housing development as well as ownership development.

The City of Concord's Ordinance was revised in 2010 such that rental projects are subject to inclusionary requirements at the same set-aside percentage as ownership units, but at lower affordability levels (10% low or 6% very low income levels), but only if negotiated and the project either: 1) receives a direct financial contribution from the City or any other form of assistance; or 2) is subject to a development agreement. Thus far, no market rate rental housing projects have been required to pay an affordable housing in-lieu fee in Concord since this provision has been in effect.

The Study includes both a residential nexus analysis and a financial feasibility analysis, as well as a comparison of the affordable housing fees charged by other nearby cities. From this information, the consultant has made recommendations within the study for modifications to the City of Concord affordable housing

program and fees. The nexus analysis establishes a clear need for the City’s affordable housing program to set aside units for low and moderate income households, and the financial feasibility analysis concludes that developers can maintain a reasonable profit even with the proposed increase in the in-lieu fee (as an alternate to building affordable units).

Residential Nexus Analysis

The residential nexus analysis determines the highest level of affordable housing fee that could be fairly charged by the City, based on the need for affordable housing that is created by new ownership or rental housing development. The residential nexus analysis is based on the premise that the construction of new housing units results in new expenditures by the occupants of the new units on goods and services throughout the local economy. This leads to the generation of new jobs, many of which are at lower compensation levels, resulting in the need for housing affordable for lower income households.

The City’s consultant, in coordination with staff, identified five prototype residential projects to represent typical projects within the City in the recent past or anticipated in the near future. These are intended to reflect the range of average or typical residential projects in Concord rather than any specific project (page 4 of Study), as shown below in Table A. The prototypes include: 1) Single Family, Large Lots; 2) Single Family, Small Lots, 3) Condominiums; 4) High Density Apartments; and 5) Medium Density Apartments.

**Table A
Prototypes¹**

	Prototype 1: Single Family Detached	Prototype 2: Small Lot SFD/ Townhome	Prototype 3: Condo	Prototype 4: High Density Apartments	Prototype 5: Medium Density Apartments
Sale Price/Monthly Rent	\$850,000	\$600,000	\$450,000	\$2,400	\$2,375
Avg. Unit Size	2,800 SF	1,800 SF	1,100 SF	800 SF	950 SF
Per Square Foot	\$300/SF	\$333/SF	\$409/SF	\$3.00 SF	\$2.50 SF
Household Income	\$165,000	\$121,000	\$95,000	\$96,000	\$95,000

1. As excerpted from page 4 of Nexus Study)

The residential nexus analysis, using the prototypes and sales prices/rent levels, determined the maximum fee levels and supported inclusionary percentages. The nexus analysis results indicate that the City’s current program to set aside 10% of units for Moderate income households or 6% for Low income households is fully supported by the need created for affordable housing. In addition, the Residential Nexus Analysis, as shown on page 7 of the Study and in Table B below, demonstrates support for ownership units maximum fee levels of at least \$33,400 to \$57,400 per market rate unit. For rental units, the supported nexus fee level is \$31,200 to \$31,700 per market rate unit. However, the calculated fee levels, per unit or per square foot, are maximum fees supported by the nexus analysis. They are not recommended fee levels. To determine recommended fee levels, a financial feasibility analysis was also prepared.

**Table B
Total Nexus Cost Per Market Rate Unit²
and Per Sq. Ft.**

	Prototype 1: Single Family Detached	Prototype 2: Small Lot SFD/ Townhome	Prototype 3: Condo	Prototype 4: High Density Apartments	Prototype 5: Medium Density Apartments
Total Supported Fee / Nexus Costs	\$57,400	\$41,600	\$33,400	\$31,700	\$31,200
Avg. Unit Size	2,800 SF	1,800 SF	1,100 SF	800 SF	950 SF
Total Nexus Cost per Sq. Ft.	\$20.60	\$23.10	\$30.40	\$39.70	\$32.80

1. As excerpted from page 7 of Nexus Study)

Financial Feasibility Analysis

The Study also includes a financial feasibility analysis to determine how high the affordable housing fee or inclusionary requirement could be, and still provide developers with a reasonable profit. A residual land value analysis was prepared for the five prototype developments that estimate the land value supported by the market values of the prototypes. The analysis takes into account current development costs, including construction costs, permits and fees, other indirect costs, financing terms and an adequate profit level for the developer. The analysis demonstrates what prototypes are feasible currently and models the impact of fees as well as construction of onsite affordable units.

The financial feasibility analysis (Appendix III to Attachment 1) modelled a total of six housing development project scenarios. It considered four ownership project scenarios:

- 1) the base case scenario representing the City’s current inclusionary in-lieu fee of \$5,043 per ownership unit;
- 2) a second scenario modeling the City’s former requirement of \$17,660 per unit;
- 3) a third scenario representing the City’s on-site requirement that 10% of units be sold to moderate-income households; and
- 4) a fourth scenario modeling a fee of \$10 per square foot, where the total fee amount would increase with the size of the unit.

The Study findings concluded that the City could either: (1) increase its inclusionary fee to the prior fee level (\$17,660) on single family detached units; or (2) establish a \$10 per square foot fee, or (3) require on-site units, without significantly impacting the pace of development of the two single family home prototypes. This means, even at these obligation levels, the Study found that developers would still be able to build and sell single family housing units and make a reasonable profit. Condominiums were found not to be feasible in the current market, even with the base case, due to more expensive construction costs and weaker market conditions in that sector.

The analysis also modeled two rental project scenarios:

- 5) For rental only – a fifth scenario examined an increase in rental rates of 5 to 8 percent over today’s levels, based on the consultant’s determination that this is the increase required to support feasible development (this assumes costs remain the same); and
- 6) For rental only – the sixth scenario estimated the impact of construction costs increasing by 10 percent, designed to reflect a project paying prevailing wages for construction.

While the findings showed that there are some signs that the multi-family market is stronger in Concord than in prior years, the analysis concluded that new development of multi-family residential projects, typically rental apartments, are just on the brink of financial feasibility. This finding corresponds with the fact that Concord has not yet seen the actual development of new rental housing projects, although Phase II of Renaissance in the downtown is undergoing building permit review.

Response to Previous Committee Comments.

At the November HED Committee meeting on the Affordable Housing In-lieu Fee Study, the Committee members expressed a commitment to affordable housing, but voiced concerns including: 1) the potential for increased fees resulting in higher home pricing; 2) the potential to impede development, voicing a desire to keep fees low with incremental increases as the market allows. In addition, the Committee requested additional information on commercial linkage fees.

1) Increased fees - While staff is sensitive to not negatively impacting the pace of new housing development, the need for affordable housing has steadily increased as rents have increased by 23% in the past two years.

- For Ownership Projects, the Study determined that there is significant variation between the current fee level of \$5,043 and the maximum fee level that could be justified and is financially feasible. Single family development can support an increased fee, comparable to the pre-2010 levels. Staff’s goal for ownership projects was to prepare an incremental approach with the concept that “everybody shares in the obligation”. In this way, smaller projects would have a smaller yet reasonable obligation, and fees would be modified toward a scalable fee that is based on square footage rather than a per unit fee, to provide more equality in fee collection. Smaller infill projects will have a lower fee, yet still contribute to the affordable housing challenge. In addition, the applicable project size could be reduced from 5 units to 2 units, but this would require a Text Amendment to the City’s Affordable Housing Ordinance.
 - Based on the study findings and prior input regarding the challenge of small infill projects, staff recommends that smaller projects be addressed with lower fees with a sliding scale based on project size; for example 2 units at \$2/sq. ft.; 3 unit projects at \$3/sq. ft., etc.
 - In addition, in an effort to encourage high density, for-sale condominium units, staff recommends treating such units as rentals (lower fee) for the collection of fees.
- For Rental Projects, the Study recommended and staff supports implementation of a modest fee for multi-family development after a significant number of new rental units are constructed, with adoption of an implementation schedule that would increase the in lieu

affordable housing fee as development momentum increases, ensuring more affordable housing is provided along with market rate housing.

2) *Potential to Impede Development* - The Committee's concern about the potential to impede multi-family housing, as it is just showing signs of recovery, has been addressed by setting a trigger for initiation of an incremental fee. Staff recommends that the Committee consider an initial affordable housing in-lieu fee of \$3/square foot of living area at a future date (July 2018), but not until building permits for at least 500 new units have been issued. Should 500 units not be under construction by April 2018, staff will postpone the request for the fee increase with Council, otherwise it would be incorporated into the May-July 2018 budget cycle of fee increases.

The fee could then be increased over the next two years, as market rates and development activity increases. The threshold of 500 units was based on upcoming projects being built; these include Renaissance (179), Concord Village (230) and at least one additional project in the pipeline. Project interest on at least two other downtown sites are in the due diligence / preliminary development phase and could result in future applications during 2016 in addition to the City's Successor Agency sites. One of the primary reasons the City had not seen new multifamily development in the downtown was that the market rents were too low to justify the cost of construction and land values for new developments. Based on planning applications and inquiries, this is beginning to turn the corner as Concord rents increase.

3) *Commercial Linkage fee* - Commercial linkage fees are a type of impact fee assessed on new commercial developments or major employers based on the need for affordable workforce housing generated by new and expanding businesses. Revenues generated are used to help fund the development of affordable housing opportunities within an accessible commuting distance. Staff has some economic development concerns with commercial linkage fees.

Some typical Commercial Linkage fees include: 1) Walnut Creek (2005) Office, retail, hotel and medical: \$5/sf; 2) Dublin (2005) Industrial: \$0.49/sf, Office: \$1.27/sf, Retail: \$1.02/sf; with higher fees in the south bay. A survey of cities is attached as Attachment 2.

Conclusion

As a result of the nexus analysis, feasibility analysis, the Study recommendations, and based on the feedback heard during the last Committee meeting, staff in consultation with the consultant concluded the following recommendations were reasonable. The recommendations have been broken out for ownership projects and rental projects.

Staff recommends the Committee consider the following:

Ownership Projects

- Modify the in-lieu fee from a flat, per unit fee to a scalable fee based on the size of the unit, in dollars per square feet to provide more equality among project sizes.
- Lower the threshold to collect fees from those projects that are 2-9 units in size to support the concept that "everyone pays" (Note: would require a Code text amendment).
- Reduce the fee for those smaller projects to coordinate with a sliding scale based on project size; for example 2 units at \$2/sq. ft.; 3 unit projects at \$3/sq. ft., etc. (Note: this would require

an ordinance change, as currently the Inclusionary Ordinance only covers those projects of 5 units and greater.)

- Consider a phase in schedule, such that those projects that have not been deemed complete by January 1, 2017, would be subject to new fees, based on the following incremental increases over the next three years.
 - January 2017 - \$8/sq. ft.
 - January 2018 - \$9/sq. ft.
 - January 2019 - \$10/sq. ft.
- In an effort to encourage high density, for-sale condominium units, treat such units as rentals for the purpose of collecting fees.

Rental Projects

- Fee would remain \$0 until July 1, 2018.
- Fee would apply to 2 units or greater.
- Applications for multi-family rental projects that have not been deemed complete by July 1, 2017, would be subject to the fee.
- Rental In-Lieu fee would start out very small in July 2018 with incremental increases, as shown in bullet below, but the initiation of the fee would be postponed if at least 500 units were not yet under construction by April 2018.
- Phase-in for Rental Project In-Lieu fees, would be based on the following incremental increases over three years. Staff would return to Council prior to incorporating into the fee schedule in May 2018.
 - July 2018 - \$3/sq. ft.
 - July 2019 - \$4/sq. ft.
 - July 2020 - \$5/sq. ft.

Commercial Linkage Fee

- Staff requests the Committee's input as to whether they would like staff to initiate a study of a commercial linkage fee during 2017, to reinforce the concept that "everyone shares in the affordable housing obligation".

Public Contact

Residential developers with an interest in the City and affordable housing advocates and the Chamber of Commerce have been notified.

Staff Recommendation

Staff recommends the Committee review the draft Study and staff report and provide a recommendation to the City Council with respect to the following:

Ownership units - 1) Transition from a per unit fee to a per square foot fee to provide scalability for projects; 2) phase in an increased fee, starting at \$8/sq. ft. in January 2017 and increasing to \$9 and \$10/sq. ft. in 2018, 2019, respectively; 3) collect fees on small ownership 2-9 unit projects at a lower fee in order to support the concept that everybody pays; and 4) incentivize the development of high-density,

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ownership units, by charging a reduced fee rate citywide (zoning to support such units is primarily downtown).

Fees for new Rental units – 1) Begin to collect an in-lieu fee for multi-family rental projects that are deemed complete after July 1, 2017; 2) Implement an in-lieu fee through a phased approach starting initially with a \$3/sq. ft. fee in July 2018 and increasing over time to \$4 and \$5 per sq. ft. in 2019 and 2020, respectively. *Note: In order to not impede multi-family development currently in the planning pipeline, an in-lieu fee on new multi-family rental units would not be implemented until at least 500 new units have started construction within the City, by April 2018, thus the three year phase in of increased fees may begin after 2018.*

Commercial linkage fee – Provide input as to the Committee’s level of interest in pursuing a study of commercial linkage fees during 2017.



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Attachment 1 – Draft Residential Nexus Analysis
Attachment 2 – Jobs Housing Linkage Fee Programs, California (Draft)



KEYSER MARSTON ASSOCIATES

DRAFT

**RESIDENTIAL NEXUS ANALYSIS
Inclusionary Housing Program Update
Concord, California**

Prepared for:
City of Concord

Prepared by:
Keyser Marston Associates, Inc.

January 2016

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SUMMARY AND RECOMMENDATIONS

This Summary and Recommendations report provides an overview of the analyses and a summary of the findings and recommendations for updating Concord's Inclusionary Housing Ordinance as it relates to the development of new residential units in the City of Concord. The materials have been prepared by Keyser Marston Associates (KMA) for the City pursuant to a contractual agreement.

The analysis addresses market rate residential projects in Concord and the various types of units that are subject to the City's Inclusionary Housing Ordinance 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 Concord. Other materials included in the update work program have been prepared to assist in recommending fee levels and other adjustments to the Inclusionary Housing Ordinance overall.

The City of Concord adopted an Inclusionary Housing Ordinance in 2004 that required all ownership projects of five or more units to provide a share of units at affordable prices or rent levels, consistent with the City's Housing Element. The developer could choose to provide 10% of units at prices affordable to Moderate Income households or 6% to Low Income households. The program allowed for payment of an in-lieu fee as an alternative to the on-site requirement for projects of less than 20 acres. During the recession all projects were allowed to pay an in lieu fee of \$5,043 per market rate unit (reduced from initial \$17,660), which continues to be the requirement today.

In addition to the adjustment to the program to address the recession, the legal environment also was altered with the *Palmer* decision (*Palmer/Sixth Street Properties L.P. v. City of Los Angeles* [2009] 175 Cal. App. 4th 1396). The *Palmer* ruling precluded California cities from requiring long term rent restrictions or inclusionary requirements on rental units. The City responded by reducing the fee on rental projects to \$0 in late 2010. Since the *Palmer* ruling, many California cities have adopted affordable housing impact fees on rental projects, but Concord has not proceeded to pursue impact fees on rentals until now.

With the Concord real estate market now recovering from the recession, the City has embarked on an update program. The nexus analysis provided herein will enable the City to proceed with an impact fee on rentals and also will provide the City with support for the inclusionary program in light of the evolving legal environment. In addition to the changed legal situation, the end of Redevelopment in California and cutbacks in housing funds at the State and Federal level have motivated Concord and many other California cities to update and reevaluate their affordable housing requirements and funding options.

The Nexus Concept

At its most simplified level, the underlying nexus concept is that newly constructed units represent new households in Concord. These households represent new income in Concord that will be used to consume goods and services, either through purchases of goods and services or by “consuming” governmental services. New consumption translates to new jobs; a portion of the jobs are at lower compensation levels, low compensation jobs translate to lower income households that cannot afford market rate units in Concord, and therefore need affordable housing.

Impact Methodology and Models Used

The analysis is performed using two models. The IMPLAN model is an industry accepted, commercially available model developed over 30 years ago to quantify the impacts of changes in a local economy, including the employment impacts or changes in personal income. The IMPLAN model is “inputted” with net new personal income in Concord associated with new residential units and new households in Concord. The analysis ultimately produces a quantification of net new jobs generated by industry. The KMA jobs housing nexus model is used to determine the household income of new employee households, identifying how many are at lower income and housing affordability levels.

Organization of this Document

This Summary and Recommendations Report summarizes the key findings of the analyses and provides our recommendations for changes to the Inclusionary Housing Ordinance. The Appendices provide full documentation of data sources, assumptions and methodology. The Summary and Recommendations Report is not intended as a stand-alone document and should not be printed or distributed without the appendices.

Appendix I contains the full Residential Nexus Analysis Report and all the tables that are a part of the analysis.

Appendix II: Residential Values – Market and Affordable. This is a background section that establishes the market values of various types of attached and detached residential units or “projects” based on surveys of new units selling in Concord. This appendix also contains a discussion of affordable sales prices and rent levels at various affordability levels, per the current Area Median Income (AMI), and contains a calculation of affordability gaps.

Appendix III: Financial Feasibility Analysis. In this section, KMA provides additional background information and support tables for the Financial Feasibility Analysis, including a documentation of data sources and conclusions.

This report has been prepared using the best and most recent data available. Local data and sources were used wherever possible. See Appendices for more information on data sources.

Nexus Analysis Summary

The Prototypes

Five residential prototypes were identified for Concord based on market surveys, approved projects in the City's pipeline, KMA's prior work in Concord, and consultation with City staff. The prototypes are summarized below:

- A single family detached unit, a 2,800 square foot home with four bedrooms, selling for \$850,000, or about \$300 per square foot on average.
- A single family unit on a smaller lot with a density in the range of 10 units per acre, 1,800 square feet with a mix of three and four bedrooms, selling for \$600,000 or \$333 per square foot. This unit could also be part of a townhome configuration.
- A condominium unit, built at an average of 55 units per acre, a mix of one, two and three bedrooms, 1,100 square feet, selling for approximately \$450,000, or a little over \$400 per square foot. This product is not being built by developers at this time due to weak pricing of condominiums (relative to development costs) but the market is anticipated to return in the not too distant future. This higher density product is envisioned mostly in the downtown area.
- A high density rental apartment unit in a project with an average density of 100 units per acre, located the downtown area. These units average 800 square feet, are predominantly one bedroom units, and rent for an average of \$2,400 per month. They have structured or partially below grade parking. Projects of this description are being actively pursued at this time.
- A medium density rental apartment unit in a project with an average density of 30 units per acre, a garden-style building located outside of the downtown. These units average 950 square feet, are a mix of one, two and three bedroom units, and rent for \$2,375 on average. It is noted that there are no projects of this description in the development pipeline at this time, but they are anticipated in the years ahead, mostly outside the downtown area.

These prototypes are used throughout the analyses in this work program. The sales prices or rent levels of the units are the starting point of the nexus analysis. These units are also examined in a financial feasibility analysis to inform current feasibility conditions and how various new fee levels affect feasibility.

Household Income

From the sales price or rent level of the five prototypes, the household income of the purchaser or renter is readily estimated using state and local housing policy and lending standards. Home purchasers are assumed to spend 35% of their household income on total housing expenses and renters 30%. Using somewhat conservative lending terms, household income for each prototype unit is estimated as follows:

Prototypes					
	<i>Prototype 1: Single Family Detached</i>	<i>Prototype 2: Small Lot SFD/ Townhome</i>	<i>Prototype 3: Condo</i>	<i>Prototype 4: High Density Apartments</i>	<i>Prototype 5: Medium Density Apartments</i>
Sale Price/ Monthly Rent	\$850,000	\$600,000	\$450,000	\$2,400	\$2,375
Average Unit Size	2,800 SF	1,800 SF	1,100 SF	800 SF	950 SF
Per Square Foot	\$300/SF	\$333/SF	\$409/SF	\$3.00/SF	\$2.50/SF
Household Income	\$165,000	\$121,000	\$95,000	\$96,000	\$95,000

As would be expected, the higher priced units translate to higher household income, with rental units and condominiums being affordable to households at a lesser income level than single family detached units and townhomes.

Jobs Generated

The next step in the nexus analysis is an adjustment from gross income to income available for expenditures, or income after taxes, Social Security and personal savings. The remaining steps to estimate job generation are conducted within the IMPLAN model.

To simplify the presentation of results, the analysis is run for building modules of 100 housing units. This avoids awkward fractions, especially at the detailed level of jobs by industry. The IMPLAN model output provides jobs by industry; the total numbers of jobs generated are shown in the table following. The geographic area of job generation is Contra Costa County.

Jobs Generated per 100 Units					
	<i>Prototype 1: Single Family Detached</i>	<i>Prototype 2: Small Lot SFD/ Townhome</i>	<i>Prototype 3: Condo</i>	<i>Prototype 4: High Density Apartments</i>	<i>Prototype 5: Medium Density Apartments</i>
Total Jobs Generated, 100 units	81.2	58.8	47.4	44.9	44.4

The IMPLAN model quantifies jobs generated at establishments that serve new residents directly (i.e. supermarkets, banks or schools), jobs generated by increased demand at firms which service or supply these establishments (wholesalers, janitorial contractors, accounting firms, or any jobs down the service/supply chain from direct jobs), and jobs generated when the new employees spend their wages in the local economy and generate additional jobs.

In the full nexus report, jobs generated by the larger industry categories are indicated in the tables. Jobs in Eating and Drinking establishments represent the single greatest concentration. However, if all retail categories were aggregated, even without the eating and drinking, retail would be the single largest group of jobs. Medical related services represent another major job category.

Compensation Levels of Jobs and Household Income

The output of the IMPLAN model – the numbers of jobs by industry – are then “input” into the Keyser Marston Associates jobs housing nexus analysis model to quantify the compensation level of new jobs and the income of the worker households. The KMA model sorts the jobs by industry into jobs by occupation, based on national data, and then attaches wage distribution data to the occupations, using recent Contra Costa 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.

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 Concord.

New Worker Households by Income Level per 100 Market Rate Units					
	<i>Prototype 1: Single Family Detached</i>	<i>Prototype 2: Small Lot SFD/ Townhome</i>	<i>Prototype 3: Condo</i>	<i>Prototype 4: High Density Apartments</i>	<i>Prototype 5: Medium Density Apartments</i>
Under 30% AMI	5.3	3.9	3.1	2.9	2.9
30% to 50% AMI	9.9	7.1	5.7	5.4	5.3
80% to 120% AMI	10.0	7.2	5.7	5.4	5.4
80% to 120% AMI	7.9	5.7	4.6	4.3	4.3
Total, Less than 120% AMI	33.1	23.8	19.1	18.1	17.9
Greater than 120% AMI	8.6	6.4	5.2	4.9	4.9
Total, New Households	41.7	30.2	24.3	23.0	22.8

Comparison of Nexus Analysis Results to Inclusionary Percentages

The analysis findings identify how many very low, low and moderate income households are generated for every 100 market rate units. These findings are adjusted to percentages for purposes of comparison to current on-site inclusionary requirements. The percentages are calculated including both market rate and affordable units (for example, 25 affordable units per 100 market rate units translates to 125 units; 25 affordable units out of 125 units equals 20%).

Each tier is cumulative, or inclusive of the tiers above it.

Cumulative Inclusionary Percentage Supported by Nexus Analysis			
	<i>Prototype 1: Single Family Detached</i>	<i>Prototype 2: Small Lot SFD/ Townhome</i>	<i>Prototype 3: Condo</i>
30% of Median Income	5%	4%	3%
50% of Median Income	13%	10%	8%
80% of Median Income	20%	15%	13%
120% of Median Income	25%	19%	16%

The conclusion of the analysis is that the three market rate ownership units analyzed support percentages up through Moderate Income (120% AMI) in the range of 16% to 25%, all of which are higher than the City’s current 10% at Moderate requirement.

The onsite percentages are calculated for ownership units only. It is recalled that the *Palmer* decision precludes jurisdictions from requiring affordable on-site units that limit on-going rent levels. Instead cities may require an impact fee.

Impact Fee Levels Supported by the Nexus Analysis

The last step in the analysis puts a dollar amount on the cost of mitigating the affordable housing impacts. The conclusions of the nexus analysis, expressed as the number of worker households by income affordability category, are linked to the cost of delivering housing to the households in need.

Each income, or affordability, tier is associated with a subsidy needed to produce and deliver a unit at the specified affordability level. These subsidies are referred to as ‘affordability gaps,’ or the difference between the cost of development and the sales price or unit value supported by the rent that can be paid by a household at the specified income level. Since the underlying concept is that fee revenues will be used to assist projects delivering affordable units, the cost of developing 100% affordable projects is used, drawing from recent affordable projects built or in the planning stages in Contra Costa and Alameda Counties.

The affordability gaps used in the analysis incorporate a policy to match households at various income levels with types of residential units. Specifically, it is assumed that households under 50% Area Median Income (AMI) and in the 50% to 80% AMI range will be housed in rental apartments with an average of two bedrooms per unit. Projects at these lower income levels are assumed to be partially funded using federal and state tax credit programs. The moderate income households, or those in the 80% to 120% tier, are assumed to be housed in modest two-bedroom ownership units, on average.

When the affordability gap conclusions for each income tier, indicated in the inset table, are linked to the number of affordable units required as a result of market rate development (as indicated in the inset table on the previous page) and divided by 100 units, the result is a Total Nexus Cost per new market rate residential unit. The results per unit are:

Total Nexus Cost Per Market Rate Unit						
<i>Income Category</i>	<i>Affordability Gap</i>	<i>Prototype 1: Single Family Detached</i>	<i>Prototype 2: Small Lot SFD/ Townhome</i>	<i>Prototype 3: Condo</i>	<i>Prototype 4: High Density Apartments</i>	<i>Prototype 5: Medium Density Apartments</i>
Under 30% AMI	\$286,000	\$15,100	\$11,000	\$8,900	\$8,400	\$8,300
30% to 50% AMI	\$236,000	\$23,400	\$16,800	\$13,500	\$12,800	\$12,600
80% to 120% AMI	\$211,000	\$11,100	\$8,200	\$6,500	\$6,200	\$6,100
80% to 120% AMI	\$79,000	\$7,800	\$5,600	\$4,500	\$4,300	\$4,200
Total Supported Fee/ Nexus Costs		\$57,400	\$41,600	\$33,400	\$31,700	\$31,200

For ownership units, the Residential Nexus Analysis supports maximum fee levels of at least \$33,400 per market rate unit. The per unit costs indicated above result in a predictable higher nexus cost per unit associated with the more expensive housing units and the higher income (and expenditures) of those households.

For rental units, the supported nexus fee level is \$31,200 per market rate unit.

The Total Nexus Costs, or Mitigation Costs, indicated above, may also be expressed on a per square foot level. The square foot areas of the prototype units used throughout the analysis become the basis for the calculation. The results per square foot are as follows:

Total Nexus Cost Per Sq. Ft.					
<i>Income Category</i>	<i>Prototype 1: Single Family Detached</i>	<i>Prototype 2: Small Lot SFD/ Townhome</i>	<i>Prototype 3: Condo</i>	<i>Prototype 4: High Density Apartments</i>	<i>Prototype 5: Medium Density Apartments</i>
<i>Prototype Size (Sq Ft)</i>	2,800 SF	1,800 SF	1,100 SF	800 SF	950 SF
Under 30% AMI	\$5.40	\$6.10	\$8.10	\$10.50	\$8.70
30% to 50% AMI	\$8.40	\$9.30	\$12.30	\$16.00	\$13.30
80% to 120% AMI	\$4.00	\$4.60	\$5.90	\$7.80	\$6.40
80% to 120% AMI	\$2.80	\$3.10	\$4.10	\$5.40	\$4.40
Total Nexus Costs	\$20.60	\$23.10	\$30.40	\$39.70	\$32.80

The calculated fee levels indicated above, per unit or per square foot, are maximum fees supported by the nexus analysis. They are not recommended fee levels.

This analysis has been prepared solely to demonstrate support for inclusionary measures and impact fees from the nexus perspective.

This is the conclusion of the nexus analysis. The remaining analyses and materials are provided to assist the City in the selection of fee levels and other program modifications.

Financial Feasibility Testing

A key analysis in the work program is financial feasibility testing of the five prototype units or project development and how project feasibility is affected by alternative impact fee and inclusionary requirements. The methodology used was to build in an acceptable project return and determine the residual land value supported. When projects are feasible, the residual values should be comparable to the cost of land in Concord.

To conduct the financial feasibility analysis, KMA assembled total development costs for each prototype. In addition to hard construction costs, fees and permits, financing, sales expense and all other indirect costs were included in the analysis. These costs were assembled based on interviews with developers active in Concord, information from the City, and KMA experience with similar development projects in the Bay Area.

With the sales and rent levels used in the prototypes (which were based on market surveys and developer interviews), a base case financial feasibility was established, assuming the current inclusionary fee of \$5,043 per market rate unit applied to the three for sale prototypes. The large single family detached, and smaller lot or townhome unit were found to be feasible in the current Concord market but the condominium was not, due to more expensive construction and weaker market conditions in that sector.

In addition to the base case, three alternatives were tested on the ownership units:

- A return to the 2010 fee level of \$17,660 per market rate unit
- An on-site requirement of 10% of the units at Moderate Income (110% AMI)
- An impact fee set at \$10 per square foot

Table 1 contains a summary of the analysis. The financial feasibility testing found all three options resulted in feasible or sustainable results on the two single-family prototypes.

The base case high-density rental project produced a negative return at today's rents. However, there is interest from several developers in pursuing such projects. Developers who already own land in the downtown, or those willing to accept more investment risk, would be expected to pursue projects first; the City has seen interest from these developers, although no project has broken ground. The current level of interest suggests that developers expect continued escalations in the rental market. High-density rental projects in the downtown are currently viewed as approaching feasibility, or marginally worthy of the investment risk. As to be expected, any additional fee burden on these rental units reduces the already marginal returns to less feasible levels.

The lower density apartment with estimated rents for new units outside the downtown area did not produce a positive return under any set of conditions. The City has not seen any recent interest from developers pursuing lower density apartment projects.

In summary, the results of the financial feasibility testing may be summarized:

- For the single family units – larger or smaller – there is sufficient feasibility to sustain a return to the prior fee level of \$17,660 per market rate unit or the alternative \$10 per square foot, or the 10% at Moderate Income on-site requirement.
- The condominium product is not feasible under any set of conditions at this time.
- The higher density downtown rentals are marginally feasible at this time. With anticipated increases in rents for new units, particularly those with access to transit, some developers are cautiously willing to proceed. In our view, this market is still too fragile to sustain an additional burden for affordable housing at this time, but with continued market improvement could sustain small fees introduced within the next two years. Monitoring of market activity in Concord would be advisable before any new fee is implemented, but fee implementation could be planned to proceed to put the development community on advance notice.

On-Site Requirement Comparison

The analysis summarized on Table 1 also allows the City to understand how the current onsite program compares to alternative fee amounts. The lower the residual land value, the more burdensome a requirement is for the project. The current fee level, at \$5,043, was the least burdensome option analyzed. A higher fee level (\$17,600) lowers the residual land value. The City's current on-site program, which was adopted in 2004, requires 10% of all units at Moderate Income or 6% at Low Income. KMA modeled a 10% at Moderate requirement; the resulting residual land value indicates that the onsite requirement is more burdensome on the large single family unit than the current fee level and the pre-recession fee level. The onsite requirement is roughly equivalent to an impact fee of \$10 per square foot for the single family detached units. For the smaller condominium project, the onsite requirement as modeled is less burdensome than the \$10 per square foot impact fee, although it is important to note that sales prices for this product would need to increase to achieve feasibility and higher market sales prices would increase the cost of onsite compliance.

In summary, the current fee level is significantly less burdensome than providing affordable units within a project. Restoring the fee to its pre-recession level, or adopting a fee in the range of \$10 per square foot, would be roughly comparable to the current onsite obligation.

Affordable Housing Requirements in Neighboring Jurisdictions

Many other cities in Central Contra Costa County and elsewhere have adopted affordable housing requirements applied to new residential construction. These programs are usually some combination of inclusionary requirements and impact fees and there is considerable variation among them.

KMA, in coordination with staff, selected five other jurisdictions of interest for comparison with Concord's existing program. The selected jurisdictions are: Pleasant Hill, Walnut Creek, Martinez, Contra Costa County, and Dublin. It should be noted that many cities are in the process of reevaluating their programs and will likely enact changes in the near future. Table 2 summarizes the six programs, inclusive of Concord.

These programs all have thresholds for the size of the project (a minimum number of units) for which requirements apply. For example, Walnut Creek's program applies to all projects with two or more units, while Dublin's does not apply until a project has 20 units or more.

All of the jurisdictions have an on-site requirement on their books but most adjusted their programs during the recession to allow fees at all times. Fee levels vary widely and are expressed differently depending on the jurisdiction. An overview of the three primary ways to express affordable housing fees is provided below:

- Fee per affordable unit owed, such as Pleasant Hill and Dublin. These fee levels are in excess of \$100,000 per affordable unit. The developer pays for the requisite number of affordable units 'owed', including fractions, depending on the required inclusionary percentage.
- Fee per market rate unit, such as Concord's at \$5,043 or the County's at \$3,875 for ownership units. These fees apply to all units in the project.
- Fee per square foot, such as Walnut Creek. This fee is assessed on the square footage of the units built. With this format, larger units pay higher fees than smaller units.

To better understand how the programs compare, we have taken two of the five Concord prototypes and shown what the fee would be were the units located in each of the other jurisdictions. Fees are estimated for the small single family detached unit and the higher density rental unit located in the downtown area. For each of the six cities, KMA estimated the fee payment on a *per market rate unit* basis to facilitate comparison across jurisdictions. It is important to note when fee payment is allowed in a particular jurisdiction. For the purposes of this exercise, KMA has assumed that the project is eligible to pay a fee, and that the project pays the full fee amount and not a reduced fee based on a sliding scale (Walnut Creek). The City of Dublin allows only partial fee payment; in addition to a fee, a developer must also provide 7.5% of units affordable onsite. KMA estimated the lost revenue to the developer, using the market value of the Concord prototypes. Table 3 summarizes the comparison.

For the small single family detached unit, which is 1,800 square feet, the City's fee of \$5,043 is lower than the fees in Pleasant Hill (\$27,135), Walnut Creek (\$27,000), and Dublin (\$27,000). Martinez (\$0, although some developers have paid \$5,000) and Contra Costa County (\$3,875) have lower fees than Concord.

For the high density rental unit, which is 800 square feet, Concord, Pleasant Hill, and Contra Costa County have all suspended their programs in response to the *Palmer* decision. Martinez does not have a fee program in place. Dublin continues to require rental projects to both pay a fee (\$6,353 per market rate unit) and provide units onsite for a total burden equal to \$20,000 per unit. Walnut Creek's impact fee is equivalent to \$12,000 for the 800 square foot unit.

In summary, at the current time, Concord's affordable housing requirements are less than those in Pleasant Hill, Dublin and Walnut Creek. Martinez does not have an inclusionary program in place and the County has lower requirements than Concord.

Recommendations

The recommendations for Concord are drawn from the findings of the analyses summarized in the previous pages. Because of both the legal situation and the financial feasibility findings, we differentiate the recommendations between ownership and rental projects. All recommendations are formulated to be sustainable in Concord at the current time and, in KMA's opinion, will not alter or negatively affect developer decisions about proceeding in Concord or not.

Ownership Units

KMA and staff jointly recommend the following:

- An increase in the fee over the current level of \$5,043.
- Consider assessing the fee on a per square foot basis as an equitable way of charging larger units more than smaller ones. This is consistent with both nexus analysis results and how the cost of on-site compliance increases with unit sizes. The \$10 per square foot fee tested in the financial feasibility analysis is sustainable in the current market, where total development costs are in the \$300 to \$400 per square foot range. This would return the fee to the prerecession level for projects with small size units; the fee would be higher for larger units.
- Consider lowering the ten-unit threshold. As an impact mitigation fee, the fee may be levied on one unit projects although this practice is not yet typical or widely adopted. For Concord, we suggest charging projects of 2 to 10 units, going with the concept that "everyone pays."
- Consider a sliding scale under the ten-unit threshold, charging full fee for ten units, 90% of the fee for nine unit projects, etc. With a sliding scale, small infill projects, where costs can be higher, would benefit from the reduced fee.
- Consider a modest phase in schedule, such as effective starting fiscal year 2017 or even January 2017. This avoids adding costs to projects where land purchase agreements are in place and other aspects of project planning and financing are being finalized at this

time. The effective trigger dates could be tied to the status project "Application Deemed Complete."

- Consider phasing-in the fee level, such as the first year the fee is in effect, starting at \$8 per square foot, followed the next year by \$9 per square foot, and year three \$10 per square foot.
- For high density condominiums, the City has a policy choice. If it is a policy objective to encourage high density units of all kinds, condominium projects over a specified density (say 40 units per acre) could be treated like rental projects with similar fee levels.

Rental Projects

The financial feasibility analysis determined that high density projects in the downtown area are approaching feasibility at this time. With continued increases in rents, as are occurring throughout the Bay Area, Concord will likely attract more projects in the next few years. In light of these conditions, we recommend the following:

- The City maintain a zero fee level for at least the next year or year and a half.
- The City adopt a very small fee, such as something in the \$2 to \$5 per square foot range, to go into effect at a date certain, such as July 1, 2017 or 2018. Effective date could apply to Application Deemed Complete as opposed to when the building permit is pulled.
- The City adopt further minor increases for each fiscal year for five years, subject to review, per below.
- The City should direct City staff to monitor the pipeline of submittals for rental projects and report to Council prior to any fee or fee increases going into effect. If projects have not proceeded and permits have not been issued for at least 500 units, then the Council could determine that it would be best to postpone the scheduled fee increase. The staff should also report on annual rent increases citywide and vacancy levels, lease up experience in the newer projects (in the context of when the projects were completed) and other market indicators.

KMA believes these recommendations meet the fair and reasonable tests. With these fee levels, Concord will continue to have lesser requirements than its neighbors to the south. Like all programs of this nature, the affordable housing requirements should be reevaluated as markets change and local conditions are influenced by other occurrences such as the development of the Naval Weapons property, changes in transportation systems, and other factors affecting the local real estate market.

**SUMMARY AND RECOMMENDATIONS TABLE 1
SUMMARY OF FEASIBILITY ANALYSIS FINANCIAL
FEASIBILITY ANALYSIS CITY OF CONCORD, CA**

DRAFT FOR CITY REVIEW

	Single Family, Large Lots		Single Family Small Lots		Condominium		High Density Apartments		Medium Density Apartments		
Product Description	Large Lot SFD		Small Lot SFD		4 story over podium		5 Story wrap, separate garage		2-4 story wood; surface parking		
Density	8,500 sf lots		10 du/acre		55 du/acre		100 du/acre		30 du/acre		
Average Unit Size	2,800 sf		1,800 sf		1,100 sf		800 sf		950 sf		
Average Number of Bedrooms	4.0		3.5		2.0		1.0		2.0		
Market Sales Price / Rent Level	\$850,000		\$600,000		\$450,000		\$3.00 /sf		\$2.50 /sf		
Residual Land Value Analysis											
	Per SF Land		Per SF Land		Per SF Land		Per SF Land		Per SF Land		
	Per Unit		Per Unit		Per Unit		Per Unit		Per Unit		
1. Base Case - Current Fee Level (\$5,043 on ownership units; \$0 on rental units)	\$18	\$151,000	\$17	\$73,000	(\$69)	(\$55,000)	(\$18)	(\$8,000)	(\$3)	(\$4,000)	
2. 2010 Fee Level (\$17,660 on ownership units)	\$16	\$138,000	\$14	\$60,000	(\$86)	(\$68,000)	n/a		n/a		
3. 10% of Units Onsite @ 110% AMI	\$14	\$122,000	\$14	\$63,000	(\$71)	(\$56,000)	n/a		n/a		
4. Impact Fee: \$10 psf Ownership / \$5 psf Rental	\$15	\$128,000	\$14	\$60,000	(\$77)	(\$61,000)	(\$28)	(\$12,000)	(\$6)	(\$9,000)	
5. Rents Increased to 'Feasible' Levels¹											
Percent Increase from Current Rents							Rent Levels Per SF:	\$3.15	\$2.70		
								5%	8%		
Residual Land Value at Feasible Rents							\$28	\$12,000	\$19	\$27,000	
6. Prevailing Wages, With Increased Rents from Scenario 5²							(\$48)	(\$21,000)			

1. Rents increased until land value are in the range of current land values in Concord. High density apartments assume a downtown location.
2. Using rent levels from Scenario 5, this Scenario models the impact of a 10% increase in direct construction costs.

**SUMMARY AND RECOMMENDATIONS TABLE 2
COMPARISON OF INCLUSIONARY HOUSING REQUIREMENTS
SUMMARY & RECOMMENDATIONS
CONCORD, CA AND NEIGHBORING JURISDICTIONS**

DRAFT FOR REVIEW BY CITY STAFF

	Concord	Pleasant Hill	Dublin	Martinez	Contra Costa County	Walnut Creek
Year Adopted / Updated	Est. 2004 Rev. 2010	Est. 1996 Rev. 2004 & 2005	Est. 1996 Rev. 2003	No program. City will consider in 2016.	Est. 2006	Est. 2004 Rev: 2010 and 2013
Minimum Project Size						
For In-lieu/Impact Fee	5 units	5 units	20 units		5 units	2 units
For Build Requirement	20 Ac	10 units	20 units (partial) ²		126 units	none
Onsite Requirement						
Percent of Total Units	FS: 10% Mod OR 6% Low R: Suspended	FS: 10% Low OR 5% VL OR 20% w/secondary units OR 25% senior R: Suspended	12.5% ²		FS: 15% R: Suspended	<u>2-9 du</u> : 1 unit Mod <u>10+ du</u> : 10% Mod OR 7% Low OR 6% VL
Income Level (% AMI) for Qualification ¹	HCD income limits	HCD income limits	FS: 40% Low, 60% Mod R: 30% VL, 20% Low, 50% Mod (HCD income limits)		FS: 80% Mod, 20% Low R: 80% Low, 20% VL (HCD income limits)	HCD income limits
Impact / In-Lieu Fee Levels						
	R: Suspended FS: \$5,043 / unit	R: Suspended FS: \$271,350/ aff unit owed	\$127,061 / aff. unit (up to 40% of units owed)	Some developers have paid \$5,000 per unit as an 'in-lieu' fee.	R: Suspended FS: \$3,874.89 / unit OR \$129,163 / Low unit owed ⁴	<u>10+ du (FS/R)</u> : \$15/ sq ft <u>2-9 du</u> ³ : FS: \$3-\$9/ sq ft R: \$1.60-\$7.20/sq ft sliding scale
Term of Affordability	45 years FS 55 years R	45 years FS 55 years R	55 years		FS: must occupy for 3 yrs. After, shared equity. R: 55 year	45 years FS 55 years R

Note: This chart presents an overview and terms have been simplified. Consult code and City staff for more information. Research conducted October 2015.

Abbreviations: R = Rental FS = For Sale sq ft = Square Feet
du = Dwelling Unit Ac = Acre AMI = Area Median Income

- 1.HCD income limits are up to 50% AMI for Very Low, 80% AMI for Low, and 120% AMI for Moderate. Income levels for calculation sales prices may differ (e.g., 110% AMI for Moderate).
2. The base requirement is 12.5% onsite; however, up to 40% of the onsite requirement can be covered through fee payment with the remaining 7.5% of units provided onsite.
3. For projects from 2 to 9 units, the fee ranges based on the total number of units in the project. The fee increases approximately \$1/sq ft for each unit added (up to 9 units).
4. Developer can pay in-lieu fee for all units at \$3,874.89 per unit OR provide Moderate units onsite and pay in-lieu fee for the number of Low Income units owed.

**SUMMARY AND RECOMMENDATIONS TABLE 3
 IN-LIEU FEES IN NEIGHBORING JURISDICTIONS APPLIED TO CONCORD PROTOTYPES
 SUMMARY & RECOMMENDATIONS
 CITY OF CONCORD, CA**

DRAFT FOR REVIEW BY CITY STAFF

	Concord	Pleasant Hill	Dublin	Martinez	Contra Costa County	Walnut Creek
Minimum Project Size						
For In-lieu/Impact Fee	5 units	5 units	20 units		5 units	2 units
For Build Requirement ¹	20 Ac	10 units	20 units (partial)		126 units	none
Estimated Fee Per Market Rate Unit^{2,3}						
Small Single Family (1,800 sf)	\$5,043	\$27,135	\$27,000 (4)	No program	\$3,875	\$27,000
High Density Rental (800 sf)	\$0	\$0	\$20,000 (4)	No program	\$0	\$12,000

Notes

For more information on Inclusionary Programs in these cities, see Table 2.

- Projects of this size or larger are not eligible to pay fee and must provide units onsite.
- Assumes project is eligible for fee payment. It is important to note when fee payment is an option in the various jurisdictions (see Minimum Project Size information above).
- Fees expressed as 'per affordable unit owed' are translated to 'per market rate unit' by multiplying the inclusionary percentage times the fee (e.g., in Pleasant Hill, the fee is \$271,350 per affordable unit owed with a 10% onsite requirement. Therefore, the fee *per market rate unit* is 10%*\$271,350 = \$27,135.)
- For illustrative comparison purposes. Dublin allows developers to pay a portion of obligation as a fee, but also requires 7.5% of units onsite. KMA estimated the lost revenue associated with the City's requirement and translated it into an equivalent in-lieu fee. Estimate based on Concord's market prices and Contra Costa County median income, but City of Dublin's pricing/rent methodologies.

APPENDIX I: RESIDENTIAL NEXUS ANALYSIS

INTRODUCTION AND OVERVIEW

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 the city of Concord. The report has been prepared by Keyser Marston Associates (KMA) pursuant to a contract with the City of Concord to assist the City with an update of its Inclusionary Housing Ordinance and affordable housing program.

Background, Context and Uses of the Analysis

The analysis addresses market rate residential projects in Concord and the various types of units that are subject to the City's Inclusionary Housing Ordinance 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 Concord. Other materials included in the update work program have been prepared to assist in recommending fee levels and other adjustments to the Inclusionary Housing Ordinance overall.

The City of Concord adopted an Inclusionary Housing Ordinance in 2004 that required all ownership projects of five or more units to provide a share of units at affordable prices or rent levels. The developer could choose to provide 10% of units at prices affordable to Moderate Income households or 6% to Low Income households. The program allowed for payment of an in-lieu fee as an alternative to the on-site requirement for projects of less than 20 acres. During the recession all projects were allowed to pay an in lieu fee of \$5,043 per unit, which continues to be the requirement today.

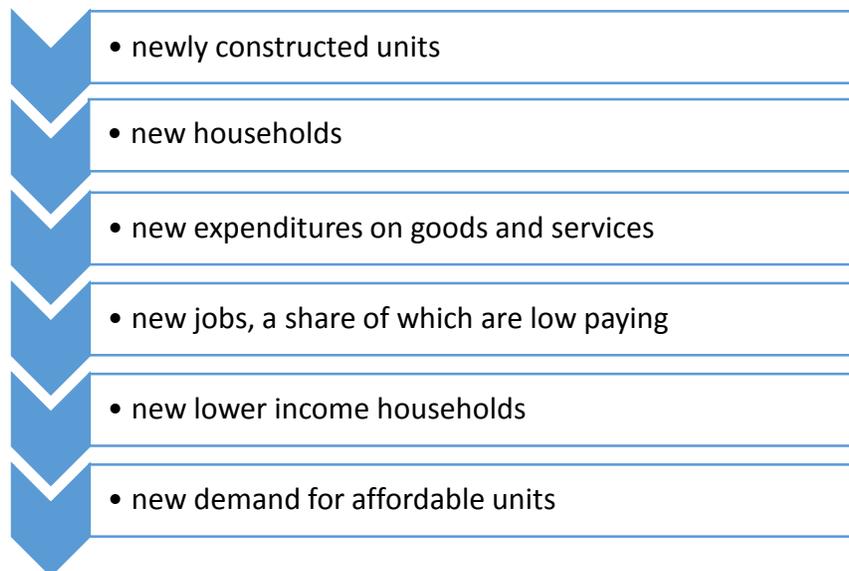
In addition to the adjustment to the program to address the recession, the legal environment also was altered with the *Palmer* decision (*Palmer/Sixth Street Properties L.P. v. City of Los Angeles* [2009] 175 Cal. App. 4th 1396). The *Palmer* ruling precluded California cities from requiring long term rent restrictions or inclusionary requirements on rental units. The City responded by reducing the fee on rental projects to \$0 in late 2010. Since the *Palmer* ruling, many California cities have adopted affordable housing impact fees on rental projects, but Concord has not proceeded to pursue impact fees on rentals until this update work program.

With the Concord real estate market now recovering from the recession, the City has embarked on an update program. The nexus analysis provided herein will enable the City to proceed with an impact fee on rentals and also will provide the City with support for the inclusionary program in light of the evolving legal environment. In addition to the changed legal situation, the end of Redevelopment in California and cutbacks at the State and Federal level have motivated Concord and many other California cities to update and reevaluate their affordable housing requirements and funding options.

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 Concord. These households represent new income in Concord 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 Concord and therefore need affordable housing.

Nexus Analysis Concept



Methodology and Models Used

The methodology or analysis procedure for this nexus analysis 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 Concord.

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 Concord. 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 Concord 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 Concord 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 Contra Costa and Alameda Counties. While much of the impact will occur within Concord some impacts will be experienced elsewhere in the county and beyond. The IMPLAN model computes the jobs generated within the two counties and sorts out those that occur beyond the two 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 Contra Costa and Alameda 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 Concord or which are expected in the future including:

- Single Family Detached
- Smaller Single Family unit, detached or townhomes
- Condominium
- High Density Apartment – downtown area
- Medium Density Apartment – outside of downtown area

Not all of these prototypes are active at the time of report preparation but all are expected to be active at some time during the time period affected by the update program, or say the next ten years.

Affordability Tiers

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

- Extremely Low Income (under 30% of Area Median Income or AMI)
- Very Low Income (30% to 50% AMI)
- Low Income (50% to 80% AMI)
- Moderate Income (80% to 120% AMI)

Report Organization

The report is organized into four sections as follows:

- 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 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 lower income categories.

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.

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 Concord or that are likely to be built in Concord 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 provides a summary of the prototypes and household income. Additional supporting tables are provided in Section E at the end of this appendix.

Recent Housing Market Activity and Prototypical Units

KMA with City staff identified five residential prototypes (Appendix I Table A-1) representative of the types of development that the City of Concord expects to see over the coming years. They are based on projects recently built or in the development pipeline plus others not active at this time. KMA then undertook a market survey of residential projects to confirm the City's pricing and rent levels. More details on the market survey can be found in Appendix II.

Several new single family detached projects were built recently or were in the planning stages at the time of the market survey (2015). Both large unit large lot homes and smaller higher density detached homes are currently active at this time. The only condominiums that have been built in recent years have been marketed as rentals and no condominium projects are proposed at this time.

As another indicator of market values, KMA obtained data on sales of existing but newer homes in Concord, focusing on units built since 2005.

The five residential prototypes are summarized in the table on the following page; more detail can be found in Appendix I 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 Concord. The results of the market survey are included in Appendix II.

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.

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

Prototypical Residential Units					
	<i>Prototype 1: Single Family Detached</i>	<i>Prototype 2: Small Lot SFD / Townhome</i>	<i>Prototype 3: Condo</i>	<i>Prototype 4: High Density Apartments</i>	<i>Prototype 5: Medium Density Apartments</i>
Average Unit Size	2,800 SF	1,800 SF	1,100 SF	800 SF	950 SF
Avg. No. of Bedrooms	4.0	3.5	2.0	1.0	2.0
Avg. Sale Price/ Monthly Rent	\$850,000	\$600,000	\$450,000	\$2,400	\$2,375

Source: KMA market study; see Appendix II.

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 25% for the highest priced large lot single family unit and 20% for the others, based on mortgage data for recently sold homes in Concord. Mortgage terms are 30 year fixed rate at 5.03% interest rate (5.28% for the highest priced large lot single family detached). The interest rate at 5.28% for conforming loans reflects an estimate of the longer term average based on the average rate for the most recent ten-year period from 2005 to 2014.¹ For the large lot single family detached unit, an additional 0.25% interest rate is assumed because the loan is larger than the conforming loan limit (\$625,000 in Contra Costa County). Appendix I Tables A-2 through A-6 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 part of housing expenses for purposes of determining mortgage eligibility.² 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

¹ Based on Freddie Mac Primary Mortgage Market Survey weekly average rates for 30 year fixed rate mortgages during the period from 2005 through 2014.

² 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.

35% of gross income is reflective of the average for new purchase loans originated in Contra Costa County³ and is consistent with criteria used by lenders to determine mortgage eligibility.⁴

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.⁵ The resulting relationship is that annual household income is 3.3 to 3.4 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>Prototype 1: Single Family Detached</i>	<i>Prototype 2: Small Lot SFD / Townhome</i>	<i>Prototype 3: Condo</i>	<i>Prototype 4: High Density Apartments</i>	<i>Prototype 5: Medium Density Apartments</i>
Gross Household Income	\$165,000	\$121,000	\$95,000	\$96,000	\$95,000

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. Housing costs are addressed separately, as described below, and so are not deducted as part of this adjustment step. Appendix I Table A-7 at the end of this section shows the calculation of income available for expenditures.

³ New purchase loans in the local area have an average debt to income ratio of 35% based on data from Freddie Mac on its portfolio of mortgages within zip codes starting with 945 (includes Concord) and specific to principal residence purchase loans originated during the 4th quarter of 2012. Debt to income ratio includes other forms of debt such as student loans, credit cards, and auto loans, which suggests that a ratio including only housing expenses would be less than 35%. Applying a ratio below 35% in the analysis would have produced a higher estimate of gross household income and higher resulting nexus findings; therefore, application of a 35% ratio represents a conservative assumption for purposes of the nexus analysis.

⁴ 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.

⁵ Health and Safety Code Section 50052.5 defines affordable rent levels based on 30% of income.

Income available for expenditures is estimated at approximately 67% to 71% 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 most of the prototypical 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 condominium units are estimated to pay 8.9% of gross income for federal taxes, the average for households in the \$75,000 - \$100,00 range who itemize their deductions. Residents of the market rate rental units are estimated to pay an average of 10.1% of the income in federal income taxes, the average for households in the \$75,000 to \$100,000 income range not itemizing deductions on their taxes. State taxes are estimated to average 4% to 5% 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 (conservatively assumes all earners in the household are within the \$118,500 ceiling on income subject to Social Security taxes).

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 67% - 71%. 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.⁶ 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.

⁶ The rental vacancy rate in the City of Concord is 2.3% per RealFacts. Selection of a higher vacancy rate makes the analysis more conservative.

Estimates of household income available for expenditures are presented below:

Income Available for Expenditures					
	<i>Prototype 1: Single Family Detached</i>	<i>Prototype 2: Small Lot SFD / Townhome</i>	<i>Prototype 3: Condo</i>	<i>Prototype 4: High Density Apartments</i>	<i>Prototype 5: Medium Density Apartments</i>
Gross Household Income	\$165,000	\$121,000	\$95,000	\$96,000	\$95,000
Percent available for Expenditures (after taxes and savings)	67%	67%	71%	70%	70%
Income Available for Expenditures ⁽¹⁾	\$111,000	\$81,000	\$67,000	\$64,000	\$63,000

(1) Includes income spent on housing. The required input to the IMPLAN model is income after taxes but before deduction of housing costs. Housing costs are addressed separately as expenditures internally within the IMPLAN model. For apartment unit, an additional 5% rental vacancy adjustment is made before inputting into IMPLAN model.

The nexus analysis is conducted on 100-unit building modules for ease of presentation, and to avoid awkward fractions. Appendix I Tables A-8 and A-9 summarize the conclusions of this section and calculate the household income for the 100-unit building modules. This is the input into the IMPLAN model.

**APPENDIX I TABLE A-1
MARKET RATE RESIDENTIAL PROTOTYPES
RESIDENTIAL VALUES - MARKET AND AFFORDABLE
CITY OF CONCORD, CA**

WORKING DRAFT FOR CITY REVIEW

	<u>Single Family Detached - Large Lot</u>	<u>Small Lot Single Family Detached / Townhomes</u>	<u>Condominium</u>	<u>High Density Rental</u>	<u>Medium Density Rental</u>
Example Projects	Laurel Ranch Copperleaf Court Crystyl Ranch Drive Skylar Ct Kings Crest (Peppermill Court)	Autumn Brook Willows Wisteria Rd Chalomar Pine Street Townhomes	Renaissance (rented out)	Concord Village Park Central	Highlands Point (San Ramon) Bloomfield Apartments
Density	7,000 - 10,000 sf lots	10 - 12 dua	55 dua	100 dua	30 dua
Building Type	One and Two-Story Homes	Two-story homes	Four stories over podium	Five stories	Two to four stories
Unit Mix	3, 4 and 5 BRs	3 and 4BR	20% 1 BR 60% 2 BR 20% 3 BR	20% Studio 60% 1BR 20% 2BR	25% 1 BR 50% 2BR 25% 3BR
Average Unit Size	2,800 sf	1,800 sf	1,100 sf	800 sf	950 sf
Average No. of Bedrooms	4.0 BR	3.0 BR	2.0 BR	1.0 BR	2.0 BR
Parking Type	Attached garage	Attached garage	Structured, partially below grade	Structured, partially below grade	Surface, garage
Average Parking Spaces	2-car garage	2-car garage	2 spaces per unit	1.5 spaces per unit	2.0 spaces per unit
Sales Price/Rent per square foot	\$850,000 \$304	\$600,000 \$333	\$450,000 \$409	\$2,400 \$3.00	\$2,375 \$2.50
Notes			No active condo projects.		No active projects.

**APPENDIX I TABLE A-2
 PROTOTYPE 1: SINGLE FAMILY DETACHED
 SALES PRICE TO INCOME RATIO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF CONCORD, CA**

WORKING DRAFT FOR CITY REVIEW

		Prototype 1 Single Family Detached
Sales Price	2,800 SF ¹	\$850,000 ¹
Mortgage Payment		
Downpayment @ 25%	25%	\$212,500
Loan Amount		\$637,500
Interest Rate		5.28% ²
Term of Mortgage		30 years
Annual Mortgage Payment	\$3,500 /month	\$42,400
Other Costs		
Property Taxes	1.40% of sales price ³	\$11,900
HOA Dues	\$190 per month ⁴	\$2,280
Homeowner Insurance	0.15% of sales price ⁵	\$1,300
Total Annual Housing Cost	\$4,800 /month	<hr style="width: 100%; border: 0.5px solid black;"/> \$57,880
% of Income Spent on Hsg		35%
Annual Household Income Required		\$165,000
Sales Price to Income Ratio		5.2

Notes

- (1) Based on input from City Staff and KMA Market Survey.
- (2) Average mortgage interest rate for prior 10 years derived from Freddie Mac Primary Mortgage Market Survey, West Region. Based on weekly average rates for 30 year fixed rate mortgages during the period from 1/2005 through 12/2014. Includes a 0.25% premium to reflect the non-conforming nature of the loan (jumbo loan).
- (3) Property tax rate is inclusive of ad valorem taxes, fixed charges and assessments.
- (4) Based on Market Survey.
- (5) Estimated from quotes obtained from Progressive Insurance.

**APPENDIX I TABLE A-3
 PROTOTYPE 2: SMALL LOT SFD / TOWNHOME
 SALES PRICE TO INCOME RATIO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF CONCORD, CA**

WORKING DRAFT FOR CITY REVIEW

		Prototype 2 Small Lot SFD / Townhome
Sales Price	1,800 SF ¹	\$600,000 ¹
Mortgage Payment		
Downpayment @ 20%	20%	\$120,000
Loan Amount		\$480,000
Interest Rate		5.03% ³
Term of Mortgage		30 years
Annual Mortgage Payment	\$2,600 /month	\$31,000
Other Costs		
Property Taxes	1.40% of sales price ³	\$8,400
HOA Dues	\$160 per month ⁴	\$1,920
Homeowner Insurance	0.15% of sales price ⁵	\$900
Total Annual Housing Cost	\$3,500 /month	<hr style="width: 100%; border: 0.5px solid black;"/> \$42,220
% of Income Spent on Hsg		35%
Annual Household Income Required		\$121,000
Sales Price to Income Ratio		5.0

Notes

- (1) Based on input from City Staff and KMA Market Survey.
- (2) Average mortgage interest rate for prior 10 years derived from Freddie Mac Primary Mortgage Market Survey, West Region. Based on weekly average rates for 30 year fixed rate mortgages during the period from 1/2005 through 12/2014.
- (3) Property tax rate is inclusive of ad valorem taxes, fixed charges and assessments.
- (4) Based on Market Survey.
- (5) Estimated from quotes obtained from Progressive Insurance.

**APENDIX I TABLE A-4
 PROTOTYPE 3: CONDOMINIUM
 SALES PRICE TO INCOME RATIO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF CONCORD, CA**

WORKING DRAFT FOR CITY REVIEW

		<u>Prototype 3 Condominium</u>
Sales Price	1,100 SF ¹	\$450,000 ¹
Mortgage Payment		
Downpayment @ 20%	20%	\$90,000
Loan Amount		\$360,000
Interest Rate		5.03% ³
Term of Mortgage		30 years
Annual Mortgage Payment	\$1,900 /month	\$23,300
Other Costs		
Property Taxes	1.40% of sales price ³	\$6,300
HOA Dues	\$250 per month ⁴	\$3,000
Homeowner Insurance	0.15% of sales price ⁵	\$700
Total Annual Housing Cost	\$2,800 /month	<hr/> \$33,300
% of Income Spent on Hsg		35%
Annual Household Income Required		\$95,000
Sales Price to Income Ratio		4.7

Notes

- (1) Based on input from City Staff and KMA Market Survey.
- (2) Average mortgage interest rate for prior 10 years derived from Freddie Mac Primary Mortgage Market Survey, West Region. Based on weekly average rates for 30 year fixed rate mortgages during the period from 1/2005 through 12/2014.
- (3) Property tax rate is inclusive of ad valorem taxes, fixed charges and assessments.
- (4) Based on Market Survey.
- (5) Estimated from quotes obtained from Progressive Insurance.

**APPENDIX I TABLE A-5
 PROTOTYPE 4: HIGH DENSITY APARTMENT
 RENT TO INCOME RATIO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF CONCORD, CA**

WORKING DRAFT FOR CITY REVIEW

**Prototype 4
 High Density Apartment**

Market Rent	<u>Unit Size</u>	
Monthly	800 SF ¹	\$2,400 ¹
Annual		\$28,800
% of Income Spent on Rent (excludes utilities)		30% ²
Annual Household Income Required		\$96,000
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) While landlords may permit rental payments to represent a slightly higher share of total income, 30% represents an average.

**APPENDIX I TABLE A-6
 PROTOTYPE 5: MEDIUM DENSITY APARTMENT
 RENT TO INCOME RATIO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF CONCORD, CA**

WORKING DRAFT FOR CITY REVIEW

**Prototype 5
Medium Density Apartment**

Market Rent	<u>Unit Size</u>	
Monthly	950 SF ¹	\$2,375 ¹
Annual		\$28,500
% of Income Spent on Rent (excludes utilities)		30% ²
Annual Household Income Required		\$95,000
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) While landlords may permit rental payments to represent a slightly higher share of total income, 30% represents an average.

**APPENDIX I TABLE A-7
 INCOME AVAILABLE FOR EXPENDITURES¹
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF CONCORD, CA**

WORKING DRAFT FOR CITY REVIEW

	Prototype 1: Single Family Detached	Prototype 2: Small Lot SFD / Townhome	Prototype 3: Condominium	Prototype 4: High Density Apartment	Prototype 5: Medium Density Apartment
<u>Less:</u>					
Federal Income Taxes ²	12.4%	12.4%	8.9%	10.1%	10.1%
State Income Taxes ³	5%	5%	4%	4%	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 Expenditures⁶ [Input to IMPLAN model]	67%	67%	71%	70%	70%

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. Figures are for the 2013 tax year, the most recent for which data is available. Homeowners are assumed to itemize deductions. Renter households are assumed to take the standard deduction.
- 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. The higher average tax rates applicable to single or married filing separately tax filers is applied in the analysis so as to produce a conservative (likely understated) estimate.
- ⁴ For Social Security and Medicare. Conservatively assumes all income will be subject to Social Security taxes. The current ceiling on applicability of Social Security taxes is \$117,000 (ceiling applies per earner not 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 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."
- 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.

**APPENDIX I TABLE A-8
FOR SALE PROTOTYPES: SALES PRICE TO INCOME SUMMARY
RESIDENTIAL NEXUS ANALYSIS
CITY OF CONCORD, CA**

WORKING DRAFT FOR CITY REVIEW

	<u>Per Unit</u>	<u>Per Sq.Ft.</u>	<u>100 Unit Building Module</u>
PROTOTYPE 1: SINGLE FAMILY DETACHED			
Units			100 Units
Building Sq.Ft. (excludes garage)	2,800		280,000
Sales Price	\$850,000	\$0	\$85,000,000
Sales Price to Income Ratio	5.2		5.2
Gross Household Income	\$165,000		\$16,500,000
Income Available for Expenditure ¹ 67% of gross	\$111,000		\$11,060,000
PROTOTYPE 2: SMALL LOT SFD / TOWNHOME			
Units			100 Units
Building Sq.Ft. (excludes garage)	1,800		180,000
Sales Price	\$600,000	\$0	\$60,000,000
Sales Price to Income Ratio	5.0		5.0
Gross Household Income	\$121,000		\$12,100,000
Income Available for Expenditure ¹ 67% of gross	\$81,000		\$8,110,000
PROTOTYPE 3: CONDOMINIUM			
Units			100 Units
Building Sq.Ft. (excludes garage)	1,100		110,000
Sales Price	\$450,000	\$0	\$45,000,000
Sales Price to Income Ratio	4.7		4.7
Gross Household Income	\$95,000		\$9,500,000
Income Available for Expenditure ¹ 71% of gross	\$67,000		\$6,750,000

Notes:

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

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

**APPENDIX I TABLE A-9
NEW MARKET RATE RESIDENTIAL HOUSEHOLD SUMMARY
RESIDENTIAL NEXUS ANALYSIS
CITY OF CONCORD, CA**

WORKING DRAFT FOR CITY REVIEW

	<u>Per Unit</u>	<u>100 Unit Building Module</u>
PROTOTYPE 4: HIGH DENSITY APARTMENT		
Units		100 Units
Building Sq.Ft. (gross)	800	80,000
Rent		
Monthly	\$2,400	\$240,000
Annual	\$28,800	\$2,880,000
Rent to Income Ratio	3.3	3.3
Gross Household Income	\$96,000	\$9,600,000
Income Available for Expenditure ¹ 70% of gross	\$67,000	\$6,720,000
Expenditures Adjusted for Vacancy 5% vacancy	\$64,000	\$6,384,000
PROTOTYPE 5: MEDIUM DENSITY APARTMENT		
Units		100 Units
Building Sq.Ft. (gross)	950	95,000
Rent		
Monthly	\$2,375	\$238,000
Annual	\$28,500	\$2,850,000
Rent to Income Ratio	3.3	3.3
Gross Household Income	\$95,000	\$9,500,000
Income Available for Expenditure ¹ 70% of gross	\$67,000	\$6,650,000
Expenditures Adjusted for Vacancy 5% vacancy	\$63,000	\$6,317,500

Notes:

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

Source: Tables A-5 through A-7.

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 400 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 Contra Costa and Alameda Counties. 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 Concord or nearby. In addition, the employment impacts will extend throughout the counties and beyond based on where jobs are located that serve Concord residents. In fact, Concord 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 Contra Costa and Alameda 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>Prototype 1: Single Family Detached</i>	<i>Prototype 2: Small Lot SFD / Townhome</i>	<i>Prototype 3: Condo</i>	<i>Prototype 4: High Density Apartments</i>	<i>Prototype 5: Medium Density Apartments</i>
Annual Household Expenditures, 100 Units	\$11,060,000	\$8,110,000	\$6,750,000	\$6,384,000	\$6,317,000
Total Jobs Generated, 100 Units	81.2	58.8	47.4	44.9	44.4

Appendix I 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).

**APPENDIX I TABLE B-1
 IMPLAN MODEL OUTPUT
 EMPLOYMENT GENERATED
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF CONCORD, CA**

WORKING DRAFT FOR CITY REVIEW

Per 100 Market Rate Units

	Prototype 1: Single Family Detached	Prototype 2: Small Lot SFD / Townhome	Prototype 3: Condominium	Prototype 4: High Density Apartment	Prototype 5: Medium Density Apartment	% of Jobs
Household Expenditures (100 Market Rate Units) ¹	\$11,060,000	\$8,110,000	\$6,750,000	\$6,384,000	\$6,317,500	
Jobs Generated by Industry ²						
Retail - Food and beverage stores	2.7	1.9	1.4	1.4	1.3	3%
Retail - General merchandise stores	2.2	1.5	1.2	1.1	1.1	2%
Retail - Building material and garden equipment and supp	1.2	0.8	0.6	0.6	0.6	1%
Retail - Miscellaneous store retailers	1.1	0.8	0.6	0.6	0.5	1%
Retail - Motor vehicle and parts dealers	0.9	0.7	0.5	0.5	0.5	1%
Retail - Clothing and clothing accessories stores	0.9	0.6	0.5	0.5	0.5	1%
Retail - Health and personal care stores	0.9	0.6	0.5	0.4	0.4	1%
Retail - Nonstore retailers	<u>0.8</u>	<u>0.6</u>	<u>0.5</u>	<u>0.4</u>	<u>0.4</u>	<u>1%</u>
Subtotal Retail	10.7	7.5	5.7	5.4	5.3	12%
Full-service restaurants	4.2	3.3	2.7	2.6	2.5	6%
Limited-service restaurants	3.6	2.8	2.3	2.2	2.2	5%
All other food and drinking places	<u>2.0</u>	<u>1.6</u>	<u>1.3</u>	<u>1.2</u>	<u>1.2</u>	<u>3%</u>
Subtotal Restaurant	9.9	7.7	6.3	6.0	5.9	13%
Hospitals	2.7	2.3	2.0	1.9	1.9	4%
Offices of physicians	2.2	1.8	1.6	1.5	1.5	3%
Nursing and community care facilities	1.8	1.5	1.3	1.3	1.2	3%
Offices of dentists	1.1	0.9	0.8	0.7	0.7	2%
Home health care services	<u>0.8</u>	<u>0.7</u>	<u>0.6</u>	<u>0.5</u>	<u>0.5</u>	<u>1%</u>
Subtotal Healthcare	8.6	7.3	6.3	6.0	5.9	13%
Individual and family services	3.8	2.7	2.0	1.9	1.9	4%
Real estate	3.3	2.6	2.6	2.4	2.4	5%
Wholesale trade	2.8	2.0	1.5	1.4	1.4	3%
Other educational services	1.8	0.9	0.6	0.6	0.6	1%
Personal care services	1.8	1.4	1.2	1.1	1.1	3%
Elementary and secondary schools	1.7	0.9	0.6	0.6	0.6	1%
Automotive repair and maintenance, except car washes	1.5	1.2	1.0	0.9	0.9	2%
Other financial investment activities	1.4	1.0	0.7	0.7	0.7	2%
Employment services	1.3	1.0	0.9	0.8	0.8	2%
Monetary authorities and depository credit intermediation	1.2	0.8	0.7	0.6	0.6	1%
Junior colleges, colleges, universities, and professional sc	1.2	0.6	0.4	0.3	0.3	1%
Labor and civic organizations	1.1	0.7	0.6	0.5	0.5	1%
Insurance carriers	1.0	0.7	0.6	0.5	0.5	1%
Child day care services	1.0	0.5	0.3	0.3	0.3	1%
Insurance agencies, brokerages, and related activities	0.9	0.6	0.5	0.4	0.4	1%
Grantmaking, giving, and social advocacy organizations	0.8	0.5	0.3	0.3	0.3	1%
Services to buildings	0.8	0.5	0.5	0.4	0.4	1%
All Other	24.9	17.7	14.2	13.5	13.3	30%
Total Number of Jobs Generated	81.2	58.8	47.4	44.9	44.4	100%

¹ Estimated employment generated by expenditures of households within 100 prototypical market rate units. Employment estimates are based on the IMPLAN Group's economic model, IMPLAN, for Contra Costa and Alameda Counties. Includes both full- and part-time jobs.

² For Industries representing more than 1% of total employment.

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 in Contra Costa and Alameda County. The table below shows the 2015 Contra Costa County/Alameda Area Median Income (AMI), 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).

	2015 Income Limits for Contra Costa and Alameda Counties					
	Household Size (Persons)					
	1	2	3	4	5	6 +
Extr. Low (Under 30% AMI)	\$19,650	\$22,450	\$25,250	\$28,050	\$30,300	\$32,570
Very Low (30%-50% AMI)	\$32,750	\$37,400	\$42,100	\$46,750	\$50,500	\$54,250
Low (50%-80% AMI)	\$50,150	\$57,300	\$64,450	\$71,600	\$77,350	\$83,100
Moderate (80%-120% AMI)	\$78,550	\$89,750	\$101,000	\$112,200	\$121,200	\$130,150
Median (100% of Median)	\$65,450	\$74,800	\$84,150	\$93,500	\$101,000	\$108,450

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

Appendix I 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. In the Oakland, Fremont, Hayward Metropolitan Division (defined as Contra Costa and Alameda Counties), over the past twenty years, employment in certain sectors of the economy declined including manufacturing, State and Federal government, and telecommunications. Defense related employment has also declined from around 12,000 jobs twenty years ago to near zero today. Jobs lost 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 15% 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 certain 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. This is a conservative assumption given some displaced workers may exit the workforce entirely by retiring rather than seek a new job in one of the industries serving new residents.

The 15% downward adjustment used for purposes of the analysis was derived from California Employment Development Department data on employment by industry in Alameda and Contra Costa County over the twenty-year period from 2014 to 1994. The two periods have similar unemployment rates, which reduces the impact of cyclical or short term declines. Over this period, approximately 34,000 jobs were lost in declining industry sectors. Over the same period, growing and stable industries added a total of 222,000 jobs. Figures are adjusted to exclude losses in department of defense employment given there are almost no defense jobs left in the area and so continuing declines in this sector is not expected to be a factor in the future. The figures are used to establish a ratio between jobs lost in declining industries to jobs gained in growing and stable industries at 15%⁷. The 15% factor is applied as an adjustment in the analysis, effectively assuming one in every six to seven new jobs is filled by a worker down-sized from a declining industry and who already lives locally.

⁷ The 15% ratio is calculated as 34,000 jobs lost in declining sectors excluding defense divided by 222,000 jobs gained in growing and stable sectors = 15.4% (rounded to 15%).

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 1.66 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 1.66 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 1.66 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 Appendix I Table B-1. The IMPLAN output is paired with data from the Department of Labor, Bureau of Labor Statistics May 2013 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 440 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 digit NAICS code level to align with OES data which is organized by four-digit NAICS code. For some industry sectors, an allocation is necessary between more than one four-digit 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 digit NAICS code level. The

examples used are Child Day Care Centers and Food and Drinking Places. 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 Code		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 Employment</u>	<u>4-Digit NAICS</u>
1.1	399 - Child day care services	1.1	6244 Child day care services	1.1	100%	6244 Child day care services
6.0	413 - Food and Drinking Places	6.	722 Food and Drinking Places	5.4	90.5%	7225 Restaurants and Other Eating Places
				0.4	6.0%	7223 Special Food Services
				0.2	3.5%	7224 Drinking Places (Alcoholic Beverages)

Step 4b – Apply OES Data to Estimate Occupational Distribution

Employment estimates by four-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 Appendix I Table C-1, new jobs will be distributed across a variety of occupational categories. The three largest occupational categories are office and administrative support (17%), sales (13%-14%), and food preparation and serving (13%-14%). Step 4 of Appendix I 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 Contra Costa and Alameda County wage and salary information from the California Employment Development Department (EDD). The wage and salary information summarized in Appendix I Tables E-1, E-3 and E-5 provided the income inputs to the model.

For each occupational category shown in Appendix I 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 Appendix I Tables E-2, 4 and 6. Each of these over 100 occupation categories has a different distribution of wages which was obtained from EDD and is specific to workers in Contra Costa and Alameda Counties as of 2014.

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 Contra Costa 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 in Contra Costa County. The percentage factors are specific to Contra Costa 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 Contra Costa 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 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 number of households in each affordability tier.

Table C-2 shows the result after completing Steps 5, 6, and 7 for the Extremely Low Income Tier. These steps are performed for each of the four individual affordability 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 Appendix I Table C-3 are presented below. The table shows the total demand for affordable housing units associated with 100 market rate units.

New Worker Households by Income Level per 100 Market Rate Units					
	<i>Prototype 1: Single Family Detached</i>	<i>Prototype 2: Small Lot SFD/ Townhome</i>	<i>Prototype 3: Condo</i>	<i>Prototype 4: High Density Apartments</i>	<i>Prototype 5: Medium Density Apartments</i>
Ext. Low (Under 30% AMI)	5.3	3.9	3.1	2.9	2.9
Very Low (30% to 50% AMI)	9.9	7.1	5.7	5.4	5.3
Low (80% to 120% AMI)	10.0	7.2	5.7	5.4	5.4
Moderate (80% to 120% AMI)	7.9	5.7	4.6	4.3	4.3
Total, Less than 120% AMI	33.1	23.8	19.1	18.1	17.9
Greater than 120% AMI	8.6	6.4	5.2	4.9	4.9
Total, New Households	41.7	30.2	24.3	23.0	22.8

Housing demand for new worker households earning less than 120% of AMI ranges from 33.1 units per 100 market rate units for larger single family detached units to 17.9 per 100 market rate units for the medium 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.

Comparison of Nexus Analysis Results to Inclusionary Percentages

The analysis findings identify how many extremely low, very low, low and moderate income households are generated for every 100 market rate units. These findings are adjusted to percentages for purposes of comparison to current on-site inclusionary requirements. The percentages are calculated including both market rate and affordable units (for example, 25 affordable units per 100 market rate units translates to 125 units; 25 affordable units out of 125 units equals 20%).

Each tier is cumulative, or inclusive of the tiers above it.

Cumulative Inclusionary Percentage Supported by Nexus Analysis					
	<i>Prototype 1: Single Family Detached</i>	<i>Prototype 2: Small Lot SFD/ Townhome</i>	<i>Prototype 3: Condo</i>	<i>Prototype 4: High Density Apartments</i>	<i>Prototype 5: Medium Density Apartments</i>
Ext. Low (Under 30% AMI)	5%	4%	3%	3%	3%
Very Low (30% to 50% AMI)	13%	10%	8%	8%	8%
Low (80% to 120% AMI)	20%	15%	13%	12%	12%
Moderate (80% to 120% AMI)	25%	19%	16%	15%	15%

The conclusion of the analysis is that the three market rate ownership units analyzed support percentages up through Moderate Income (120% AMI) in the range of 16% to 25%, all of which are higher than the City's current 10% at Moderate requirement.

The onsite percentages are applicable mainly to the three ownership prototypes. It is recalled that the *Palmer* decision precludes jurisdictions from requiring affordable on-site units that limit on-going rent levels. Instead cities may require an impact fee. For reference, the percentages supported for rental units are also provided.

**APPENDIX I TABLE C-1
NET NEW HOUSEHOLDS AND OCCUPATION DISTRIBUTION
EMPLOYEE HOUSEHOLDS GENERATED
RESIDENTIAL NEXUS ANALYSIS
CITY OF CONCORD, CA**

WORKING DRAFT FOR CITY REVIEW

	Prototype 1: Single Family Detached	Prototype 2: Small Lot SFD / Townhome	Prototype 3: Condominium	Prototype 4: High Density Apartment	Prototype 5: Medium Density Apartment
Step 1 - Employees ¹	81.2	58.8	47.4	44.9	44.4
Step 2 - Adjustment for Changing Industries (15%)	69.1	50.0	40.3	38.1	37.7
Step 3 - Adjustment for Number of Households (1.66) ²	41.7	30.2	24.3	23.0	22.8
Step 4 - Occupation Distribution ³					
Management Occupations	4.6%	4.5%	4.6%	4.6%	4.6%
Business and Financial Operations	4.7%	4.6%	4.5%	4.5%	4.5%
Computer and Mathematical	1.6%	1.6%	1.7%	1.7%	1.7%
Architecture and Engineering	0.5%	0.5%	0.5%	0.5%	0.5%
Life, Physical, and Social Science	0.3%	0.3%	0.3%	0.3%	0.3%
Community and Social Services	2.2%	2.2%	2.1%	2.1%	2.1%
Legal	0.7%	0.6%	0.6%	0.6%	0.6%
Education, Training, and Library	4.3%	3.2%	2.7%	2.7%	2.7%
Arts, Design, Entertainment, Sports, and Media	1.6%	1.5%	1.4%	1.4%	1.4%
Healthcare Practitioners and Technical	6.3%	7.1%	7.5%	7.5%	7.5%
Healthcare Support	4.0%	4.4%	4.6%	4.6%	4.6%
Protective Service	1.5%	1.5%	1.5%	1.5%	1.5%
Food Preparation and Serving Related	13.2%	14.0%	14.2%	14.2%	14.2%
Building and Grounds Cleaning and Maint.	3.4%	3.4%	3.5%	3.5%	3.5%
Personal Care and Service	7.4%	7.3%	7.1%	7.1%	7.1%
Sales and Related	13.8%	13.6%	13.2%	13.2%	13.2%
Office and Administrative Support	16.8%	16.7%	16.7%	16.7%	16.7%
Farming, Fishing, and Forestry	0.1%	0.1%	0.1%	0.1%	0.1%
Construction and Extraction	1.0%	1.1%	1.1%	1.1%	1.1%
Installation, Maintenance, and Repair	4.0%	4.1%	4.4%	4.4%	4.4%
Production	2.1%	2.0%	2.0%	2.0%	2.0%
Transportation and Material Moving	<u>6.0%</u>	<u>5.8%</u>	<u>5.7%</u>	<u>5.7%</u>	<u>5.7%</u>
Totals	100.0%	100.0%	100.0%	100.0%	100.0%
Management Occupations	1.9	1.4	1.1	1.0	1.0
Business and Financial Operations	2.0	1.4	1.1	1.0	1.0
Computer and Mathematical	0.7	0.5	0.4	0.4	0.4
Architecture and Engineering	0.2	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	0.9	0.7	0.5	0.5	0.5
Legal	0.3	0.2	0.2	0.1	0.1
Education, Training, and Library	1.8	1.0	0.7	0.6	0.6
Arts, Design, Entertainment, Sports, and Media	0.7	0.4	0.3	0.3	0.3
Healthcare Practitioners and Technical	2.6	2.1	1.8	1.7	1.7
Healthcare Support	1.6	1.3	1.1	1.1	1.1
Protective Service	0.6	0.4	0.4	0.3	0.3
Food Preparation and Serving Related	5.5	4.2	3.5	3.3	3.2
Building and Grounds Cleaning and Maint.	1.4	1.0	0.9	0.8	0.8
Personal Care and Service	3.1	2.2	1.7	1.6	1.6
Sales and Related	5.7	4.1	3.2	3.0	3.0
Office and Administrative Support	7.0	5.1	4.1	3.9	3.8
Farming, Fishing, and Forestry	0.0	0.0	0.0	0.0	0.0
Construction and Extraction	0.4	0.3	0.3	0.3	0.2
Installation, Maintenance, and Repair	1.7	1.2	1.1	1.0	1.0
Production	0.9	0.6	0.5	0.5	0.5
Transportation and Material Moving	<u>2.5</u>	<u>1.8</u>	<u>1.4</u>	<u>1.3</u>	<u>1.3</u>
Totals	41.7	30.2	24.3	23.0	22.8

Notes:

- ¹ Estimated employment generated by expenditures of households within 100 prototypical market rate units. Employment estimates based on economic model, IMPLAN.
- ² Adjustment from number of workers to households using average of 1.66 workers per worker household derived from the U.S. Census American Community Survey 2011 to 2013.
- ³ See Appendix B Tables 1 through 4 for additional information on Major Occupation Categories.

APPENDIX I TABLE C-2

EXTREMELY LOW-INCOME EMPLOYEE HOUSEHOLDS¹ GENERATED
RESIDENTIAL NEXUS ANALYSIS
CITY OF CONCORD, CA

WORKING DRAFT FOR CITY REVIEW

Per 100 Market Rate Units

	Prototype 1: Single Family Detached	Prototype 2: Small Lot SFD / Townhome	Prototype 3: Condominium	Prototype 4: High Density Apartment	Prototype 5: Medium Density Apartment
Step 5 & 6 - Extremely Low Income Households (under 30% AMI) within Major Occupation Categories ²					
Management	-	-	-	-	-
Business and Financial Operations	-	-	-	-	-
Computer and Mathematical	-	-	-	-	-
Architecture and Engineering	-	-	-	-	-
Life, Physical and Social Science	-	-	-	-	-
Community and Social Services	0.01	0.01	0.01	0.01	0.01
Legal	-	-	-	-	-
Education Training and Library	0.04	0.02	0.02	0.01	0.01
Arts, Design, Entertainment, Sports, & Media	-	-	-	-	-
Healthcare Practitioners and Technical	-	-	-	-	-
Healthcare Support	0.07	0.06	0.05	0.05	0.05
Protective Service	-	-	-	-	-
Food Preparation and Serving Related	2.07	1.59	1.30	1.23	1.22
Building Grounds and Maintenance	0.17	0.13	0.10	0.10	0.10
Personal Care and Service	0.75	0.53	0.42	0.40	0.39
Sales and Related	0.94	0.67	0.53	0.50	0.49
Office and Admin	0.24	0.18	0.14	0.13	0.13
Farm, Fishing, and Forestry	-	-	-	-	-
Construction and Extraction	-	-	-	-	-
Installation Maintenance and Repair	0.01	0.01	0.00	0.00	0.00
Production	0.11	-	-	-	-
Transportation and Material Moving	0.32	0.22	0.18	0.17	0.16
Extremely Low Income Households - Major Occupat	4.73	3.41	2.75	2.60	2.57
EL Households¹ - all other occupations	0.53	0.45	0.36	0.34	0.34
Total EL Households¹	5.26	3.86	3.10	2.94	2.90

¹ Includes households earning from zero through 30% of Contra Costa/Alameda County Area Median Income.

² See Appendix B Tables 1 and 3 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 Tables 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.

**APPENDIX I TABLE C-3
IMPACT ANALYSIS SUMMARY
EMPLOYEE HOUSEHOLDS GENERATED
RESIDENTIAL NEXUS ANALYSIS
CITY OF CONCORD, CA**

WORKING DRAFT FOR CITY REVIEW

**RESIDENTIAL UNIT DEMAND IMPACTS
PER 100 MARKET RATE UNITS**

Number of New Households¹	Prototype 1: Single Family Detached	Prototype 2: Small Lot SFD / Townhome	Prototype 3: Condominium	Prototype 4: High Density Apartment	Prototype 5: Medium Density Apartment
Under 30% Area Median Income	5.3	3.9	3.1	2.9	2.9
30% to 50% Area Median Income	9.9	7.1	5.7	5.4	5.3
50% to 80% Area Median Income	10.0	7.2	5.7	5.4	5.4
80% to 120% Area Median Income	7.9	5.7	4.6	4.3	4.3
Subtotal through 120% of Median	33.1	23.8	19.1	18.1	17.9
Above 120% Area Median Income	8.6	6.4	5.2	4.9	4.9
Total Employee Households	41.7	30.2	24.3	23.0	22.8
Percent of New Households¹					
Under 30% Area Median Income	13%	13%	13%	13%	13%
30% to 50% Area Median Income	24%	24%	23%	23%	23%
50% to 80% Area Median Income	24%	24%	24%	24%	24%
80% to 120% Area Median Income	19%	19%	19%	19%	19%
Subtotal through 120% of Median	79%	79%	79%	79%	79%
Above 120% Area Median Income	21%	21%	21%	21%	21%
Total Employee Households	100%	100%	100%	100%	100%

Notes

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

**APPENDIX I TABLE C-4
 IMPACT ANALYSIS SUMMARY PER UNIT
 EMPLOYEE HOUSEHOLDS GENERATED
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF CONCORD, CA**

WORKING DRAFT FOR CITY REVIEW

RESIDENTIAL UNIT DEMAND IMPACTS

PER MARKET RATE UNIT

Number of New Households¹	PER MARKET RATE UNIT				
	Prototype 1: Single Family Detached	Prototype 2: Small Lot SFD / Townhome	Prototype 3: Condominium	Prototype 4: High Density Apartment	Prototype 5: Medium Density Apartment
Under 30% Area Median Income	0.05	0.04	0.03	0.03	0.03
30% to 50% Area Median Income	0.10	0.07	0.06	0.05	0.05
50% to 80% Area Median Income	0.10	0.07	0.06	0.05	0.05
80% to 120% Area Median Income	0.08	0.06	0.05	0.04	0.04
Subtotal through 120% of Median	0.33	0.24	0.19	0.18	0.18
Over 120% Area Median Income	0.09	0.06	0.05	0.05	0.05
Total Employee Households	0.42	0.30	0.24	0.23	0.23

Notes

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

**APPENDIX I TABLE C-5
INCLUSIONARY REQUIREMENT SUPPORTED
RESIDENTIAL NEXUS ANALYSIS
CITY OF CONCORD, CA**

WORKING DRAFT FOR CITY REVIEW

	Prototype 1: Single Family Detached	Prototype 2: Small Lot SFD / Townhome	Prototype 3: Condominium	Prototype 4: High Density Apartment	Prototype 5: Medium Density Apartment
Supported Inclusionary Requirement					
<i>Per 100 Market Rate Units - Cumulative Through</i>					
30% OF MEDIAN INCOME	5.3 Units	3.9 Units	3.1 Units	2.9 Units	2.9 Units
50% OF MEDIAN INCOME	15.2 Units	11.0 Units	8.8 Units	8.3 Units	8.3 Units
80% OF MEDIAN INCOME	25.2 Units	18.1 Units	14.6 Units	13.8 Units	13.6 Units
120% OF MEDIAN INCOME	33.1 Units	23.8 Units	19.1 Units	18.1 Units	17.9 Units
Supported Inclusionary Percentage - Cumulative Through ¹					
30% OF MEDIAN INCOME	5%	4%	3%	3%	3%
50% OF MEDIAN INCOME	13%	10%	8%	8%	8%
80% OF MEDIAN INCOME	20%	15%	13%	12%	12%
120% OF MEDIAN INCOME	25%	19%	16%	15%	15%

Notes:

¹ Calculated by dividing the supported number of affordable units by the total number of units (supported affordable units + 100 market rate units).

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 Concord known as the ‘affordability gap.’ Affordability gaps are calculated for each of the four categories of area median income: Extremely Low (under 30% of median), Very Low (30% to 50%), Low (50% to 80%), and Moderate (80% to 120%). A complete discussion of the affordability gap methodology and assumptions can be found in Appendix II.

The affordability gaps used in the nexus analysis are as follows:

Affordability Gap Calculation			
	<i>Unit Value / Sales Price</i>	<i>Development Cost</i>	<i>Affordability Gap</i>
<u><i>Affordable Rental Units</i></u>			
Extremely Low (Under 30% AMI)	\$164,000	\$450,000	\$286,000
Very Low (30% to 50% AMI)	\$214,000	\$450,000	\$236,000
Low (50% to 80% AMI)	\$239,000	\$450,000	\$211,000
<u><i>Affordable Ownership Units</i></u>			
Moderate (80% to 120% AMI)	\$371,000	\$450,000	\$79,000

Appendix II presents the detailed affordability gap calculations.

Total Linkage Costs

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 Concord.

Appendix I Table D-1 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 affordability gap times the number of affordable units demanded per market rate unit. (Demand for affordable units for each of the income ranges is drawn from Appendix I Table C-3 in the previous section and is adjusted to a per-unit basis from the 100 unit building module.)

The total nexus costs for each of the prototypes are as follows:

Total Nexus Cost Per Market Rate Unit						
<i>Income Category</i>	<i>Affordability Gap</i>	<i>Prototype 1: Single Family Detached</i>	<i>Prototype 2: Small Lot SFD/ Townhome</i>	<i>Prototype 3: Condo</i>	<i>Prototype 4: High Density Apartments</i>	<i>Prototype 5: Medium Density Apartments</i>
Under 30% AMI	\$286,000	\$15,100	\$11,000	\$8,900	\$8,400	\$8,300
30% to 50% AMI	\$236,000	\$23,400	\$16,800	\$13,500	\$12,800	\$12,600
80% to 120% AMI	\$211,000	\$11,100	\$8,200	\$6,500	\$6,200	\$6,100
80% to 120% AMI	\$79,000	\$7,800	\$5,600	\$4,500	\$4,300	\$4,200
Total Supported Fee/ Nexus Costs		\$57,400	\$41,600	\$33,400	\$31,700	\$31,200

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. Again, see Appendix II for more discussion of the prototypes. The results per square foot of building area are as follows:

Total Nexus Cost Per Sq. Ft.					
<i>Income Category</i>	<i>Prototype 1: Single Family Detached</i>	<i>Prototype 2: Small Lot SFD/ Townhome</i>	<i>Prototype 3: Condo</i>	<i>Prototype 4: High Density Apartments</i>	<i>Prototype 5: Medium Density Apartments</i>
<i>Prototype Size (Sq Ft)</i>	2,800 SF	1,800 SF	1,100 SF	800 SF	950 SF
Under 30% AMI	\$5.40	\$6.10	\$8.10	\$10.50	\$8.70
30% to 50% AMI	\$8.40	\$9.30	\$12.30	\$16.00	\$13.30
80% to 120% AMI	\$4.00	\$4.60	\$5.90	\$7.80	\$6.40
80% to 120% AMI	\$2.80	\$3.10	\$4.10	\$5.40	\$4.40
Total Nexus Costs	\$20.60	\$23.10	\$30.40	\$39.70	\$32.80

These costs express the total linkage or nexus costs for the five prototype developments in the City of Concord. 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 this analysis, below which fees or other requirements may be set.**

TOTAL NEXUS COST PER MARKET RATE UNIT

	Affordability Gap Per Unit ¹	Nexus Cost Per Market Rate Unit ³				
		Prototype 1: Single Family Detached	Prototype 2: Small Lot SFD / Townhome	Prototype 3: Condominium	Prototype 4: High Density Apartment	Prototype 5: Medium Density Apartment
Household Income Level						
Under 30% Area Median Income	\$286,000 ¹	\$15,100	\$11,000	\$8,900	\$8,400	\$8,300
30% to 50% Area Median Income	\$236,000 ¹	\$23,400	\$16,800	\$13,500	\$12,800	\$12,600
50% to 80% Area Median Income	\$211,000 ¹	\$11,100	\$8,200	\$6,500	\$6,200	\$6,100
80% to 120% Area Median Income	\$79,000 ²	\$7,800	\$5,600	\$4,500	\$4,300	\$4,200
Total Supported Fee / Nexus		\$57,400	\$41,600	\$33,400	\$31,700	\$31,200

TOTAL NEXUS COST PER SQUARE FOOT⁴

	Unit Size (SF)	Nexus Cost Per Square Foot ⁴				
		Prototype 1: Single Family Detached	Prototype 2: Small Lot SFD / Townhome	Prototype 3: Condominium	Prototype 4: High Density Apartment	Prototype 5: Medium Density Apartment
Household Income Level						
	2,800 SF	1,800 SF	1,100 SF	800 SF	950 SF	
Under 30% Area Median Income		\$5.40	\$6.10	\$8.10	\$10.50	\$8.70
30% to 50% Area Median Income		\$8.40	\$9.30	\$12.30	\$16.00	\$13.30
50% to 80% Area Median Income		\$4.00	\$4.60	\$5.90	\$7.80	\$6.40
80% to 120% Area Median Income		\$2.80	\$3.10	\$4.10	\$5.40	\$4.40
Total Supported Fee / Nexus		\$20.60	\$23.10	\$30.40	\$39.70	\$32.80

Notes:

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

² Affordability gap for moderate income households based on ownership unit priced at 110% AMI.

³ Nexus cost per unit computed by multiplying affordable unit demand from Table C-4 by the affordability gap.

⁴ Computed by dividing the nexus cost per unit by the square footage of the unit.

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 Concord, conditions are consistent with this underlying assumption. According to the Census (2010 to 2014 ACS), approximately 55% 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 Contra Costa and Alameda Counties. While many of the impacts will occur within the City, some impacts will be experienced elsewhere in Contra Costa County, Alameda County and beyond. The IMPLAN model computes the jobs generated within the two counties and sorts out those that occur beyond the counties' 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 Contra Costa and Alameda Counties 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.

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 Concord, the City is anticipated to assist in the development of rental units for household incomes less than 80% of median and for moderate income households, ownership units are assumed to be assisted.

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. In some communities 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.

If the affordability gap is the difference between total development cost and the affordable sales price, the question sometimes arises as to how total development cost is defined. KMA defines total development costs as including land costs, construction costs, site improvements, architectural and engineering, financing and all other indirect costs, and an allowance for an industry profit (non-profit developers receive a development fee instead).

Excess Capacity of Labor Force

In the context of economic downturns such as the recent severe 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

Concord'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, the inclusionary housing policy will satisfy only a small percentage of the affordable housing needs in the City of Concord.

**APPENDIX I, TABLE E-1
 WORKER OCCUPATION DISTRIBUTION, 2014
 SERVICES TO HOUSEHOLDS EARNING \$75-\$100,000
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF CONCORD**

DRAFT FOR REVIEW BY STAFF

Major Occupations (2% or more)	Worker Occupation Distribution ¹ Services to Households Earning \$75-\$100,000
Management Occupations	4.4%
Business and Financial Operations Occupations	4.4%
Community and Social Service Occupations	2.0%
Education, Training, and Library Occupations	2.7%
Healthcare Practitioners and Technical Occupations	7.3%
Healthcare Support Occupations	4.5%
Food Preparation and Serving Related Occupations	13.8%
Building and Grounds Cleaning and Maintenance Occupations	3.4%
Personal Care and Service Occupations	6.9%
Sales and Related Occupations	12.9%
Office and Administrative Support Occupations	16.3%
Installation, Maintenance, and Repair Occupations	4.2%
Transportation and Material Moving Occupations	5.5%
All Other Worker Occupations - Services to Households Earning \$75-\$100,000	<u>11.6%</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.

APPENDIX I, TABLE E-2
AVERAGE ANNUAL WORKER COMPENSATION, 2014
SERVICES TO HOUSEHOLDS EARNING \$75-\$100,000
RESIDENTIAL NEXUS ANALYSIS
CITY OF CONCORD

DRAFT FOR REVIEW BY STAFF

Occupation ³	2014 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Households Earning \$75- \$100,000 Workers
<i>Page 1 of 4</i>			
<i>Management Occupations</i>			
Chief Executives	\$199,800	3.3%	0.1%
General and Operations Managers	\$132,100	33.6%	1.5%
Sales Managers	\$138,800	4.9%	0.2%
Administrative Services Managers	\$97,600	4.0%	0.2%
Computer and Information Systems Managers	\$162,000	3.3%	0.1%
Financial Managers	\$142,900	9.4%	0.4%
Food Service Managers	\$50,900	4.9%	0.2%
Medical and Health Services Managers	\$122,600	6.0%	0.3%
Property, Real Estate, and Community Association Managers	\$84,900	11.5%	0.5%
Social and Community Service Managers	\$80,400	3.9%	0.2%
Managers, All Other	\$136,400	3.3%	0.1%
All other Management Occupations (Avg. All Categories)	<u>\$122,300</u>	<u>11.9%</u>	<u>0.5%</u>
	Weighted Mean Annual Wage	\$122,300	100.0%
			4.4%
<i>Business and Financial Operations Occupations</i>			
Claims Adjusters, Examiners, and Investigators	\$75,400	4.6%	0.2%
Human Resources Specialists	\$73,800	5.5%	0.2%
Management Analysts	\$104,300	6.3%	0.3%
Training and Development Specialists	\$86,000	3.7%	0.2%
Market Research Analysts and Marketing Specialists	\$83,600	7.3%	0.3%
Business Operations Specialists, All Other	\$88,700	10.9%	0.5%
Accountants and Auditors	\$81,700	18.8%	0.8%
Financial Analysts	\$102,100	8.6%	0.4%
Personal Financial Advisors	\$98,300	11.0%	0.5%
Loan Officers	\$79,200	5.2%	0.2%
All Other Business and Financial Operations Occupations (Avg. All Categories)	<u>\$88,100</u>	<u>18.2%</u>	<u>0.8%</u>
	Weighted Mean Annual Wage	\$88,100	100.0%
			4.4%
<i>Community and Social Service Occupations</i>			
Substance Abuse and Behavioral Disorder Counselors	\$44,800	4.8%	0.1%
Educational, Guidance, School, and Vocational Counselors	\$59,700	4.9%	0.1%
Mental Health Counselors	\$41,000	7.8%	0.2%
Rehabilitation Counselors	\$43,800	6.3%	0.1%
Child, Family, and School Social Workers	\$57,000	13.8%	0.3%
Healthcare Social Workers	\$68,600	7.8%	0.2%
Mental Health and Substance Abuse Social Workers	\$62,400	6.2%	0.1%
Social and Human Service Assistants	\$38,400	24.2%	0.5%
Community Health Workers	\$46,000	3.1%	0.1%
Community and Social Service Specialists, All Other	\$54,100	4.9%	0.1%
Clergy	\$57,400	4.3%	0.1%
All Other Community and Social Service Occupations (Avg. All Categories)	<u>\$49,900</u>	<u>11.9%</u>	<u>0.2%</u>
	Weighted Mean Annual Wage	\$49,900	100.0%
			2.0%

APPENDIX I, TABLE E-2
 AVERAGE ANNUAL WORKER COMPENSATION, 2014
 SERVICES TO HOUSEHOLDS EARNING \$75-\$100,000
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DRAFT FOR REVIEW BY STAFF

Occupation ³	2014 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Households Earning \$75-\$100,000 Workers
<i>Page 2 of 4</i>			
<i>Education, Training, and Library Occupations</i>			
Vocational Education Teachers, Postsecondary	\$59,500	4.1%	0.1%
Preschool Teachers, Except Special Education	\$36,000	11.9%	0.3%
Elementary School Teachers, Except Special Education	\$72,200	8.4%	0.2%
Middle School Teachers, Except Special and Career/Technical Education	\$68,100	3.9%	0.1%
Secondary School Teachers, Except Special and Career/Technical Education	\$70,900	5.8%	0.2%
Self-Enrichment Education Teachers	\$47,600	12.1%	0.3%
Teachers and Instructors, All Other, Except Substitute Teachers	\$63,700	7.4%	0.2%
Substitute Teachers	\$39,500	4.6%	0.1%
Teacher Assistants	\$31,200	14.9%	0.4%
All Other Education, Training, and Library Occupations (Avg. All Categories)	<u>\$49,900</u>	<u>27.0%</u>	<u>0.7%</u>
	Weighted Mean Annual Wage	100.0%	2.7%
<i>Healthcare Practitioners and Technical Occupations</i>			
Pharmacists	\$134,600	3.5%	0.3%
Physicians and Surgeons, All Other	\$203,100	4.1%	0.3%
Registered Nurses	\$122,500	30.0%	2.2%
Dental Hygienists	\$97,200	4.9%	0.4%
Pharmacy Technicians	\$50,500	4.5%	0.3%
Licensed Practical and Licensed Vocational Nurses	\$62,900	9.3%	0.7%
All Other Healthcare Practitioners and Technical Occupations (Avg. All Categories)	<u>\$111,200</u>	<u>43.6%</u>	<u>3.2%</u>
	Weighted Mean Annual Wage	100.0%	7.3%
<i>Healthcare Support Occupations</i>			
Home Health Aides	\$31,800	22.5%	1.0%
Nursing Assistants	\$36,000	30.8%	1.4%
Massage Therapists	\$53,900	4.3%	0.2%
Dental Assistants	\$41,300	12.3%	0.6%
Medical Assistants	\$41,200	15.3%	0.7%
All Other Healthcare Support Occupations (Avg. All Categories)	<u>\$37,500</u>	<u>14.7%</u>	<u>0.7%</u>
	Weighted Mean Annual Wage	100.0%	4.5%
<i>Food Preparation and Serving Related Occupations</i>			
First-Line Supervisors of Food Preparation and Serving Workers	\$30,800	6.9%	1.0%
Cooks, Fast Food	\$20,300	4.2%	0.6%
Cooks, Restaurant	\$24,700	8.7%	1.2%
Food Preparation Workers	\$21,500	6.7%	0.9%
Bartenders	\$21,900	7.0%	1.0%
Combined Food Preparation and Serving Workers, Including Fast Food	\$21,100	24.8%	3.4%
Counter Attendants, Cafeteria, Food Concession, and Coffee Shop	\$22,000	3.7%	0.5%
Waiters and Waitresses	\$22,700	19.9%	2.7%
Dining Room and Cafeteria Attendants and Bartender Helpers	\$19,300	3.2%	0.4%
Dishwashers	\$21,400	4.1%	0.6%
All Other Food Preparation and Serving Related Occupations (Avg. All Categories)	<u>\$22,600</u>	<u>11.0%</u>	<u>1.5%</u>
	Weighted Mean Annual Wage	100.0%	13.8%

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 AVERAGE ANNUAL WORKER COMPENSATION, 2014
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Occupation ³	2014 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Households Earning \$75-\$100,000 Workers
<i>Building and Grounds Cleaning and Maintenance Occupations</i>			
First-Line Supervisors of Landscaping, Lawn Service, and Groundskeeping Workers	\$50,200	3.3%	0.1%
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	\$31,100	44.6%	1.5%
Maids and Housekeeping Cleaners	\$31,900	14.4%	0.5%
Landscaping and Groundskeeping Workers	\$32,000	30.4%	1.0%
All Other Building and Grounds Cleaning and Maintenance Occupations (Avg. All Categories)	<u>\$32,200</u>	<u>7.2%</u>	<u>0.2%</u>
Weighted Mean Annual Wage	\$32,200	100.0%	3.4%
<i>Personal Care and Service Occupations</i>			
First-Line Supervisors of Personal Service Workers	\$40,100	3.6%	0.2%
Nonfarm Animal Caretakers	\$26,400	5.0%	0.3%
Amusement and Recreation Attendants	\$22,000	3.1%	0.2%
Hairdressers, Hairstylists, and Cosmetologists	\$30,100	17.9%	1.2%
Manicurists and Pedicurists	\$20,600	4.3%	0.3%
Childcare Workers	\$23,200	8.2%	0.6%
Personal Care Aides	\$22,000	31.2%	2.2%
Fitness Trainers and Aerobics Instructors	\$50,500	6.4%	0.4%
Recreation Workers	\$28,000	4.9%	0.3%
All Other Personal Care and Service Occupations (Avg. All Categories)	<u>\$27,300</u>	<u>15.4%</u>	<u>1.1%</u>
Weighted Mean Annual Wage	\$27,300	100.0%	6.9%
<i>Sales and Related Occupations</i>			
First-Line Supervisors of Retail Sales Workers	\$48,200	8.4%	1.1%
Cashiers	\$25,900	23.7%	3.1%
Counter and Rental Clerks	\$32,700	6.3%	0.8%
Retail Salespersons	\$28,800	32.2%	4.1%
Insurance Sales Agents	\$86,900	3.2%	0.4%
Securities, Commodities, and Financial Services Sales Agents	\$85,600	4.5%	0.6%
Sales Representatives, Services, All Other	\$76,200	4.7%	0.6%
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific	\$70,000	5.1%	0.7%
Real Estate Sales Agents	\$38,800	3.8%	0.5%
All Other Sales and Related Occupations (Avg. All Categories)	<u>\$40,000</u>	<u>8.1%</u>	<u>1.0%</u>
Weighted Mean Annual Wage	\$40,000	100.0%	12.9%
<i>Office and Administrative Support Occupations</i>			
First-Line Supervisors of Office and Administrative Support Workers	\$63,300	6.7%	1.1%
Bookkeeping, Accounting, and Auditing Clerks	\$45,200	7.5%	1.2%
Customer Service Representatives	\$42,800	11.2%	1.8%
Receptionists and Information Clerks	\$35,700	8.0%	1.3%
Stock Clerks and Order Fillers	\$29,600	9.0%	1.5%
Executive Secretaries and Executive Administrative Assistants	\$63,500	3.3%	0.5%
Medical Secretaries	\$44,000	3.8%	0.6%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	\$43,000	10.9%	1.8%
Office Clerks, General	\$37,800	13.8%	2.2%
All Other Office and Administrative Support Occupations (Avg. All Categories)	<u>\$42,600</u>	<u>25.8%</u>	<u>4.2%</u>
Weighted Mean Annual Wage	\$42,600	100.0%	16.3%

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 AVERAGE ANNUAL WORKER COMPENSATION, 2014
 SERVICES TO HOUSEHOLDS EARNING \$75-\$100,000
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Occupation ³	2014 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Households Earning \$75-\$100,000 Workers
<i>Installation, Maintenance, and Repair Occupations</i>			
First-Line Supervisors of Mechanics, Installers, and Repairers	\$81,900	7.8%	0.3%
Telecommunications Equipment Installers and Repairers, Except Line Installers	\$65,100	3.9%	0.2%
Automotive Body and Related Repairers	\$49,400	7.0%	0.3%
Automotive Service Technicians and Mechanics	\$50,800	20.6%	0.9%
Bus and Truck Mechanics and Diesel Engine Specialists	\$61,600	3.6%	0.2%
Maintenance and Repair Workers, General	\$45,900	33.4%	1.4%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	<u>\$53,000</u>	<u>23.7%</u>	<u>1.0%</u>
	Weighted Mean Annual Wage	\$53,000	100.0%
<i>Transportation and Material Moving Occupations</i>			
Bus Drivers, School or Special Client	\$36,100	4.0%	0.2%
Driver/Sales Workers	\$30,700	6.9%	0.4%
Heavy and Tractor-Trailer Truck Drivers	\$46,200	13.6%	0.8%
Light Truck or Delivery Services Drivers	\$36,300	10.2%	0.6%
Parking Lot Attendants	\$26,300	5.3%	0.3%
Industrial Truck and Tractor Operators	\$48,100	3.5%	0.2%
Cleaners of Vehicles and Equipment	\$25,400	8.5%	0.5%
Laborers and Freight, Stock, and Material Movers, Hand	\$31,400	21.8%	1.2%
Packers and Packagers, Hand	\$24,100	6.5%	0.4%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	<u>\$33,900</u>	<u>19.7%</u>	<u>1.1%</u>
	Weighted Mean Annual Wage	\$33,900	100.0%
			88.4%

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 2013 Occupational Employment Survey data applicable to Contra Costa and Alameda counties, updated by the California Employment Development Department to 2014 wage levels.

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

**APPENDIX I TABLE E-3
 WORKER OCCUPATION DISTRIBUTION, 2014
 SERVICES TO HOUSEHOLDS EARNING \$100-\$150,000
 RESIDENTIAL NEXUS ANALYSIS
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Major Occupations (2% or more)	Worker Occupation Distribution ¹ Services to Households Earning \$100-\$150,000
Management Occupations	4.4%
Business and Financial Operations Occupations	4.5%
Community and Social Service Occupations	2.1%
Education, Training, and Library Occupations	3.1%
Healthcare Practitioners and Technical Occupations	6.9%
Healthcare Support Occupations	4.3%
Food Preparation and Serving Related Occupations	13.6%
Building and Grounds Cleaning and Maintenance Occupations	3.3%
Personal Care and Service Occupations	7.1%
Sales and Related Occupations	13.2%
Office and Administrative Support Occupations	16.3%
Installation, Maintenance, and Repair Occupations	4.0%
Transportation and Material Moving Occupations	5.7%
All Other Worker Occupations - Services to Households Earning \$100-\$150,000	<u>11.7%</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.

APPENDIX I TABLE E-4
 AVERAGE ANNUAL WORKER COMPENSATION, 2014
 SERVICES TO HOUSEHOLDS EARNING \$100-\$150,000
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Occupation ³	2014 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Households Earning \$100-\$150,000 Workers
<i>Page 1 of 4</i>			
<i>Management Occupations</i>			
Chief Executives	\$199,800	3.4%	0.1%
General and Operations Managers	\$132,100	34.3%	1.5%
Sales Managers	\$138,800	5.1%	0.2%
Administrative Services Managers	\$97,600	4.1%	0.2%
Computer and Information Systems Managers	\$162,000	3.4%	0.1%
Financial Managers	\$142,900	9.7%	0.4%
Food Service Managers	\$50,900	4.8%	0.2%
Medical and Health Services Managers	\$122,600	5.8%	0.3%
Property, Real Estate, and Community Association Managers	\$84,900	9.6%	0.4%
Social and Community Service Managers	\$80,400	4.2%	0.2%
Managers, All Other	\$136,400	3.4%	0.1%
All other Management Occupations (Avg. All Categories)	<u>\$123,300</u>	<u>12.4%</u>	<u>0.5%</u>
	Weighted Mean Annual Wage	100.0%	4.4%
<i>Business and Financial Operations Occupations</i>			
Claims Adjusters, Examiners, and Investigators	\$75,400	4.6%	0.2%
Human Resources Specialists	\$73,800	5.4%	0.2%
Management Analysts	\$104,300	6.3%	0.3%
Training and Development Specialists	\$86,000	3.8%	0.2%
Market Research Analysts and Marketing Specialists	\$83,600	7.2%	0.3%
Business Operations Specialists, All Other	\$88,700	10.8%	0.5%
Accountants and Auditors	\$81,700	18.8%	0.8%
Financial Analysts	\$102,100	8.8%	0.4%
Personal Financial Advisors	\$98,300	11.5%	0.5%
Loan Officers	\$79,200	5.3%	0.2%
All Other Business and Financial Operations Occupations (Avg. All Categories)	<u>\$88,200</u>	<u>17.6%</u>	<u>0.8%</u>
	Weighted Mean Annual Wage	100.0%	4.5%
<i>Community and Social Service Occupations</i>			
Substance Abuse and Behavioral Disorder Counselors	\$44,800	4.5%	0.1%
Educational, Guidance, School, and Vocational Counselors	\$59,700	5.3%	0.1%
Mental Health Counselors	\$41,000	7.5%	0.2%
Rehabilitation Counselors	\$43,800	6.3%	0.1%
Child, Family, and School Social Workers	\$57,000	14.1%	0.3%
Healthcare Social Workers	\$68,600	7.4%	0.2%
Mental Health and Substance Abuse Social Workers	\$62,400	6.0%	0.1%
Social and Human Service Assistants	\$38,400	24.5%	0.5%
Community Health Workers	\$46,000	3.1%	0.1%
Community and Social Service Specialists, All Other	\$54,100	5.0%	0.1%
Clergy	\$57,400	4.4%	0.1%
All Other Community and Social Service Occupations (Avg. All Categories)	<u>\$49,800</u>	<u>11.9%</u>	<u>0.3%</u>
	Weighted Mean Annual Wage	100.0%	2.1%

APPENDIX I TABLE E-4
 AVERAGE ANNUAL WORKER COMPENSATION, 2014
 SERVICES TO HOUSEHOLDS EARNING \$100-\$150,000
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Occupation ³	2014 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Households Earning \$100-\$150,000 Workers
<i>Page 2 of 4</i>			
<i>Education, Training, and Library Occupations</i>			
Vocational Education Teachers, Postsecondary	\$59,500	4.3%	0.1%
Preschool Teachers, Except Special Education	\$36,000	11.9%	0.4%
Elementary School Teachers, Except Special Education	\$72,200	8.3%	0.3%
Middle School Teachers, Except Special and Career/Technical Education	\$68,100	3.8%	0.1%
Secondary School Teachers, Except Special and Career/Technical Education	\$70,900	5.7%	0.2%
Self-Enrichment Education Teachers	\$47,600	11.9%	0.4%
Teachers and Instructors, All Other, Except Substitute Teachers	\$63,700	7.5%	0.2%
Substitute Teachers	\$39,500	4.4%	0.1%
Teacher Assistants	\$31,200	14.8%	0.5%
All Other Education, Training, and Library Occupations (Avg. All Categories)	<u>\$49,900</u>	<u>27.4%</u>	<u>0.8%</u>
	Weighted Mean Annual Wage	100.0%	3.1%
<i>Healthcare Practitioners and Technical Occupations</i>			
Pharmacists	\$134,600	3.8%	0.3%
Physicians and Surgeons, All Other	\$203,100	4.0%	0.3%
Registered Nurses	\$122,500	29.7%	2.0%
Dental Hygienists	\$97,200	4.8%	0.3%
Pharmacy Technicians	\$50,500	5.0%	0.3%
Licensed Practical and Licensed Vocational Nurses	\$62,900	9.2%	0.6%
All Other Healthcare Practitioners and Technical Occupations (Avg. All Categories)	<u>\$110,800</u>	<u>43.5%</u>	<u>3.0%</u>
	Weighted Mean Annual Wage	100.0%	6.9%
<i>Healthcare Support Occupations</i>			
Home Health Aides	\$31,800	23.4%	1.0%
Nursing Assistants	\$36,000	30.5%	1.3%
Massage Therapists	\$53,900	4.3%	0.2%
Dental Assistants	\$41,300	12.0%	0.5%
Medical Assistants	\$41,200	15.0%	0.6%
All Other Healthcare Support Occupations (Avg. All Categories)	<u>\$37,400</u>	<u>14.7%</u>	<u>0.6%</u>
	Weighted Mean Annual Wage	100.0%	4.3%
<i>Food Preparation and Serving Related Occupations</i>			
First-Line Supervisors of Food Preparation and Serving Workers	\$30,800	6.9%	0.9%
Cooks, Fast Food	\$20,300	4.1%	0.6%
Cooks, Restaurant	\$24,700	8.6%	1.2%
Food Preparation Workers	\$21,500	6.8%	0.9%
Bartenders	\$21,900	7.1%	1.0%
Combined Food Preparation and Serving Workers, Including Fast Food	\$21,100	24.8%	3.4%
Counter Attendants, Cafeteria, Food Concession, and Coffee Shop	\$22,000	3.7%	0.5%
Waiters and Waitresses	\$22,700	19.8%	2.7%
Dining Room and Cafeteria Attendants and Bartender Helpers	\$19,300	3.1%	0.4%
Dishwashers	\$21,400	4.0%	0.5%
All Other Food Preparation and Serving Related Occupations (Avg. All Categories)	<u>\$22,600</u>	<u>11.0%</u>	<u>1.5%</u>
	Weighted Mean Annual Wage	100.0%	13.6%

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AVERAGE ANNUAL WORKER COMPENSATION, 2014
SERVICES TO HOUSEHOLDS EARNING \$100-\$150,000
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Occupation ³	2014 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Households Earning \$100-\$150,000 Workers
<i>Building and Grounds Cleaning and Maintenance Occupations</i>			
First-Line Supervisors of Landscaping, Lawn Service, and Groundskeeping Workers	\$50,200	3.4%	0.1%
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	\$31,100	44.8%	1.5%
Maids and Housekeeping Cleaners	\$31,900	13.9%	0.5%
Landscaping and Groundskeeping Workers	\$32,000	30.6%	1.0%
All Other Building and Grounds Cleaning and Maintenance Occupations (Avg. All Categories)	<u>\$32,200</u>	<u>7.3%</u>	<u>0.2%</u>
Weighted Mean Annual Wage	\$32,200	100.0%	3.3%
<i>Personal Care and Service Occupations</i>			
First-Line Supervisors of Personal Service Workers	\$40,100	3.6%	0.3%
Nonfarm Animal Caretakers	\$26,400	5.0%	0.4%
Amusement and Recreation Attendants	\$22,000	3.1%	0.2%
Hairdressers, Hairstylists, and Cosmetologists	\$30,100	16.8%	1.2%
Manicurists and Pedicurists	\$20,600	4.1%	0.3%
Childcare Workers	\$23,200	9.1%	0.6%
Personal Care Aides	\$22,000	31.7%	2.2%
Fitness Trainers and Aerobics Instructors	\$50,500	6.5%	0.5%
Recreation Workers	\$28,000	5.0%	0.4%
All Other Personal Care and Service Occupations (Avg. All Categories)	<u>\$27,200</u>	<u>15.1%</u>	<u>1.1%</u>
Weighted Mean Annual Wage	\$27,200	100.0%	7.1%
<i>Sales and Related Occupations</i>			
First-Line Supervisors of Retail Sales Workers	\$48,200	8.6%	1.1%
Cashiers	\$25,900	24.3%	3.2%
Counter and Rental Clerks	\$32,700	5.6%	0.7%
Retail Salespersons	\$28,800	33.2%	4.4%
Insurance Sales Agents	\$86,900	3.1%	0.4%
Securities, Commodities, and Financial Services Sales Agents	\$85,600	4.7%	0.6%
Sales Representatives, Services, All Other	\$76,200	4.4%	0.6%
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific	\$70,000	5.2%	0.7%
Real Estate Sales Agents	\$38,800	3.0%	0.4%
All Other Sales and Related Occupations (Avg. All Categories)	<u>\$39,900</u>	<u>7.9%</u>	<u>1.0%</u>
Weighted Mean Annual Wage	\$39,900	100.0%	13.2%
<i>Office and Administrative Support Occupations</i>			
First-Line Supervisors of Office and Administrative Support Workers	\$63,300	6.7%	1.1%
Bookkeeping, Accounting, and Auditing Clerks	\$45,200	7.5%	1.2%
Customer Service Representatives	\$42,800	11.2%	1.8%
Receptionists and Information Clerks	\$35,700	7.7%	1.3%
Stock Clerks and Order Fillers	\$29,600	9.6%	1.6%
Executive Secretaries and Executive Administrative Assistants	\$63,500	3.3%	0.5%
Medical Secretaries	\$44,000	3.5%	0.6%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	\$43,000	10.7%	1.7%
Office Clerks, General	\$37,800	13.6%	2.2%
All Other Office and Administrative Support Occupations (Avg. All Categories)	<u>\$42,500</u>	<u>26.2%</u>	<u>4.3%</u>
Weighted Mean Annual Wage	\$42,500	100.0%	16.3%

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AVERAGE ANNUAL WORKER COMPENSATION, 2014
SERVICES TO HOUSEHOLDS EARNING \$100-\$150,000
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Occupation ³	2014 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Households Earning \$100- \$150,000 Workers
<i>Installation, Maintenance, and Repair Occupations</i>			
First-Line Supervisors of Mechanics, Installers, and Repairers	\$81,900	7.8%	0.3%
Telecommunications Equipment Installers and Repairers, Except Line Installers	\$65,100	3.5%	0.1%
Automotive Body and Related Repairers	\$49,400	7.1%	0.3%
Automotive Service Technicians and Mechanics	\$50,800	21.5%	0.9%
Bus and Truck Mechanics and Diesel Engine Specialists	\$61,600	3.8%	0.2%
Maintenance and Repair Workers, General	\$45,900	31.1%	1.2%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	<u>\$53,100</u>	<u>25.1%</u>	<u>1.0%</u>
Weighted Mean Annual Wage	\$53,100	100.0%	4.0%
<i>Transportation and Material Moving Occupations</i>			
Bus Drivers, School or Special Client	\$36,100	4.3%	0.2%
Driver/Sales Workers	\$30,700	6.8%	0.4%
Heavy and Tractor-Trailer Truck Drivers	\$46,200	13.5%	0.8%
Light Truck or Delivery Services Drivers	\$36,300	10.3%	0.6%
Parking Lot Attendants	\$26,300	5.2%	0.3%
Industrial Truck and Tractor Operators	\$48,100	3.5%	0.2%
Cleaners of Vehicles and Equipment	\$25,400	8.1%	0.5%
Laborers and Freight, Stock, and Material Movers, Hand	\$31,400	21.8%	1.2%
Packers and Packagers, Hand	\$24,100	6.7%	0.4%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	<u>\$33,900</u>	<u>19.8%</u>	<u>1.1%</u>
Weighted Mean Annual Wage	\$33,900	100.0%	5.7%
			88.3%

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 2013 Occupational Employment Survey data applicable to Contra Costa and Alameda counties, updated by the California Employment Development Department to 2014 wage levels.

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

**APPENDIX I TABLE E-5
 WORKER OCCUPATION DISTRIBUTION, 2014
 SERVICES TO HOUSEHOLDS EARNING \$150,000 AND UP
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF CONCORD**

WORKING DRAFT FOR REVIEW BY STAFF

Major Occupations (2% or more)	Worker Occupation Distribution¹ Services to Households Earning \$150,000 and up
Management Occupations	4.4%
Business and Financial Operations Occupations	4.6%
Community and Social Service Occupations	2.2%
Education, Training, and Library Occupations	4.2%
Healthcare Practitioners and Technical Occupations	6.1%
Healthcare Support Occupations	3.8%
Food Preparation and Serving Related Occupations	12.8%
Building and Grounds Cleaning and Maintenance Occupations	3.3%
Personal Care and Service Occupations	7.1%
Sales and Related Occupations	13.4%
Office and Administrative Support Occupations	16.3%
Installation, Maintenance, and Repair Occupations	3.9%
Production Occupations	2.0%
Transportation and Material Moving Occupations	5.8%
All Other Worker Occupations - Services to Households Earning \$150,000 and up	<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.

**APPENDIX I TABLE E-6
AVERAGE ANNUAL WORKER COMPENSATION, 2014
SERVICES TO HOUSEHOLDS EARNING \$150,000 AND UP
RESIDENTIAL NEXUS ANALYSIS
CITY OF CONCORD**

WORKING DRAFT FOR REVIEW BY STAFF

Occupation ³	2014 Avg. Compensation ¹	% of Total Occupation Group ⁴	% of Total Households Earning \$150,000 AND UP Workers
Page 1 of 4			
<i>Management Occupations</i>			
Chief Executives	\$199,800	3.5%	0.2%
General and Operations Managers	\$132,100	34.5%	1.5%
Sales Managers	\$138,800	5.0%	0.2%
Administrative Services Managers	\$97,600	4.1%	0.2%
Computer and Information Systems Managers	\$162,000	3.3%	0.1%
Financial Managers	\$142,900	9.7%	0.4%
Food Service Managers	\$50,900	4.5%	0.2%
Medical and Health Services Managers	\$122,600	5.0%	0.2%
Property, Real Estate, and Community Association Managers	\$84,900	8.7%	0.4%
Social and Community Service Managers	\$80,400	4.3%	0.2%
Managers, All Other	\$136,400	3.5%	0.2%
All other Management Occupations (Avg. All Categories)	<u>\$124,000</u>	<u>13.8%</u>	<u>0.6%</u>
	Weighted Mean Annual Wage	\$124,000	100.0%
<i>Business and Financial Operations Occupations</i>			
Claims Adjusters, Examiners, and Investigators	\$75,400	4.8%	0.2%
Human Resources Specialists	\$73,800	5.3%	0.2%
Management Analysts	\$104,300	6.2%	0.3%
Training and Development Specialists	\$86,000	4.0%	0.2%
Market Research Analysts and Marketing Specialists	\$83,600	7.0%	0.3%
Business Operations Specialists, All Other	\$88,700	10.9%	0.5%
Accountants and Auditors	\$81,700	18.5%	0.8%
Financial Analysts	\$102,100	8.8%	0.4%
Personal Financial Advisors	\$98,300	11.5%	0.5%
Loan Officers	\$79,200	5.2%	0.2%
All Other Business and Financial Operations Occupations (Avg. All Categories)	<u>\$88,200</u>	<u>17.7%</u>	<u>0.8%</u>
	Weighted Mean Annual Wage	\$88,200	100.0%
<i>Community and Social Service Occupations</i>			
Substance Abuse and Behavioral Disorder Counselors	\$44,800	4.2%	0.1%
Educational, Guidance, School, and Vocational Counselors	\$59,700	6.5%	0.1%
Mental Health Counselors	\$41,000	7.1%	0.2%
Rehabilitation Counselors	\$43,800	6.2%	0.1%
Child, Family, and School Social Workers	\$57,000	14.5%	0.3%
Healthcare Social Workers	\$68,600	6.8%	0.1%
Mental Health and Substance Abuse Social Workers	\$62,400	5.6%	0.1%
Social and Human Service Assistants	\$38,400	24.6%	0.5%
Community Health Workers	\$46,000	3.2%	0.1%
Community and Social Service Specialists, All Other	\$54,100	5.2%	0.1%
Clergy	\$57,400	4.3%	0.1%
All Other Community and Social Service Occupations (Avg. All Categories)	<u>\$49,900</u>	<u>11.9%</u>	<u>0.3%</u>
	Weighted Mean Annual Wage	\$49,900	100.0%

**APPENDIX I TABLE E-6
AVERAGE ANNUAL WORKER COMPENSATION, 2014
SERVICES TO HOUSEHOLDS EARNING \$150,000 AND UP
RESIDENTIAL NEXUS ANALYSIS
CITY OF CONCORD**

WORKING DRAFT FOR REVIEW BY STAFF

Occupation ³	2014 Avg. Compensation ¹	% of Total Occupation Group ⁴	% of Total Households Earning \$150,000 AND UP Workers
<i>Education, Training, and Library Occupations</i>			
Vocational Education Teachers, Postsecondary	\$59,500	4.6%	0.2%
Preschool Teachers, Except Special Education	\$36,000	11.5%	0.5%
Elementary School Teachers, Except Special Education	\$72,200	8.2%	0.3%
Middle School Teachers, Except Special and Career/Technical Education	\$68,100	3.8%	0.2%
Secondary School Teachers, Except Special and Career/Technical Education	\$70,900	5.7%	0.2%
Self-Enrichment Education Teachers	\$47,600	11.5%	0.5%
Teachers and Instructors, All Other, Except Substitute Teachers	\$63,700	7.6%	0.3%
Substitute Teachers	\$39,500	4.3%	0.2%
Teacher Assistants	\$31,200	14.3%	0.6%
All Other Education, Training, and Library Occupations (Avg. All Categories)	<u>\$50,200</u>	<u>28.5%</u>	<u>1.2%</u>
Weighted Mean Annual Wage	\$50,200	100.0%	4.2%
<i>Healthcare Practitioners and Technical Occupations</i>			
Pharmacists	\$134,600	4.2%	0.3%
Physicians and Surgeons, All Other	\$203,100	3.9%	0.2%
Registered Nurses	\$122,500	29.1%	1.8%
Dental Hygienists	\$97,200	4.6%	0.3%
Pharmacy Technicians	\$50,500	5.6%	0.3%
Licensed Practical and Licensed Vocational Nurses	\$62,900	9.0%	0.6%
All Other Healthcare Practitioners and Technical Occupations (Avg. All Categories)	<u>\$110,200</u>	<u>43.6%</u>	<u>2.7%</u>
Weighted Mean Annual Wage	\$110,200	100.0%	6.1%
<i>Healthcare Support Occupations</i>			
Home Health Aides	\$31,800	24.6%	0.9%
Nursing Assistants	\$36,000	29.8%	1.1%
Massage Therapists	\$53,900	4.4%	0.2%
Dental Assistants	\$41,300	11.6%	0.4%
Medical Assistants	\$41,200	14.5%	0.6%
All Other Healthcare Support Occupations (Avg. All Categories)	<u>\$37,300</u>	<u>15.1%</u>	<u>0.6%</u>
Weighted Mean Annual Wage	\$37,300	100.0%	3.8%
<i>Food Preparation and Serving Related Occupations</i>			
First-Line Supervisors of Food Preparation and Serving Workers	\$30,800	6.9%	0.9%
Cooks, Fast Food	\$20,300	4.1%	0.5%
Cooks, Restaurant	\$24,700	8.6%	1.1%
Food Preparation Workers	\$21,500	6.9%	0.9%
Bartenders	\$21,900	7.2%	0.9%
Combined Food Preparation and Serving Workers, Including Fast Food	\$21,100	24.7%	3.2%
Counter Attendants, Cafeteria, Food Concession, and Coffee Shop	\$22,000	3.8%	0.5%
Waiters and Waitresses	\$22,700	19.7%	2.5%
Dining Room and Cafeteria Attendants and Bartender Helpers	\$19,300	3.1%	0.4%
Dishwashers	\$21,400	4.0%	0.5%
All Other Food Preparation and Serving Related Occupations (Avg. All Categories)	<u>\$22,600</u>	<u>11.0%</u>	<u>1.4%</u>
Weighted Mean Annual Wage	\$22,600	100.0%	12.8%

**APPENDIX I TABLE E-6
AVERAGE ANNUAL WORKER COMPENSATION, 2014
SERVICES TO HOUSEHOLDS EARNING \$150,000 AND UP
RESIDENTIAL NEXUS ANALYSIS
CITY OF CONCORD**

WORKING DRAFT FOR REVIEW BY STAFF

Occupation ³	2014 Avg. Compensation ¹	% of Total Occupation Group ⁴	% of Total Households Earning \$150,000 AND UP Workers
<i>Building and Grounds Cleaning and Maintenance Occupations</i>			
First-Line Supervisors of Landscaping, Lawn Service, and Groundskeeping Workers	\$50,200	3.4%	0.1%
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	\$31,100	45.4%	1.5%
Maids and Housekeeping Cleaners	\$31,900	12.8%	0.4%
Landscaping and Groundskeeping Workers	\$32,000	30.9%	1.0%
All Other Building and Grounds Cleaning and Maintenance Occupations (Avg. All Categories)	<u>\$32,200</u>	<u>7.4%</u>	<u>0.2%</u>
Weighted Mean Annual Wage	\$32,200	100.0%	3.3%
<i>Personal Care and Service Occupations</i>			
First-Line Supervisors of Personal Service Workers	\$40,100	3.6%	0.3%
Nonfarm Animal Caretakers	\$26,400	5.3%	0.4%
Amusement and Recreation Attendants	\$22,000	3.3%	0.2%
Hairdressers, Hairstylists, and Cosmetologists	\$30,100	14.9%	1.1%
Manicurists and Pedicurists	\$20,600	3.6%	0.3%
Childcare Workers	\$23,200	11.1%	0.8%
Personal Care Aides	\$22,000	31.0%	2.2%
Fitness Trainers and Aerobics Instructors	\$50,500	7.0%	0.5%
Recreation Workers	\$28,000	5.1%	0.4%
All Other Personal Care and Service Occupations (Avg. All Categories)	<u>\$27,300</u>	<u>15.0%</u>	<u>1.1%</u>
Weighted Mean Annual Wage	\$27,300	100.0%	7.1%
<i>Sales and Related Occupations</i>			
First-Line Supervisors of Retail Sales Workers	\$48,200	8.7%	1.2%
Cashiers	\$25,900	24.4%	3.3%
Counter and Rental Clerks	\$32,700	5.1%	0.7%
Retail Salespersons	\$28,800	33.6%	4.5%
Insurance Sales Agents	\$86,900	3.3%	0.4%
Securities, Commodities, and Financial Services Sales Agents	\$85,600	4.7%	0.6%
Sales Representatives, Services, All Other	\$76,200	4.4%	0.6%
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific	\$70,000	5.2%	0.7%
Real Estate Sales Agents	\$38,800	2.8%	0.4%
All Other Sales and Related Occupations (Avg. All Categories)	<u>\$39,900</u>	<u>7.8%</u>	<u>1.0%</u>
Weighted Mean Annual Wage	\$39,900	100.0%	13.4%
<i>Office and Administrative Support Occupations</i>			
First-Line Supervisors of Office and Administrative Support Workers	\$63,300	6.7%	1.1%
Bookkeeping, Accounting, and Auditing Clerks	\$45,200	7.5%	1.2%
Customer Service Representatives	\$42,800	11.3%	1.8%
Receptionists and Information Clerks	\$35,700	7.3%	1.2%
Stock Clerks and Order Fillers	\$29,600	9.8%	1.6%
Executive Secretaries and Executive Administrative Assistants	\$63,500	3.4%	0.5%
Medical Secretaries	\$44,000	3.0%	0.5%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	\$43,000	10.9%	1.8%
Office Clerks, General	\$37,800	13.7%	2.2%
All Other Office and Administrative Support Occupations (Avg. All Categories)	<u>\$42,500</u>	<u>26.4%</u>	<u>4.3%</u>
Weighted Mean Annual Wage	\$42,500	100.0%	16.3%

**APPENDIX I TABLE E-6
AVERAGE ANNUAL WORKER COMPENSATION, 2014
SERVICES TO HOUSEHOLDS EARNING \$150,000 AND UP
RESIDENTIAL NEXUS ANALYSIS
CITY OF CONCORD**

WORKING DRAFT FOR REVIEW BY STAFF

Occupation ³	2014 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Households Earning \$150,000 AND UP Workers
<i>Installation, Maintenance, and Repair Occupations</i>			
First-Line Supervisors of Mechanics, Installers, and Repairers	\$81,900	7.8%	0.3%
Telecommunications Equipment Installers and Repairers, Except Line Installers	\$65,100	3.1%	0.1%
Automotive Body and Related Repairers	\$49,400	7.0%	0.3%
Automotive Service Technicians and Mechanics	\$50,800	21.3%	0.8%
Bus and Truck Mechanics and Diesel Engine Specialists	\$61,600	3.7%	0.1%
Maintenance and Repair Workers, General	\$45,900	30.8%	1.2%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	<u>\$53,100</u>	<u>26.2%</u>	<u>1.0%</u>
Weighted Mean Annual Wage	\$53,100	100.0%	3.9%
<i>Production Occupations</i>			
First-Line Supervisors of Production and Operating Workers	\$71,700	5.6%	0.1%
Team Assemblers	\$32,300	7.9%	0.2%
Assemblers and Fabricators, All Other	\$32,500	3.6%	0.1%
Bakers	\$31,100	5.1%	0.1%
Butchers and Meat Cutters	\$34,800	6.7%	0.1%
Laundry and Dry-Cleaning Workers	\$24,100	18.3%	0.4%
Pressers, Textile, Garment, and Related Materials	\$24,900	6.5%	0.1%
Inspectors, Testers, Sorters, Samplers, and Weighers	\$46,500	4.1%	0.1%
Packaging and Filling Machine Operators and Tenders	\$31,800	3.3%	0.1%
Painters, Transportation Equipment	\$51,100	3.3%	0.1%
Helpers--Production Workers	\$30,600	4.3%	0.1%
All Other Production Occupations (Avg. All Categories)	<u>\$34,400</u>	<u>31.3%</u>	<u>0.6%</u>
Weighted Mean Annual Wage	\$34,400	100.0%	2.0%
<i>Transportation and Material Moving Occupations</i>			
Bus Drivers, School or Special Client	\$36,100	5.2%	0.3%
Driver/Sales Workers	\$30,700	6.6%	0.4%
Heavy and Tractor-Trailer Truck Drivers	\$46,200	13.6%	0.8%
Light Truck or Delivery Services Drivers	\$36,300	10.2%	0.6%
Taxi Drivers and Chauffeurs	\$27,100	3.0%	0.2%
Parking Lot Attendants	\$26,300	5.4%	0.3%
Industrial Truck and Tractor Operators	\$48,100	3.5%	0.2%
Cleaners of Vehicles and Equipment	\$25,400	7.3%	0.4%
Laborers and Freight, Stock, and Material Movers, Hand	\$31,400	21.6%	1.3%
Packers and Packagers, Hand	\$24,100	6.6%	0.4%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	<u>\$33,800</u>	<u>17.1%</u>	<u>1.0%</u>
Weighted Mean Annual Wage	\$33,800	100.0%	5.8%

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 2013 Occupational Employment Survey data applicable to Contra Costa and Alameda counties, updated by the California Employment Development Department to 2014 wage levels.

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

APPENDIX II: RESIDENTIAL VALUES – MARKET AND AFFORDABLE

In this Appendix, 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. This Appendix also contains a description and documentation of the affordability gaps, which are used to calculate the total nexus cost.

A. MARKET SURVEY AND PROTOTYPES

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 Concord, both today and in the future, and what the market prices or rents for those prototypes will be. These market prices are then used to estimate the incomes of new households that will live in those units and a quantification of the number and types of new jobs that will be created as a result of those households. Selected prototypes were also used in the Financial Feasibility Analysis in Appendix III.

I. Residential Prototypes

A total of five market rate residential prototypes were selected by KMA and City staff for market pricing – three for-sale prototypes and two rental prototypes. The prototypes were based on the City’s development pipeline, discussions with active developers and brokers, market surveys and other materials. The intent of the selected prototypes is to identify representative development prototypes that are envisioned to be developed in Concord in the future. The prototypes are intended to reflect the range of average or typical residential projects in the Concord market rather than any specific project.

It is noted that not all prototypes are being built in Concord at this time, as the residential market is still recovering from the Recession. For example, the City has not seen new rental units in several years. However, Concord expects to see new rental development in the near future. See Appendix III for more discussion on the feasibility of new residential development types.

Market Rate Residential Prototypes		
	<i>Lot Size / Density</i>	<i>Avg. Unit Size*</i>
<i>For-Sale Prototypes</i>		
1) Single Family Detached Homes	7-10,000 sq. ft.	2,800 sq. ft.
2) Small-lot Single Family / Townhomes	10-12 du/acre	1,800 sq. ft.
3) Condominiums	55 du/acre	1,100 sq. ft.
<i>Rental Prototypes</i>		
4) Higher Density Apartments	100 du/acre	800 sq. ft.
5) Medium Density Apartments	30 du/acre	950 sq. ft.

Source: KMA in collaboration with City of Concord.

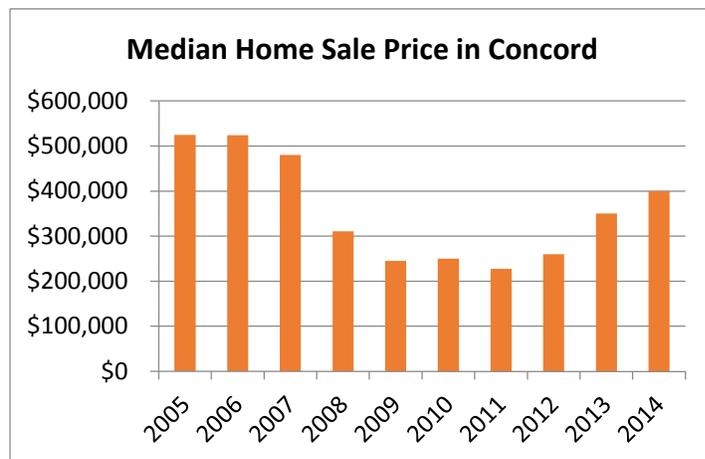
II. Market Survey & Pricing Estimates

a) Residential Building Activity

The housing market in Concord was severely impacted by the Great Recession, and pieces of it are still recovering. Single family detached development has returned, with several projects recently sold or in the planning stages. The City has not seen any activity in the condominium market, however, as sales prices have not recovered to the point necessary to support the higher construction costs. No new rental project has been built since the recession, but there are a few in the planning stages, including one that has a completed application. A more complete discussion about the financial feasibility of new development is contained in Appendix III.

Overview of For-Sale Market

The chart below shows the median home sale price (single family and multi-family) from 2005 through 2014. Between 2007 and 2008, there was a 35% drop in the median home price. Prices continued to decline until 2011, when the median home price hit a low of \$227,500. By 2014, the market had recovered to a median sale price of \$400,000.



Source: Dataquick

The median home price in Concord continued to rise through 2015, reaching \$416,000 in December 2015. The median home price is a blend of all units, detached and multi-family, old and new. The sales price for new units would be expected to be higher.

b) Recent Home Prices of Newer Units

At the time of the market survey, there were two new for-sale projects being marketed in Concord – Laurel Ranch by Lenox Homes and Copperleaf by Discovery / Senna Homes. As a

proxy for new home sales, KMA analyzed recent resale prices of homes built since 2005 and resold between 2013 and 2015.

Appendix II Tables 1 and 2 present sales data for recently built single family homes, sorted by lot size. KMA selected projects that are examples of the prototypes. Note that unit sizes do not include garage space (for single family units).

c) For-Sale Prototype Price Estimates

The resale pricing of newer home developments combined with input from City staff and local developers formed the basis for KMA’s prototype price estimates. Because there are no recent condominium projects in Concord, KMA estimated a market price based on sales trends for the detached products, our experience with condominiums in other jurisdictions, and discussion with City staff and local developers. KMA notes that the estimated current pricing of the condominium is not sufficient to support new development; therefore, we would expect to see higher prices when this market returns. 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.
- Condominiums are assumed to be located in the Downtown Core, with close proximity to BART.

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

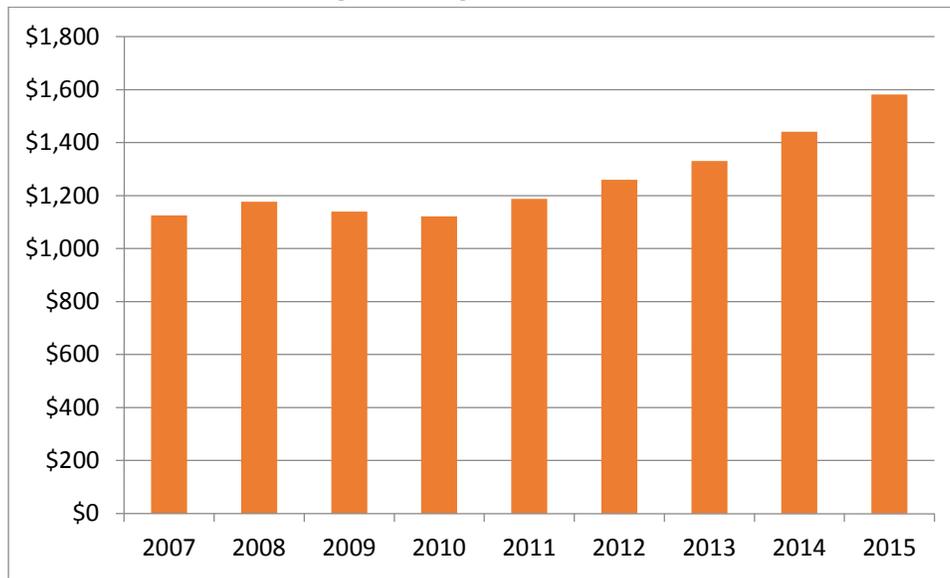
For-Sale Prototype Price Estimates			
	Net Unit Size	Price	Price PSF
Prototype 1: Single Family Detached Homes	2,800 sf	\$850,000	\$304
Prototype 2: Small Lot Single Family / Townhomes	1,800 sf	\$600,000	\$333
Prototype 3: Condominium	1,100 sf	\$450,000	\$409

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

d) Rental Housing Market

In general, the apartment market throughout the Bay Area has experienced increasingly healthy conditions in the last few years, evidenced by rising rents and high occupancy rates. According to apartment market data source RealFacts, average apartment rents in Concord are in the mid-range for Contra Costa County. However, occupancy in Concord is the highest in the County, and rent growth over the past year was second highest in the County after Martinez. Between 2011 and 2015, rents have increased 34%.

Average Asking Rents in Concord



Source: RealFacts.

The average rents published by RealFacts, however, are influenced by the age of the projects included in the survey. In Concord, the average age of the apartments tracked by RealFacts is over 40 years old. Almost half of the projects included in the survey were built in the 1960s. New units would be expected to rent at a premium to these units.

Appendix II Table 3 provides an overview of rental rates in newer Concord apartments. It also provides rents for Iron Horse, an apartment project at the Pleasant Hill BART. There are two newer apartment buildings in downtown Concord – Park Central and Renaissance Square. Park Central was built in 2004 and is four stories with 259 units. The units range from around 600 square feet to 1,500 square feet, with an average of 930 square feet per unit. Rents at the time of the market survey were in \$2.00 - \$3.50 per square foot range, with an average of \$2.90, or \$2,475 per unit.

Renaissance Square was built in 2008 as condominium units; the units are in the 1,200 – 1,450 square foot range, averaging around 1,290 square feet. At the time of the market survey, these units were renting in the range of \$2.20 - \$3.20 per square foot, or \$2,600 - \$4,300 per unit. Both of the newer projects downtown have units that are larger than the High Density prototype, which has an average unit size of 800 square feet. Therefore, rents per square foot at the prototype project would be expected to be higher than at the existing projects.

Outside of the downtown, rents are generally lower, due both to the location and the age of the units. Crossroads, an apartment project on Clayton Road at Ygnacio Valley Road, has units in the 650 – 850 square foot range renting for \$2.50 - \$3.50 per square foot. Bloomfield Apartments, a small project in the Monument/Detroit area, and Palm Terrace, condominiums on

Monument Boulevard, are renting for less than \$2.00 per square foot. The rents for a new apartment building outside of the downtown would likely be higher than what is available today.

e) Rental Prototypes Rent Estimates

The table below presents KMA's unit size and rent estimates for the Concord rental prototypes. The prototype pricing estimates took into consideration the following factors:

- In general, newly built units rent for a premium over older units, all else being equal;
- Typically, larger units have a higher total rent but a lower rent per square foot than smaller homes.
- Rents will be higher in the Downtown Core.

Rental Prototype Rent Estimates			
	<i>Net Sq. Ft.</i>	<i>Rent/Month</i>	<i>Rent/Net Sq. Ft.</i>
Prototype 4: Higher Density Apartment	800 sf	\$2,400	\$3.00
Prototype 5: Medium Density Apartment	950 sf	\$2,375	\$2.50

Source: KMA survey.

III. 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 II Table 4. The prototypes are the starting point of the nexus analysis.

B. AFFORDABILITY GAPS

A key component of the nexus analysis is the size of the gap between what households can afford and the cost of producing new housing in Concord, known as the “affordability gap.” In this section, we document the calculation of the affordability gaps used in the nexus analysis.

I. Affordable Housing 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. Typically, rental units are produced for households in the Extremely Low (less than 30% of median income), Very Low (30 - 50% of median income) and Low (50 – 80% of median income) income categories, and ownership units are produced for households in the Moderate (80% - 120% of median income) income category.

To estimate the cost of developing new affordable units in Concord, KMA reviewed recent development pro forma created by MidPen Housing, Eden Housing and Resources for Community Development for affordable rental housing developments in Contra Costa and

Alameda Counties. KMA estimates that, on average, the new affordable rental units have 2.0 bedrooms.

There are no new affordable ownership projects in Concord; KMA estimated development costs based on the rental development, recognizing that ownership units, which tend to be larger, would likely be more expensive to build than rental units. The cost to develop ownership housing, therefore, is a conservative estimate. The affordable ownership units are assumed to be condominium units with a mix of unit sizes also averaging 2.0 bedrooms per unit.

The analysis assumes that tax credit financing is available for the rental income units. The level of tax credit equity per unit represents a blend of 4% and 9% tax credit projects, based on the sample pro formas and tax credit applications reviewed.

II. Affordable Rent Levels

Affordable rent levels are a function of the income level for which the unit is aimed to be affordable. KMA utilized the maximum rents published by the California Tax Credit Allocation Committee (CTCAC). The published rents include utilities, so KMA subtracted out a utility allowance calculated using the 2015 schedule published by the Contra Costa County Housing Authority. The two-bedroom Extremely Low Income unit is assumed to rent for \$559, the Very Low Income unit is assumed to rent for \$978 per month and the Low Income unit for \$1,187, after utilities. See Appendix II Table 5 for more detail on the calculation of these rent levels.

III. Affordable Sales Price

For the ownership unit affordable to Moderate Income households, KMA estimated the sales price for a 2-bedroom unit sold to a 3-person household earning 110% of median. The City's methodology assumes a household spends 35% of its income on housing. KMA estimated that HOA dues, insurance and maintenance are \$300 per month and utilities are estimated based on Contra Costa County Housing Authority utility allowances. KMA assumes that the household acquires a mortgage with 5% down and a 5.03% interest rate. The maximum affordable sales price for a 2-bedroom unit at 110% of Area Median Income is \$371,000. The calculations are shown on Appendix II Table 6.

IV. Affordability Gaps

For the ownership units, the affordability gap is the amount of subsidy dollars required to bridge the difference between total development costs and the value of the affordable unit. The unit value of an affordable ownership unit is the affordable sales price.

For the rental units, the affordability gap is calculated slightly differently because we assume that these units will receive tax credit financing. For these units, KMA estimates the total

sources of funds (including permanent debt, tax credits and a deferred developer fee) and compares that to the total development costs; the difference is the affordability gap, or the amount of additional subsidy dollars necessary to make the project feasible.

a) Development Costs

For the purposes of the nexus analysis, KMA prepared an estimate of total development cost for typical affordable rental units. Total development costs include land, direct construction, all fees and permits, financing and other indirect costs, including profit. KMA drew this estimate from the total costs in the development pro forma for the recent and proposed tax credit projects in the East Bay, which ranged from about \$375,000 per unit to almost \$600,000 per unit. KMA estimated that a typical new affordable rental unit has total development costs of \$450,000 per unit.

The City has not recently assisted with the development of affordable ownership units. For the purposes of this analysis, therefore, KMA used the affordable rental unit as a proxy for ownership units. This likely underestimates the cost of new ownership units, as they tend to be larger than rental units. In addition, the financial feasibility analysis in Appendix III indicates that market rate condominiums selling for \$450,000 do not recoup their development costs. Therefore, for many new developments, particularly City-assisted developments, total development costs are likely to be higher than those estimated here. The conservative estimate of development costs results in a lower supportable nexus amount.

b) Unit Values

To calculate the value of the restricted rental units, KMA first estimated the Net Operating Income generated by the units. The first step is to convert monthly gross rent to an annual gross rent by multiplying by twelve; annual gross rent is then adjusted for vacancy rates during turnover, and then operating costs are netted out. Lost income due to vacancy is estimated at 5% of gross rents. Operating costs cover management, property taxes, and certain other expenses. Based on the pro formas reviewed, operating expenses are estimated at \$8,000 per unit per year including replacement reserves but excluding property taxes. The rental units are assumed to be owned by a non-profit general partner and therefore exempt from property taxes. Net Operating Income is calculated by netting out vacancy, operating costs and property taxes from the gross income generated by the unit.

The Net Operating Income is used to estimate the amount of permanent debt the project can support, given the following underwriting assumptions: 5.5% interest for 30 years with a 1.4 debt coverage ratio. Additional sources of funds include the market value of the tax credits (estimated at \$180,000 per unit based on a blend of 4% and 9% projects). Altogether, these Sources of Funds total \$164,000 for the Extremely Low income unit, \$214,000 per Very Low income unit and \$239,000 per Low Income unit.

For the Moderate Income units, the unit value is the affordable sales price, or \$371,000.

The results are summarized below and also referenced in Appendix II Tables 5 and 6.

Supported Unit Values		
	<i>Net Operating Income</i>	<i>Unit Value</i>
Extremely Low Income	(\$1,532) per year	\$164,000*
Very Low Income	\$3,244 per year	\$214,000*
Low Income	\$5,627 per year	\$239,000*
Moderate Income	n/a	\$371,000

*Total Sources of Funds, which includes permanent debt and tax credits.

Source: KMA

As shown in the tables above and below, the affordable units do not generate enough value to cover the total development costs of the unit. The resulting gap between unit value and development costs is referred to as the Affordability Gap.

c) Affordability Gaps

The affordability gap conclusions are presented in Appendix II Tables 5 and 6, and summarized below.

Affordability Gaps			
<i>Income Level</i>	<i>Unit Value</i>	<i>Development Cost</i>	<i>Affordability Gap</i>
Extremely Low Income	\$164,000	\$450,000	\$286,000
Very Low Income	\$214,000		\$236,000
Low Income	\$239,000		\$211,000
Moderate Income	\$371,000		\$79,000

Source: KMA

These affordability gaps represent the required subsidy per affordable unit, by income level. They are entered into the nexus analysis to calculate the maximum supported impact fees.

APPENDIX II TABLE 1
 LARGE LOT SINGLE FAMILY DETACHED SALES
 RESIDENTIAL VALUES: MARKET AND AFFORDABLE
 CITY OF CONCORD, CA

WORKING DRAFT FOR CITY REVIEW

Homes Built 2005-2015, Sold January 2013-August 2015, except where noted.

<u>Address</u>	<u>Sale Date</u>	<u>Built</u>	<u>Bed</u>	<u>Bath</u>	<u>SF</u>	<u>Lot Size</u>	<u>Price</u>	<u>Price/SF</u>
Laurel Ranch								
<i>Single Family Detached - Large Lot</i>								
1870 Laurel Pl	10/15/2014	2014	3	4	3,042	n/a	\$ 892,000	\$ 293
4919 Laurel Dr	10/20/2014	2014	3	4	2,944	n/a	\$ 889,000	\$ 302
4911 Laurel Dr	10/21/2014	2014	3	4	3,042	n/a	\$ 898,000	\$ 295
1861 Laurel Pl	04/19/2015	2014	3	4	2,944	n/a	\$ 944,500	\$ 321
1851 Laurel Pl	04/28/2015	2014	3	4	3,042	n/a	\$ 909,500	\$ 299
1871 Laurel Pl	05/01/2015	2014	3	4	2,944	n/a	\$ 945,000	\$ 321
1860 Laurel Pl	06/16/2015	2014	3	4	2,944	n/a	\$ 953,000	\$ 324
1880 Laurel Pl	06/23/2015	2014	3	4	3,042	n/a	\$ 960,500	\$ 316
Average			3	4	2,993		\$ 923,938	\$ 309
Copperleaf								
<i>Single Family Detached- Large Lot</i>								
							<u>List Price</u>	
1710 Copperleaf	for sale	2015	4	2	2,221	9,525	\$ 749,900	\$ 338
1750 Copperleaf	for sale	2015	4	2	2,221	10,890	\$ 749,900	\$ 338
1725 Copperleaf	for sale	2015	4	3	2,946	8,583	\$ 839,900	\$ 285
1730 Copperleaf	for sale	2015	4	2.5	3,350	9,555	\$ 874,900	\$ 261
1715 Copperleaf	for sale	2015	5	3	3,424	8,583	\$ 902,875	\$ 264
1755 Copperleaf	for sale	2015	4	3	2,946	10,459	\$ 839,900	\$ 285
Other Large Lot Single Family Detached (Lot>7,000 SF)								
5216 Skyler Ct	02/06/2013	2012	4	5	3,252	12,354	\$ 747,000	\$ 230
5213 Skyler Ct	04/04/2014	2010	4	5	2,956	10,903	\$ 565,000	\$ 191
5212 Skyler Ct	10/03/2014	2010	3	5	3,142	10,143	\$ 768,000	\$ 244
5209 Skyler Ct	03/26/2015	2009	4	4	3,413	11,707	\$ 865,000	\$ 253
1024 Peppermill Ct	03/10/2014	2013	3	5	3,680	15,725	\$ 962,000	\$ 261
1032 Peppermill Ct	12/17/2013	2013	3	5	3,643	20,647	\$ 932,000	\$ 256
1040 Peppermill Ct	02/11/2014	2013	3	5	3,672	22,000	\$ 904,500	\$ 246
1602 American Beauty Dr	08/07/2014	2013	3	3	2,853	18,252	\$ 825,000	\$ 289
1608 American Beauty Dr	08/12/2014	2013	3	3	2,853	17,206	\$ 815,000	\$ 286
1938 Holly Creek Pl	12/09/2013	2013	4	4	3,057	24,263	\$ 970,000	\$ 317
1944 Holly Creek Pl	03/27/2015	2014	4	4	3,281	21,693	\$ 1,010,000	\$ 308
5175 Crystyl Ranch Dr	01/21/2014	2013	4	5	3,920	9,148	\$ 924,500	\$ 236
5181 Crystyl Ranch Dr	04/17/2014	2013	4	5	3,920	7,884	\$ 925,000	\$ 236
5187 Crystyl Ranch Dr	08/09/2013	2005	4	5	3,584	7,710	\$ 700,000	\$ 195
4364 Rose Ln	03/25/2015	2006	4	3	3,650	32,300	\$ 949,000	\$ 260
4377 Rose Ln	12/09/2014	2014	3	4	2,728	20,000	\$ 900,000	\$ 330
4303 Vista Kellyoaks	10/25/2013	2006	5	3	3,801	16,595	\$ 1,050,000	\$ 276
4300 Vista Kellyoaks	09/23/2014	2006	5	5	3,942	24,316	\$ 1,075,000	\$ 273
1429 David Ave	03/05/2014	2007	3	4	3,004	9,453	\$ 740,000	\$ 246
1017 Ayers Rd	02/05/2014	2005	3	3	2,561	7,187	\$ 575,000	\$ 225
1935 Judith Pl	08/20/2013	2005	5	3	4,953	20,038	\$ 1,114,000	\$ 225
Average, Large Lot			3.5	4.1	3,304	16,168	\$ 886,466	\$ 271

Source: ListSource, redfin.com, August 2015.

APPENDIX II TABLE 2
 SMALL LOT SINGLE FAMILY DETACHED SALES
 RESIDENTIAL VALUES: MARKET AND AFFORDABLE
 CITY OF CONCORD, CA

WORKING DRAFT FOR CITY REVIEW

Homes Built 2005-2015, Sold January 2013-August 2015, except where noted.

<u>Address</u>	<u>Sale Date</u>	<u>Built</u>	<u>Bed</u>	<u>Bath</u>	<u>SF</u>	<u>Lot Size</u>	<u>Price</u>	<u>Price/SF</u>
Wisteria								
<i>Single Family Detached - Small Lot</i>								
2618 Wisteria Way	05/28/2013	2012	4	3	1,740	1,933	\$ 398,000	\$ 229
2620 Wisteria Way	05/28/2013	2012	4	3	1,777	1,870	\$ 384,000	\$ 216
2624 Wisteria Way	06/23/2015	2013	4	3	1,777	1,870	\$ 510,000	\$ 287
2626 Wisteria Way	06/23/2015	2013	4	3	1,810	2,642	\$ 515,000	\$ 285
1913 Beach St	07/13/2015	2014	4	3	1,729	1,815	\$ 519,500	\$ 300
1915 Beach St	07/15/2015	2014	4	3	1,729	2,697	\$ 521,500	\$ 302
Average			4	3	1,760	2,138	\$ 474,667	\$ 270
Resales								
2631 Wisteria Way	11/12/2013	2007	3	3	1,776	1,830	\$ 455,000	\$ 256
2637 Wisteria Way	03/21/2014	2007	4	3	1,729	1,588	\$ 435,500	\$ 252
2641 Wisteria Way	05/21/2015	2007	3	3	1,776	2,137	\$ 505,000	\$ 284
2639 Wisteria Way	06/05/2015	2007	4	3	1,729	1,918	\$ 525,000	\$ 304
Average			3.5	3	1,753	1,868	\$ 480,125	\$ 274
Hidden Grove								
<i>Single Family Detached - Small Lot</i>								
3908 Hidden Grove Ln	01/23/2013	2005	3	4	2,086	3,666	\$ 350,000	\$ 168
3902 Hidden Grove Ln	02/28/2013	2005	3	4	2,287	3,426	\$ 385,500	\$ 169
3941 Hidden Grove Ln	04/22/2013	2005	3	4	2,287	3,181	\$ 485,000	\$ 212
3925 Hidden Grove Ln	06/19/2013	2005	3	4	2,287	3,939	\$ 488,000	\$ 213
3936 Hidden Grove Ln	12/02/2013	2005	3	4	2,287	4,127	\$ 485,000	\$ 212
3940 Hidden Grove Ln	07/29/2014	2005	3	4	2,287	3,862	\$ 498,000	\$ 218
3946 Hidden Grove Ln	08/05/2014	2005	3	4	2,287	3,589	\$ 505,000	\$ 221
3939 Hidden Grove Ln	03/02/2015	2005	3	4	2,233	3,427	\$ 519,000	\$ 232
Average			3	4	2,255	3,652	\$ 464,438	\$ 206
Trailside / Sendera								
<i>Duets & Townhomes - Noted as Example for Coast Guard Site</i>								
1607 Trailside Cir	04/02/2013	2009	3	3	1,260	888	\$ 328,000	\$ 260
1407 Trailside Cir	07/16/2013	2009	3	3	1,260	888	\$ 365,000	\$ 290
1503 Trailside Cir	09/03/2013	2009	3	3	1,260	888	\$ 390,000	\$ 310
1309 Trailside Cir	10/29/2013	2009	3	3	1,332	888	\$ 410,000	\$ 308
1409 Trailside Cir	11/14/2013	2009	3	3	1,332	1,041	\$ 415,000	\$ 312
1703 Trailside Cir	01/14/2014	2008	3	3	1,260	888	\$ 385,000	\$ 306
1303 Trailside Cir	01/14/2014	2009	3	3	1,260	888	\$ 390,000	\$ 310
1311 Trailside Cir	05/16/2014	2009	3	3	1,832	1,325	\$ 490,000	\$ 267
2754 Trailside Ln	06/20/2014	2007	3	3	1,566	3,682	\$ 490,000	\$ 313
1307 Trailside Cir	06/20/2014	2009	3	3	1,260	888	\$ 405,000	\$ 321
1403 Trailside Cir	08/26/2014	2009	3	3	1,260	888	\$ 415,000	\$ 329
1609 Trailside Cir	09/19/2014	2009	3	3	1,332	1,021	\$ 435,000	\$ 327
1211 Trailside Cir	10/10/2014	2009	3	3	1,332	888	\$ 420,000	\$ 315
1203 Trailside Cir	02/18/2015	2009	3	3	1,332	888	\$ 459,000	\$ 345
1605 Trailside Cir	03/18/2015	2009	3	3	1,332	888	\$ 475,000	\$ 357
1305 Trailside Cir	06/17/2015	2009	3	3	1,332	888	\$ 480,000	\$ 360
Average			3	3	1,346	1,108	\$ 422,000	\$ 314
Tapestry Lane								
<i>Single Family Detached - Noted as Example for Coast Guard Site</i>								
1304 Tapestry Ln	12/02/2013	2005	3	4	2,108	2,184	\$ 395,000	\$ 187
1322 Tapestry Ln	07/10/2013	2005	3	4	1,646	2,014	\$ 304,000	\$ 185
1308 Tapestry Ln	06/18/2013	2005	3	4	2,108	2,478	\$ 415,000	\$ 197
1333 Tapestry Ln	01/23/2013	2005	3	3	1,414	1,794	\$ 277,500	\$ 196
Average			3	3.75	1,819	2,118	\$ 347,875	\$ 191

Source: ListSource, redfin.com, August 2015.

**APPENDIX II TABLE 3
ASKING RENTS IN NEWER APARTMENT BUILDINGS
RESIDENTIAL VALUES: MARKET AND AFFORDABLE
CITY OF CONCORD, CA**

WORKING DRAFT FOR CITY REVIEW

	<u>Net Sq. Ft.</u>	<u>Low Rent</u>	<u>High Rent</u>	<u>Low \$/SF</u>	<u>High \$/SF</u>
Park Central	<i>Downtown. Built 2004 (Four stories, 259 units)</i>				
One Bedroom	610	\$2,117	\$2,439	\$3.47	\$4.00
One Bedroom	748	\$2,239	\$2,602	\$2.99	\$3.48
Two Bedroom	1,112	\$2,339	\$2,479	\$2.10	\$2.23
Two Bedroom	1,102	\$2,513	\$2,584	\$2.28	\$2.34
Two Bedroom	1,440	\$2,611		\$1.81	
Two Bedroom	1,126	\$2,735	\$2,880	\$2.43	\$2.56
Three Bedroom	1,480	\$2,868	\$2,893	\$1.94	\$1.95
Weighted Average ¹	931	\$2,475		\$2.90	
Renaissance Square (Ph. 1)²	<i>Downtown. Built as Condos in 2008 (Four stories, 136 units)</i>				
One Bedroom	1,217	\$2,692	\$3,130	\$2.21	\$2.57
One Bedroom	1,204	\$2,741	\$3,376	\$2.28	\$2.80
Two Bedroom	1,201	\$3,081	\$3,897	\$2.57	\$3.24
Two Bedroom	1,438	\$3,402	\$4,308	\$2.37	\$3.00
Weighted Average ³	1,287	\$3,466		\$2.69	
Palm Terrace	<i>Monument Blvd. near Cowell. Built as Condos (Two stories)</i>				
One Bedroom	623	\$1,595		\$2.56	
Two Bedroom	1,016	\$1,995		\$1.96	
Three Bedroom	1,152	\$2,175		\$1.89	
Four Bedroom	1,501	\$2,475		\$1.65	
Bloomfield Apartments	<i>Monument / Detroit Area</i>				
Two Bedroom	854	\$1,550		\$1.81	
Crossroads	<i>5378 Clayton Road @ Ygnacio Valley Road</i>				
One Bedroom	625	\$1,635	\$2,235	\$2.62	\$3.58
One Bedroom	674	\$1,705	\$2,240	\$2.53	\$3.32
Two Bedroom	825	\$2,095	\$2,885	\$2.54	\$3.50
Two Bedroom	852	\$2,160	\$3,025	\$2.54	\$3.55
Iron Horse Park (Pleasant Hill)	<i>Coggins Drive; 0.4 miles from BART</i>				
Two Bedroom	937	\$2,920		\$3.12	
Two Bedroom	928	\$2,575		\$2.77	
Studio	415	\$1,755		\$4.23	

1. Weighted based on unit mix (54% 1BR, 41% 2BR, 5% 3BR).

2. Unit sizes are the midpoint of the range of unit sizes for each apartment configuration.

3. Weighting based on unit mix from planning documents @ 30% 1BR, 70% 2BRs.

Sources: RealFacts, Apartment Guide, Developer websites, zillow.com, craigslist.org, curbed.com, apartments.com. August/September 2015.

**APPENDIX II TABLE 4
MARKET RATE RESIDENTIAL PROTOTYPES
RESIDENTIAL VALUES - MARKET AND AFFORDABLE
CITY OF CONCORD, CA**

WORKING DRAFT FOR CITY REVIEW

	<u>Single Family Detached - Large Lot</u>	<u>Small Lot Single Family Detached / Townhomes</u>	<u>Condominium</u>	<u>High Density Rental</u>	<u>Medium Density Rental</u>
Example Projects	Laurel Ranch Copperleaf Court Crystyl Ranch Drive Skyler Ct Kings Crest (Peppermill Court)	Autumn Brook Willows Wisteria Rd Chalomar Pine Street Townhomes	Renaissance (rented out)	Concord Village Park Central	Highlands Point (San Ramon) Bloomfield Apartments
Density	7,000 - 10,000 sf lots	10 - 12 dua	55 dua	100 dua	30 dua
Building Type	One and Two-Story Homes	Two-story homes	Four stories over podium	Five stories	Two to four stories
Unit Mix	3, 4 and 5 BRs	3 and 4BR	20% 1 BR 60% 2 BR 20% 3 BR	20% Studio 60% 1BR 20% 2BR	25% 1 BR 50% 2BR 25% 3BR
Average Unit Size	2,800 sf	1,800 sf	1,100 sf	800 sf	950 sf
Average No. of Bedrooms	4.0 BR	3.0 BR	2.0 BR	1.0 BR	2.0 BR
Parking Type	Attached garage	Attached garage	Structured, partially below grade	Structured, partially below grade	Surface, garage
Average Parking Spaces	2-car garage	2-car garage	2 spaces per unit	1.5 spaces per unit	2.0 spaces per unit
Sales Price/Rent per square foot	\$850,000 \$304	\$600,000 \$333	\$450,000 \$409	\$2,400 \$3.00	\$2,375 \$2.50
Notes			No active condo projects.		No active projects.

**APPENDIX II TABLE 5
NEXUS AFFORDABILITY GAPS FOR EXTREMELY LOW, VERY LOW, AND LOW INCOME
RESIDENTIAL VALUES - MARKET AND AFFORDABLE
CITY OF CONCORD, CA**

WORKING DRAFT FOR CITY REVIEW

	<u>Extremely Low</u>	<u>Very Low</u>	<u>Low</u>
I. Affordable Rent			
Income Level	30%	50%	60%
Average Number of Bedrooms ⁽¹⁾	2.0 Bedrooms	2.0 Bedrooms	2.0 Bedrooms
Maximum Rent per CTCAC ⁽²⁾	\$627	\$1,046	\$1,255
(Less) Utility Allowance ⁽³⁾	(\$68)	(\$68)	(\$68)
Maximum Monthly Rent per CTCAC	\$559	\$978	\$1,187
II. Net Operating Income (NOI)			
	<u>Per Unit</u>	<u>Per Unit</u>	<u>Per Unit</u>
Gross Scheduled Income (GSI)			
Monthly	\$559	\$978	\$1,187
Annual	\$6,708	\$11,736	\$14,244
Other Income ⁽⁴⁾	\$100	\$100	\$100
(Less) Vacancy 5%	(\$340)	(\$592)	(\$717)
Effective Gross Income (EGI)	\$6,468	\$11,244	\$13,627
(Less) Operating Expenses ⁽⁵⁾	(\$8,000)	(\$8,000)	(\$8,000)
(Less) Property Taxes ⁽⁶⁾	exempt	exempt	exempt
Net Operating Income (NOI)	(\$1,532)	\$3,244	\$5,627
III. Capitalized Value and Affordability Gap			
A. Net Operating Income (NOI)	(\$1,532)	\$3,244	\$5,627
B. Sources of Funds			
Supportable Debt ⁽⁷⁾	(\$16,000)	\$34,000	\$59,000
Average Value of Tax Credits ⁽⁸⁾	\$180,000	\$180,000	\$180,000
C. Total Sources of Funds	\$164,000	\$214,000	\$239,000
D. (Less) Total Development Costs ⁽⁹⁾	(\$450,000)	(\$450,000)	(\$450,000)
E. Affordability Gap Per Unit	(\$286,000)	(\$236,000)	(\$211,000)

⁽¹⁾ Based on average number of bedrooms in 5 recent or planned tax-credit family housing projects in the East Bay.

⁽²⁾ California Tax Credit Allocation Committee (CTCAC), maximum rent levels for Contra Costa County, 2015.

⁽³⁾ Utility allowances from Contra Costa Housing Authority; assumes gas heat and cooking, air conditioning, gas water heating and basic electric.

⁽⁴⁾ Based on current tax credit project pro forma in Contra Costa County.

⁽⁵⁾ Includes replacement reserves. Based on average for recent / planned projects in the East Bay.

⁽⁶⁾ Assumes non-profit general partner.

⁽⁷⁾ Based on the following underwriting assumptions: 5.5% interest, 30-year loan, 1.4 debt coverage ratio.

⁽⁸⁾ Average tax credit equity based on 5 recent/planned tax credit projects in the East Bay; represents a mix of 4% and 9% credits.

⁽⁹⁾ New construction of units only. Development costs based on recent/planned projects in the East Bay.

Sources: Eden Housing, MidPen Housing, California Tax Credit Allocation Committee applications, Contra Costa Housing Authority.

**APPENDIX II TABLE 6
 NEXUS AFFORDABILITY GAPS FOR MODERATE INCOME
 RESIDENTIAL VALUES - MARKET AND AFFORDABLE
 CITY OF CONCORD, CA**

WORKING DRAFT FOR CITY REVIEW

I. Development Costs: For-Sale Prototype¹

Affordable Prototype	2.0 bedrooms
Total Development Costs	\$450,000

II. Affordable Sales Price

Household Size		3.0 person HH
100% AMI Contra Costa County (2015)		\$84,150
Household Income @ 110% AMI		\$92,565
Available for Housing Costs	35%	\$32,398
(Less) HOA Dues, Insurance & Maintenance		(\$3,600)
(Less) Utilities ¹		(\$820)
(Less) Taxes & Assessments	1.4%	(\$5,194)
Income Available for Mortgage		\$22,784
Mortgage	5.03%	\$352,478
Downpayment	5%	\$18,550
Supported Home Price		\$371,028
	Rounded	\$371,000

III. Affordability Gap

	<u>Per Unit</u>
Estimated Total Development Costs	\$450,000
(Less) Affordable Price	(\$371,000)
Affordability Gap per unit	\$79,000

1. No recent examples of this product type were found. Estimate based on cost of rental units.
2. Contra Costa County utility allowances, March 2015, for multifamily units; assumes gas heat and cooking, air conditioning, gas water heating and basic electricity.

APPENDIX III: FINANCIAL FEASIBILITY ANALYSIS

One of the City's primary objectives for its Inclusionary Housing Ordinance is that it be an effective tool for creating new affordable housing. In order for the program to be effective, it must not burden new development to such a degree that it renders new development financially infeasible. The Great Recession severely impacted the housing market in Concord; recovery has been slow and the City has yet to see some housing types return. Given this experience and the City's objectives, evaluating the financial feasibility of new development is an important part of this effort.

A series of analyses testing the financial feasibility of residential development under various assumptions regarding affordable housing obligations were undertaken. The objective of the financial feasibility analyses is to understand the general development economics of each prototype and then model the impact that a range of affordable housing obligations has on the financial feasibility of new development. KMA modeled the following scenarios:

- The "Base Case," or the current fee level - \$5,043 per ownership unit and \$0 for rental units;
- The pre-recession fee level - \$17,066 per ownership unit and \$0 for rental units;
- An onsite obligation of 10% of units at Moderate Income; and,
- A \$10 per square foot impact fee.

The financial feasibility analysis was conducted as a residual land value analysis. Our methodology, assumptions and findings are discussed below.

I. Context and Application

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

- a) Adjustments to Land Costs over Time – Developers purchase development sites at values that will allow for financially feasible projects. If an inclusionary obligation or housing impact fee is put in place, developers will "price in" the obligation when evaluating a project's economics and negotiating the purchase price for a development site. Given that all residential developers will need to account for the obligation in the economics of their projects, downward pressure on land costs could result as developers adjust what they are willing to pay for land to reflect the new reality of the fee requirement. 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. Therefore, while current projects that have already purchased land may have limitations on the amount of a fee that can be supported, future projects that have not purchased land have a better capacity to absorb a fee if at least a portion can be recovered through reduced land prices.

- b) Utilization of Conclusions – At any given point in time, it is common for some residential prototypes to be feasible and some not. For example, during the peak of the housing market in the mid-2000s when the for-sale housing market was booming, most for-sale prototypes in the Bay Area were feasible. At that time however, many rental prototypes were not widely feasible and not being built in large numbers. Presently, in many Bay Area markets, rental apartment development is strong while development of certain for-sale prototypes like stacked condos is not. Given the pattern of fluctuating economics among prototypes, it is common for cities to adopt broadly applicable affordable housing programs and fees even when one or more of the prototypes within that city are not feasible at the time.
- c) Near Term Time Horizon – This financial feasibility analysis presents a snapshot in time as of late summer / fall 2015. Real estate development economics are fluid and are impacted by constantly changing conditions with regard to rent potential or sales prices, construction costs, land costs, and costs of financing. A year or two from now, conditions will undoubtedly be different, so these financial feasibility conclusions are not expected to hold over a longer-term time horizon.
- d) “Prototypical” Nature of Analysis – This financial feasibility analysis by its nature can only provide an overview-level assessment of development economics generally – it is not intended (nor would it be appropriate) to reflect any specific project. In truth, every project has unique circumstances that will dictate rents or sale prices supported by the market as well as development costs and developer return requirements. Each developer will finance their project in different ways and the determination of risk and return requirements will vary as well. This feasibility analysis is intended to reflect a city-wide “mid-range”, “average”, or “typical” project for the prototypes described. By taking this approach, it is understood that the economics of some projects will look better and some will look worse than those of the prototypes described.
- e) Not a Legal Standard – The financial feasibility analysis is separate from the Residential Nexus Analysis in that it does not result in a legal “maximum” fee that can be adopted. This feasibility analysis is to provide context as the City contemplates adopting a housing impact fee, and not to set limits on the amount of the fee or any other parameters of a fee program.

II. Methodology

For this assignment, KMA utilized a “residual land value” approach for evaluating financial feasibility. The residual value approach is a common quantitative analysis undertaken by developers to evaluate the development economics of new projects, and it is useful in helping to determine what the proposed project can afford to pay for a developable land parcel.

KMA believes that a land residual approach is most appropriate for this analysis because most new development in Concord is expected to occur on in-fill locations rather than on large, previously undeveloped, vacant sites and because in-fill sites can vary significantly in land and site preparation costs. In-fill locations are often challenging for a variety of reasons including site assemblage of multiple parcels, existing improvements, infrastructure challenges, and the potential for more complex construction and staging processes. A residual land value approach does not assume a fixed cost for residential land but rather estimates what each prototype can afford to pay to purchase a site and prepare it for development and then tests whether the supported land value is within the range of current market land values.

In undertaking the feasibility analysis, KMA estimated current development costs, and relied upon our experience working on numerous residential projects in order to estimate threshold return requirements. KMA also conducted telephone interviews with several real estate professionals, who provided input into development economics in Concord and their outlook on the market. A summary of our findings is presented on Appendix III Table 1.

III. Prototypes

KMA conducted the analysis on the five development prototypes detailed in Appendix II and summarized below.

- A single family detached unit, a 2,800 square foot home with four bedrooms, selling for \$850,000, or about \$300 per square foot on average.
- A single family unit on a smaller lot, or density in the range of 10 units per acre, 1,800 square feet with a mix of three and four bedrooms, selling for \$600,000 or \$333 per square foot.
- A condominium unit, built at an average of 55 units per acre, a mix of one, two and three bedrooms, 1,100 square feet, selling for approximately \$450,000, or a little over \$400 per square foot. This higher density product is envisioned mostly in the downtown area.
- A high density rental apartment unit in a project with an average density of 100 units per acre, located in the downtown area. These units average 800 square feet, are predominantly one bedroom units, and rent for an average of \$2,400 per month. They have structured or partially below grade parking.
- A medium density rental apartment unit in a project with an average density of 30 units per acre, a garden-style building located outside of the downtown. These units average 950 square feet, are a mix of one, two and three bedroom units, and rent for \$2,375 on average.

IV. Revenue / Supported Unit Value

The revenue for ownership units is simply the market sales price less a sales expense equal to 3% of the sale price. For the rental units, the supported unit value is calculated based on project income, operating expenses, and developer return. Project income includes the unit's rent plus a small allowance for other income. Operating expenses include a 5% vacancy allowance, standard project operating expenses and an estimate of property taxes that is based on total development costs. Developer return is estimated at a 6% Return on Costs, and a supported investment value is calculated based on the project's net operating income.

V. Development Costs

The estimates of development costs for each of the prototypes are based on a combination of sources. First, KMA conducted interviews with real estate professionals active in the Concord market. Second, KMA is constantly in the market working on new residential development projects in cities throughout the Bay Area and state. Through this experience, we work in conjunction with private developers, outside construction consultants and cost estimators, general contractors, architects, engineers, and public agencies. Third, the development cost estimates also utilize third party construction cost data from sources such as RS Means which estimate costs for a wide variety of building types in varying locales.

Construction costs vary from project to project depending upon the quality of finishes and architecture, the level of amenities provided, and site-specific construction challenges such as demolition or environmental remediation requirements, unusual site grading or foundation costs, or tight/irregularly shaped parcels that result in cost inefficiencies. The construction cost estimates utilized in this study assume quality construction, architecture, and finishes but do not assume any extraordinary costs that would be atypical for the market.

In addition to hard construction costs, the development cost estimates also include all indirect or soft costs of development such as architecture and engineering, governmental fees and permits costs, taxes, insurance, financing, and developer overhead and administration. Fees and permits costs were based on information provided by the City and include parks, sewer, water, offsite and school impact fees in addition the City permitting fees. In the base case scenario, an inclusionary housing in-lieu fee equal to \$5,043 for ownership units is included in the cost estimate.

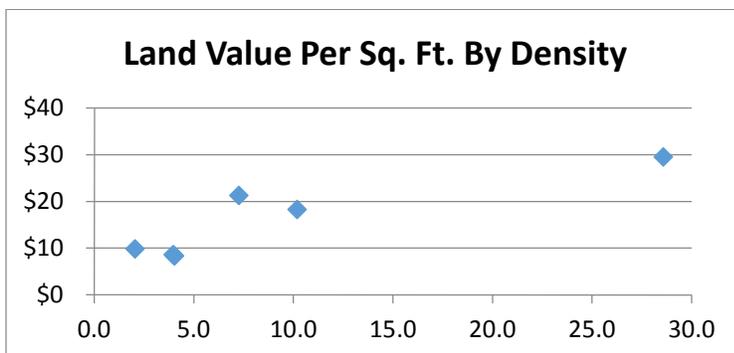
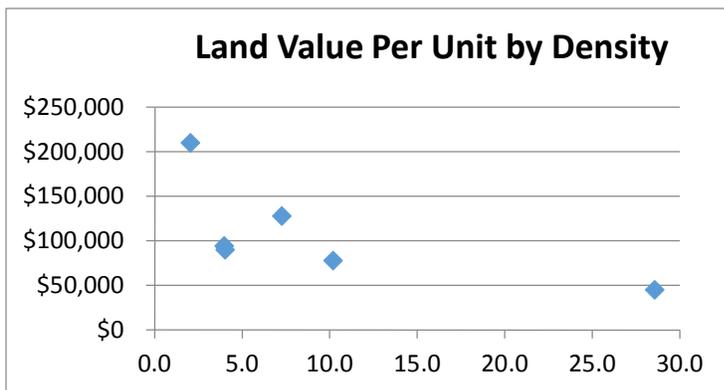
VI. Financial Feasibility Analysis

The financial feasibility analysis is based on the relationship between the project's revenue potential, the estimated development costs, and a reasonable developer profit commensurate with the cost of funds and development risk. The residual value approach, described earlier in this section, produces a residual value that each prototype can afford to pay to acquire a site. If

the residual value exceeds the cost to acquire a site for development, the prototype is generally determined to be feasible. If the residual value is less than the cost to acquire and prepare the site, the prototype will need to address economic challenges (further discussion later in this section). As mentioned previously, it would be the case that some projects would have economics that are somewhat better as well as some that are somewhat worse than the “typical” prototype analyzed.

a. Residential Land Values

KMA gathered available data on recent land sales in Concord, as reported by CoStar and Redfin. There were very few land sales during this period, however. It is important to recognize that each parcel has distinctive elements that affect the land value, and it is difficult to draw general conclusions from so few land sales. These land sales, which occurred from December 2013 through August 2015, are shown in the charts below. The first chart summarizes land value per proposed dwelling unit; the second chart summarizes land value per square foot of land area. As is typical, land values on a per unit basis decline along with project densities (i.e. the higher the density, the lower the land value per unit). The inverse is true on a per land sq. ft. basis.



The recent land sales are predominantly at the lower end of the density range (from roughly 2-10 units/acre) with one sale in the middle of the density range (roughly 29 units/acre). This

pattern is reflective of development trends in Concord in the last few years, where the development that is occurring are single family detached homes with varying lot sizes.

As is always the case, land values vary depending upon location and other site-specific factors. Nonetheless, the land sale comparables shown in the charts indicate the values at which developers have recently been paying for development sites in Concord. Based on the available land sale data, the price for larger single family detached units is in the approximate range of \$100,000 - \$150,000/unit and for smaller single family detached units, approximately \$70,000 - \$100,000/unit.

There were no recent land sales for residential land in downtown Concord. Discussions with local brokers indicated that land in the downtown would sell in the range of \$25 - \$35 per square foot, depending on location and conditions.

b. Base Case Conclusions

For single family detached units, the metric utilized to measure developer profit is a Return on Sales of 9%. For the condominium units, assumed developer profit is a 10% Return on Sales. For the two rental development units, the metric utilized is a Return on Total Cost (ROC) of 6.0%.

The following table summarizes the base case residual land value conclusions for the five prototypes. The profit levels are incorporated into the development costs per unit. A more detailed pro forma table can be seen in Appendix III Table 2.

BASE CASE Prototype	Value / Unit	(Less)		
		Development Cost / Unit	Residual Value / Unit	Residual Value / Land Sq. Ft.
Single Family, Large Lot	\$850,000	(\$674,000)	\$151,000	\$18
Single Family, Small Lot	\$600,000	(\$509,000)	\$73,000	\$17
Condominium	\$450,000	(\$491,000)	(\$55,000)	(\$69)
High Density Apartments	\$332,500	(\$340,800)	(\$8,000)	(\$18)
Medium Density Apartments	\$329,200	(\$333,200)	(\$4,000)	(\$3)

As shown in the summary table above, the residual land values for the two Single Family units are in the range of current land costs in Concord. Therefore, these two prototypes are generally feasible in today's market. The condominium prototype is clearly not feasible in today's market. The High Density Apartment still generates a slightly negative residual value, although there are indications in the market that this product type is approaching feasibility. Developers who purchased land before the downturn, or those willing to accept more investment risk, would be expected to pursue these project first. The City has heard from several developers who are interested in downtown rentals, although no project has broken ground. The current level of interest suggests that developers expect continued escalations in the rental market. KMA conducted a sensitivity analysis on rental developments, which indicated that a 5% increase in

rents, with all else being held constant, will result in feasible project economics (this is discussed in more detail below). Overall, KMA believes that this prototype is approaching feasibility, with rents trending upwards and developers starting to pursue projects.

Medium density apartments located outside of the downtown area also generate a negative residual land value. Land outside of the downtown tends to be small infill sites, on which it is difficult to configure apartment projects. In addition, the demand for single family ownership units drives the land values for parcels outside of the downtown. The City has not seen any recent interest from developers pursuing lower density apartment projects.

c. Additional Scenarios for Ownership Units

It is clear from the Base Case that the rental market has not recovered from the recession to the extent necessary to support new housing fees at this time. For the ownership prototypes, however, the City asked KMA to model three additional scenarios:

- A return to the pre-recession fee level of \$17,660 (Scenario 2)
- An onsite obligation equal to 10% of units at Moderate (Scenario 3)
- A fee of \$10 per square foot (Scenario 4).

The results are summarized on Appendix III Table 1 and detailed on Appendix III Tables 3-5. The current development economics of the large lot single family detached unit are sufficient to support any of the three additional scenarios. While the residual land values for the small lot single family detached unit drop slightly below the few land sales available over the past two years, KMA believes that those projects can also sustain any of the three additional scenarios without negatively impacting the pace of development. This product type is seeing a lot of developer interest and strong home prices suggest that the market would be able to absorb the small increases in fee burden or onsite units.

As stated at the beginning of this section, over time markets are able to adjust, at least to some degree, to accommodate added costs of development. Since developers purchase land at values that allow for feasible projects, there could be future adjustments to residential land values that reflect new economic realities, with changes to the City's inclusionary program being one factor which could be expected to have an influence.

To put the feasibility issue into context, a potential housing impact fee of, say \$10/sq. ft. of building area, represents a relatively small proportion of the overall economics of a new development project. For example, a \$10/sq. ft. fee is equal to less than 4% of total development costs for the Small Lot Single Family Detached prototype.

The residual land value analysis also allows the City to understand the relative burden associated with each scenario, and how the burdens are different for different unit types. For example, the pre-Recession fee of \$17,660 is less burdensome for larger single family detached

units than a 10% onsite obligation (the residual land value is higher under the fee scenario). The opposite is true for the smaller single family detached units and the condominium units. However, a \$10 per square foot impact fee results in very similar residual land values as the 10% onsite obligation for all ownership unit types.

d. Additional Scenarios for Rental Units

For the rental units, the City asked KMA to model an increase in rents sufficient to generate a feasible project, if all other development economics were to remain the same (Scenario 5). For high density rentals in the downtown, KMA estimated that a 5% increase in rents, or from \$2,400 per month to \$2,520, would result in a residual land value of \$28 per square foot, which is in the range quoted by local brokers. For lower density rentals outside of the downtown, an 8% increase in rents would result in a residual land value of \$19 per square foot, sufficient for sites outside of the core area. It is important to note again that this analysis assumes all other development costs (construction costs, financing terms, etc.) remain the same as rents increase.

Lastly, the City asked KMA to model the impact of requiring the high density rental project to pay prevailing wages. The impact of prevailing wages on development costs varies project to project. Based on our experience working with development pro formas in other jurisdictions, KMA estimated that a prevailing wage requirement would result in a 10% increase in direct construction costs. This cost increase was applied to Scenario 5, which estimated feasible rents. A 10% increase in direct construction costs results in a negative residual land value, suggesting that imposing a prevailing wage requirement on the high density rental project would significantly impact project feasibility.

APPENDIX III TABLE 1
SUMMARY OF FEASIBILITY ANALYSIS
FINANCIAL FEASIBILITY ANALYSIS
CITY OF CONCORD, CA

DRAFT FOR CITY REVIEW

	Single Family, Large Lots		Single Family Small Lots		Condominium		High Density Apartments		Medium Density Apartments		
Product Description	Large Lot SFD		Small Lot SFD		4 story over podium		5 Story wrap, separate garage		2-4 story wood; surface parking		
Density	8,500 sf lots		10 du/acre		55 du/acre		100 du/acre		30 du/acre		
Average Unit Size	2,800 sf		1,800 sf		1,100 sf		800 sf		950 sf		
Average Number of Bedrooms	4.0		3.5		2.0		1.0		2.0		
Market Sales Price / Rent Level	\$850,000		\$600,000		\$450,000		\$3.00 /sf		\$2.50 /sf		
Residual Land Value Analysis											
	Per SF Land		Per SF Land		Per SF Land		Per SF Land		Per SF Land		
	Per Unit		Per Unit		Per Unit		Per Unit		Per Unit		
1. Base Case - Current Fee Level (\$5,043 on ownership units; \$0 on rental units)	\$18	\$151,000	\$17	\$73,000	(\$69)	(\$55,000)	(\$18)	(\$8,000)	(\$3)	(\$4,000)	
2. 2010 Fee Level (\$17,660 on ownership units)	\$16	\$138,000	\$14	\$60,000	(\$86)	(\$68,000)	n/a		n/a		
3. 10% of Units Onsite @ 110% AMI	\$14	\$122,000	\$14	\$63,000	(\$71)	(\$56,000)	n/a		n/a		
4. Impact Fee: \$10 psf Ownership / \$5 psf Rental	\$15	\$128,000	\$14	\$60,000	(\$77)	(\$61,000)	(\$28)	(\$12,000)	(\$6)	(\$9,000)	
5. Rents Increased to 'Feasible' Levels¹											
Percent Increase from Current Rents							Rent Levels Per SF:	\$3.15	\$2.70		
								5%	8%		
Residual Land Value at Feasible Rents							\$28	\$12,000	\$19	\$27,000	
6. Prevailing Wages, With Increased Rents from Scenario 5²							(\$48)	(\$21,000)			

1. Rents increased until land value are in the range of current land values in Concord. High density apartments assume a downtown location.
2. Using rent levels from Scenario 5, this Scenario models the impact of a 10% increase in direct construction costs.

APPENDIX III TABLE 2
PRELIMINARY PRO FORMA ANALYSIS: BASE CASE
FINANCIAL FEASIBILITY ANALYSIS
CITY OF CONCORD, CA

DRAFT FOR CITY REVIEW

	Single Family, Large Lots		Single Family Small Lots		Condominium		High Density Apartments		Medium Density Apartments	
Product Description	Large Lot SFD		Small Lot SFD		4 story over podium		5 Story wrap, structured parking		2-4 story; surface parking	
Density	8,500 sf lots		10 du/acre		55 du/acre		100 du/acre		30 du/acre	
Average Unit Size	2,800 sf		1,800 sf		1,100 sf		800 sf		950 sf	
Average Number of Bedrooms	4.0		3.5		2.0		1.0		2.0	
Revenue	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Market Rate Units (100%)	\$304	\$850,000	\$333	\$600,000	\$409	\$450,000	\$3.00	\$28,800	\$2.50	\$28,500
Total Gross Sales	\$304	\$850,000	\$333	\$600,000	\$409	\$450,000	\$3	\$28,800	\$3	\$28,500
<Less> Sales Expense (3%)	(\$9)	(\$25,500)	(\$10)	(\$18,000)	(\$12)	(\$13,500)	Other Income:	\$350		\$350
Sales Net of Sales Expenses	\$294	\$824,500	\$323	\$582,000	\$397	\$436,500	Vac/OpExp:	(\$9,200)		(\$9,100)
							NOI:	\$19,950		\$19,750
							Return:	6.00%		6.00%
							Supported Investment:	\$332,500		\$329,200
Development Costs	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Direct Costs (no PW)	\$135	\$378,000	\$160	\$288,000	\$290	\$319,000	\$300	\$240,000	\$240	\$228,000
Fees & Permits	\$30	\$85,000	\$39	\$71,000	\$47	\$52,000	\$55	\$44,000	\$54	\$51,000
Affordable Housing Fee	\$2	\$5,043	\$3	\$5,043	\$5	\$5,043	\$0	\$0	\$0	\$0
Other Indirect Costs	\$36	\$102,000	\$40	\$72,000	\$49	\$54,000	\$60	\$48,000	\$48	\$45,600
Financing	\$10	\$27,100	\$11	\$19,100	\$15	\$16,200	\$11	\$8,800	\$9	\$8,600
Total Development Costs (excl. land)	\$213	\$597,143	\$253	\$455,143	\$406	\$446,243	\$426	\$340,800	\$351	\$333,200
Residual Land Value										
Net Sales / Supported Investment	\$294	\$824,500	\$323	\$582,000	\$397	\$436,500	\$332,500			\$329,200
<Less> Development Costs	(\$213)	(\$597,143)	(\$253)	(\$455,143)	(\$406)	(\$446,243)	(\$340,800)			(\$333,200)
<Less> Profit Margin		(\$76,500)		(\$54,000)		(\$45,000)	included above			included above
Residual Land Value (Per Unit)		\$151,000		\$73,000		(\$55,000)		(\$8,000)		(\$4,000)
Per Acre		\$774,000		\$730,000		(\$3,025,000)		(\$800,000)		(\$120,000)
Per Square Foot of Land Area		\$18		\$17		(\$69)		(\$18)		(\$3)
Profit Margin		9.0%		9.0%		10.0%		6.00%		6.00%
Profit Margin Basis		return on sales		return on sales		return on sales		return on cost		return on cost

APPENDIX III TABLE 3
 PRELIMINARY PRO FORMA ANALYSIS: 2010 FEE LEVEL
 FINANCIAL FEASIBILITY ANALYSIS
 CITY OF CONCORD, CA

DRAFT FOR CITY REVIEW

	Single Family, Large Lots		Single Family Small Lots		Condominium		High Density Apartments		Medium Density Apartments	
Product Description	Large Lot SFD		Small Lot SFD		4 story over podium		5 Story wrap, structured parking		2-4 story; surface parking	
Density	8,500 sf lots		10 du/acre		55 du/acre		100 du/acre		30 du/acre	
Average Unit Size	2,800 sf		1,800 sf		1,100 sf		800 sf		950 sf	
Average Number of Bedrooms	4.0		3.5		2.0		1.0		2.0	
Revenue	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Market Rate Units (100%)	\$304	\$850,000	\$333	\$600,000	\$409	\$450,000	\$3.00	\$28,800	\$2.50	\$28,500
Total Gross Sales	\$304	\$850,000	\$333	\$600,000	\$409	\$450,000	\$3	\$28,800	\$3	\$28,500
<Less> Sales Expense (3%)	(\$9)	(\$25,500)	(\$10)	(\$18,000)	(\$12)	(\$13,500)	Other Income:	\$350		\$350
Sales Net of Sales Expenses	\$294	\$824,500	\$323	\$582,000	\$397	\$436,500	Vac/OpExp:	(\$9,200)		(\$9,100)
							NOI:	\$19,950		\$19,750
							Return:	6.00%		6.00%
							Supported Investment:	\$332,500		\$329,200
Development Costs	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Direct Costs (no PW)	\$135	\$378,000	\$160	\$288,000	\$290	\$319,000	\$300	\$240,000	\$240	\$228,000
Fees & Permits	\$30	\$85,000	\$39	\$71,000	\$47	\$52,000	\$55	\$44,000	\$54	\$51,000
Affordable Housing Fee	\$6	\$17,660	\$10	\$17,660	\$16	\$17,660	\$0	\$0	\$0	\$0
Other Indirect Costs	\$36	\$102,000	\$40	\$72,000	\$49	\$54,000	\$60	\$48,000	\$48	\$45,600
Financing	\$10	\$27,100	\$11	\$19,100	\$15	\$16,600	\$11	\$8,800	\$9	\$8,600
Total Development Costs (excl. land)	\$218	\$609,760	\$260	\$467,760	\$418	\$459,260	\$426	\$340,800	\$351	\$333,200
Residual Land Value										
Net Sales / Supported Investment	\$294	\$824,500	\$323	\$582,000	\$397	\$436,500	\$332,500			\$329,200
<Less> Development Costs	(\$218)	(\$609,760)	(\$260)	(\$467,760)	(\$418)	(\$459,260)	(\$340,800)			(\$333,200)
<Less> Profit Margin		(\$76,500)		(\$54,000)		(\$45,000)	included above			included above
Residual Land Value (Per Unit)		\$138,000		\$60,000		(\$68,000)		(\$8,000)		(\$4,000)
Per Acre		\$707,000		\$600,000		(\$3,740,000)		(\$800,000)		(\$120,000)
Per Square Foot of Land Area		\$16		\$14		(\$86)		(\$18)		(\$3)
Profit Margin		9.0%		9.0%		10.0%		6.00%		6.00%
Profit Margin Basis		return on sales		return on sales		return on sales		return on cost		return on cost

APPENDIX III TABLE 4
 PRELIMINARY PRO FORMA ANALYSIS: 10% OF UNIT AT MODERATE (110% AMI)
 FINANCIAL FEASIBILITY ANALYSIS
 CITY OF CONCORD, CA

DRAFT FOR CITY REVIEW

	Single Family, Large Lots		Single Family Small Lots		Condominium	
Product Description	Large Lot SFD		Small Lot SFD		4 story over podium	
Density	8,500 sf lots		10 du/acre		55 du/acre	
Average Unit Size	2,800 sf		1,800 sf		1,100 sf	
Average Number of Bedrooms	4.0		3.5		2.0	
Revenue	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Market Rate Units (90%)	\$304	\$850,000	\$333	\$600,000	\$409	\$450,000
Affordable Units (10%)		\$445,000		\$429,000		\$371,000
Total, Blended Gross Sales	\$304	\$809,500	\$333	\$582,900	\$409	\$442,100
<Less> Sales Expense	(\$9)	(\$24,285)	(\$10)	(\$17,487)	(\$12)	(\$13,263)
Sales Net of Sales Expenses	\$280	\$785,215	\$314	\$565,413	\$390	\$428,837
Development Costs	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Direct Costs (no PW)	\$135	\$378,000	\$160	\$288,000	\$290	\$319,000
Fees & Permits	\$30	\$85,000	\$39	\$71,000	\$47	\$52,000
Affordable Housing Fee	\$0	\$0	\$0	\$0	\$0	\$0
Other Indirect Costs	\$36	\$102,000	\$40	\$72,000	\$49	\$54,000
Financing	\$9	\$25,800	\$10	\$18,600	\$15	\$16,000
Total Development Costs (excl. land)	\$211	\$590,800	\$250	\$449,600	\$401	\$441,000
Residual Land Value						
Net Sales	\$280	\$785,215	\$314	\$565,413	\$390	\$428,837
<Less> Development Costs	(\$211)	(\$590,800)	(\$250)	(\$449,600)	(\$401)	(\$441,000)
<Less> Profit Margin		(\$72,900)		(\$52,500)		(\$44,200)
Residual Land Value (Per Unit)		\$122,000		\$63,000		(\$56,000)
Per Acre		\$625,000		\$630,000		(\$3,080,000)
Per Square Foot of Land Area		\$14		\$14		(\$71)
<i>Profit Margin</i>		9.0%		9.0%		10.0%
<i>Profit Margin Basis</i>		return on sales		return on sales		return on sales

APPENDIX III TABLE 5
 PRELIMINARY PRO FORMA ANALYSIS: IMPACT FEE PER SQUARE FOOT
 FINANCIAL FEASIBILITY ANALYSIS
 CITY OF CONCORD, CA

DRAFT FOR CITY REVIEW

	Single Family, Large Lots		Single Family Small Lots		Condominium		High Density Apartments		Medium Density Apartments	
Product Description	Large Lot SFD		Small Lot SFD		4 story over podium		5 Story wrap, structured parking		2-4 story; surface parking	
Density	8,500 sf lots		10 du/acre		55 du/acre		100 du/acre		30 du/acre	
Average Unit Size	2,800 sf		1,800 sf		1,100 sf		800 sf		950 sf	
Average Number of Bedrooms	4.0		3.5		2.0		1.0		2.0	
Revenue	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Market Rate Units (100%)	\$304	\$850,000	\$333	\$600,000	\$409	\$450,000	\$3.00	\$28,800	\$2.50	\$28,500
Total Gross Sales	\$304	\$850,000	\$333	\$600,000	\$409	\$450,000	\$3	\$28,800	\$3	\$28,500
<Less> Sales Expense (3%)	(\$9)	(\$25,500)	(\$10)	(\$18,000)	(\$12)	(\$13,500)	Other Income:	\$350		\$350
Sales Net of Sales Expenses	\$294	\$824,500	\$323	\$582,000	\$397	\$436,500	Vac/OpExp:	(\$9,200)		(\$9,100)
							NOI:	\$19,950		\$19,750
							Return:	6.00%		6.00%
							Supported Investment:	\$332,500		\$329,200
Development Costs	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Direct Costs (no PW)	\$135	\$378,000	\$160	\$288,000	\$290	\$319,000	\$300	\$240,000	\$240	\$228,000
Fees & Permits	\$30	\$85,000	\$39	\$71,000	\$47	\$52,000	\$55	\$44,000	\$54	\$51,000
Affordable Housing Fee	\$10	\$28,000	\$10	\$18,000	\$10	\$11,000	\$5	\$4,000	\$5	\$4,750
Other Indirect Costs	\$36	\$102,000	\$40	\$72,000	\$49	\$54,000	\$60	\$48,000	\$48	\$45,600
Financing	\$10	\$27,100	\$11	\$19,100	\$15	\$16,400	\$11	\$8,900	\$9	\$8,700
Total Development Costs (excl. land)	\$221	\$620,100	\$260	\$468,100	\$411	\$452,400	\$431	\$344,900	\$356	\$338,050
Residual Land Value										
Net Sales / Supported Investment	\$294	\$824,500	\$323	\$582,000	\$397	\$436,500	\$332,500			\$329,200
<Less> Development Costs	(\$221)	(\$620,100)	(\$260)	(\$468,100)	(\$411)	(\$452,400)	(\$344,900)			(\$338,050)
<Less> Profit Margin		(\$76,500)		(\$54,000)		(\$45,000)	included above			included above
Residual Land Value (Per Unit)		\$128,000		\$60,000		(\$61,000)		(\$12,000)		(\$9,000)
Per Acre		\$656,000		\$600,000		(\$3,355,000)		(\$1,200,000)		(\$270,000)
Per Square Foot of Land Area		\$15		\$14		(\$77)		(\$28)		(\$6)
<i>Profit Margin</i>		9.0%		9.0%		10.0%		6.00%		6.00%
<i>Profit Margin Basis</i>		return on sales		return on sales		return on sales		return on cost		return on cost

APPENDIX III TABLE 6
 PRELIMINARY PRO FORMA ANALYSIS: INCREASED RENTS REQUIRED FOR FEASIBILITY
 FINANCIAL FEASIBILITY ANALYSIS
 CITY OF CONCORD, CA

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	High Density Apartments		Medium Density Apartments	
Product Description	5 Story wrap, structured parking		2-4 story; surface parking	
Density	100 du/acre		30 du/acre	
Average Unit Size	800 sf		950 sf	
Average Number of Bedrooms	1.0		2.0	
Revenue	Per SF	Per Unit	Per SF	Per Unit
Market Rate Units (100%)	\$3.15	\$30,240	\$2.70	\$30,780
Total Rent	\$3	\$30,240	\$3	\$30,780
	Other Income:	\$350		\$350
	Vac/OpExp:	(\$9,400)		(\$9,500)
	NOI:	\$21,190		\$21,630
	Return:	6.00%		6.00%
	Supported Investment:	\$353,200		\$360,500
Development Costs	Per SF	Per Unit	Per SF	Per Unit
Direct Costs (no PW)	\$300	\$240,000	\$240	\$228,000
Fees & Permits	\$55	\$44,000	\$54	\$51,000
Affordable Housing Fee	\$0	\$0	\$0	\$0
Other Indirect Costs	\$60	\$48,000	\$48	\$45,600
Financing	\$11	\$9,100	\$10	\$9,300
Total Development Costs (excl. land)	\$426	\$341,100	\$351	\$333,900
Residual Land Value				
Net Sales / Supported Investment		\$353,200		\$360,500
<Less> Development Costs		(\$341,100)		(\$333,900)
<Less> Profit Margin		included above		included above
Residual Land Value (Per Unit)		\$12,000		\$27,000
Per Acre		\$1,200,000		\$810,000
Per Square Foot of Land Area		\$28		\$19
Profit Margin		6.00%		6.00%
Profit Margin Basis		return on cost		return on cost

APPENDIX III TABLE 7
 PRELIMINARY PRO FORMA ANALYSIS: FEASIBLE RENTS (FROM TABLE 5), WITH PREVAILING WAGES
 FINANCIAL FEASIBILITY ANALYSIS
 CITY OF CONCORD, CA

DRAFT FOR CITY REVIEW

High Density Apartments

Product Description

5 Story wrap, structured parking

Density
 Average Unit Size
 Average Number of Bedrooms

100 du/acre
 800 sf
 1.0

Revenue

Market Rate Units (100%) *Rents from Appendix III Table 6: Feasible w/o PW*
 Total Rent

	Per SF	Per Unit
	\$3.15	\$30,240
	\$3	\$30,240
Other Income:		\$350
Vac/OpExp:		(\$9,600)
NOI:		\$20,990
Return:		6.00%
Supported Investment:		\$349,800

Development Costs

Direct Costs (with prevailing wages)
 Fees & Permits
 Affordable Housing Fee
 Other Indirect Costs
 Financing
Total Development Costs (excl. land)

Direct Costs, No PW **Increase**
 \$300 10%

	Per SF	Per Unit
	\$330	\$264,000
	\$55	\$44,000
	\$0	\$0
	\$66	\$52,800
	\$12	\$9,500
	\$463	\$370,300

Residual Land Value

Net Sales / Supported Investment
 <Less> Development Costs
 <Less> Profit Margin

	\$349,800
	(\$370,300)
	included above

Residual Land Value (Per Unit)

Per Acre
Per Square Foot of Land Area

(\$21,000)
 (\$2,100,000)
 (\$48)

Profit Margin
Profit Margin Basis

6.00%
 return on cost

JOBS HOUSING LINKAGE FEE PROGRAMS, CALIFORNIA

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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 PDR \$19.34 Office \$24.61 Development \$16.39 Workspace \$19.34	25,000 gsf threshold Exempt: freestanding pharmacy < 50,000 SF; grocery < 75,000	Yes, may contribute land for housing.	Very Substantial	Fee is adjusted annually based on the construction cost increases.
City of Palo Alto Population: 66,000	1984 Updated 2002	Nonresidential Dvlpmt \$19.85	Churches; universities; recreation; hospitals, private educational facilities, day care and nursery school, public facilities are exempt	Yes	Very Substantial	Fee is adjusted annually based on CPI.
City of Menlo Park Population: 33,000	1998	Office & R&D \$15.57 Other com./industrial \$8.45	10,000 gross SF threshold Churches, private clubs, lodges, fraternal orgs, public facilities and projects with few or no employees are exempt.	Yes, preferred. May provide housing on- or off-site.	Very Substantial	Fee is adjusted annually based on CPI.
City of Sunnyvale Population: 146,000	1984 Updated 2003 and 2015.	Industrial, Office, R&D: \$15.00 Retail, Hotel \$7.50	Office fee is 50% on the first 25,000 SF of building area. Exemptions for Child care, education, hospital, non-profits, public uses.	N/A	Very Substantial	Fee is adjusted annually based on CPI.
Redwood City Population: 80,000	2015	Office \$20.00 Hotel \$5.00 Retail & Restaurant \$5.00	5,000 SF threshold 25% fee reduction for projections paying prevailing wage. Schools, child care centers, public uses exempt.	Yes. Program specifies number of units per 100,000 SF.	Very Substantial	Fee is adjusted annually based on ENR.
City of Mountain View Population: 77,000	Updated 2002 / 2012 /2014	Office/High Tech/Indust. \$25.00 Hotel/Retail/Entertainment. \$2.68	Fee is 50% on building area under thresholds: Office <10,000 SF Hotel <25,000 SF Retail <25,000 SF	Yes	Very Substantial	Fee is adjusted annually based on CPI.
City of Cupertino Population: 60,000	1993, 2015	Office/Industrial/R&D \$20.00 Hotel/Commercial/Retail \$10.00	No minimum threshold.	N/A	Very Substantial	Fee is adjusted annually based on CPI.

Note: This chart has been assembled to present an overview, and as a result, terms are simplified. The information is recent but not all data has been updated as of the date of this report. In some cases, fees are adjusted by an index (such as CPI) which may not be reflected. For use other than general comparison, please consult the code and staff of the jurisdiction.

JOBS HOUSING LINKAGE FEE PROGRAMS, CALIFORNIA

DRAFT

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	Moderate	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	2014	Commercial \$3.59 Industrial \$0.69	No min threshold Schools, recreational facilities, religious institutions exempt.	Yes	Moderate	Revised annually
City of Livermore Population: 84,000	1999	Retail \$1.19 Service Retail \$0.90 Office \$0.76 Hotel \$583/ rm Manufacturing \$0.37 Warehouse \$0.11 Business Park \$0.76 Heavy Industrial \$0.38 Light Industrial \$0.24	No minimum threshold Church, private or public schools exempt.	Yes; negotiated on a case-by- case basis.	Moderate	

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JOBS HOUSING LINKAGE FEE PROGRAMS, CALIFORNIA

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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						
County of Marin Population: 257,000	2003	Office/R&D \$7.19 Retail/Rest. \$5.40 Warehouse \$1.94 Hotel/Motel \$1,745/rm Manufacturing \$3.74	No minimum threshold	Yes, preferred.	Substantial	
San Rafael Population: 59,000	2005	Office/R&D \$7.64 Retail/Rest./Pers. Services \$5.73 Manufacturing/LI \$4.14 Warehouse \$2.23 Hotel/Motel \$1.91	5,000 SF threshold. Mixed use projects that provide affordable housing are exempt.	Yes. Program specifies number of units per 1,000 SF.	Substantial	
Town of Corte Madera Population: 9,000	2001	Office \$4.79 R&D lab \$3.20 Light Industrial \$2.79 Warehouse \$0.40 Retail \$8.38 Com Services \$1.20 Restaurant \$4.39 Hotel \$1.20 Health Club/Rec \$2.00 Training facility/School \$2.39	No minimum threshold	N/A	Substantial	
City of St. Helena Population: 6,000	2004	Office \$4.11 Comm./Retail \$5.21 Hotel \$3.80 Winery/Industrial \$1.26	Small childcare facilities, churches, non-profits, vineyards, and public facilities are exempt.	Yes, subject to City Council approval.	Substantial	
City of Petaluma Population: 59,000	2003	Commercial \$2.19 Industrial \$2.26 Retail \$3.78	N/A	Yes, subject to City Council approval.	Moderate/ Substantial	Fee adjusted annually by ENR construction cost index.
County of Sonoma Population: 492,000	2005	Office \$2.64 Hotel \$2.64 Retail \$4.56 Industrial \$2.72 R&D Ag Processing \$2.72	First 2,000 SF exempt Non-profits, redevelopment areas exempt	Yes. Program specifies number of units per 1,000 SF.	Moderate	Fee adjusted annually by ENR construction cost index.
City of Cotati Population: 7,000	2006	Commercial \$2.08 Industrial \$2.15 Retail \$3.59	First 2,000 SF exempt Non-profits exempt.	Yes. Program specifies number 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.

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JOBS HOUSING LINKAGE FEE PROGRAMS, CALIFORNIA

DRAFT

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

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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
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.						

City	Office \$/SF	Retail \$/SF	Hotel \$/SF
Boulder (@full phase-in)	\$9.53	\$6.96	\$1.79*
High Fee Examples			
Aspen, CO	\$629**	\$629**	\$134**
Vail, CO	\$48**	\$36 - \$101**	\$17**
Mountain View, CA	\$25	\$3	\$3
Palo Alto, CA	\$19	\$19	\$19
Cambridge, MA	\$12	\$12	\$12
Medium Fee Examples [SF East Bay]			
Berkeley, CA	\$5	\$5	\$5
Walnut Creek, CA	\$5	\$5	\$5
Emeryville, CA	\$4	\$4	\$4
Low Fee Examples			
Sacramento, CA	\$2	\$2	\$2
San Diego, CA	\$2	\$1	\$1

County of Marin	22.22.100 County Code
Corte Madera	https://www.municode.com/library/ca/corte_madera/codes/code_of_ordina
County of Napa	RESOLUTION NO. 2014-145
City of Napa	Under Building Division, Forms and Applications http://www.cityofnapa.org/images/CDD/buildingdivdocs/formsandapplications/inclusionary_fees_non_residential_projects.pdf
City St. Helena	Googled "City of St. Helena development fees" http://www.ci.st-helena.ca.us/sites/default/files/City%20of%20St.%20Helena%20Comprehensive%20Fee%20Schedule%20Updated%2010716.pdf
City of Petaluma	http://cityofpetaluma.net/cdd/pdf/development-fees.pdf
Sonoma County	http://www.sonoma-county.org/prmd/housing/index.htm#fees
Cotati	"Linkage Fee" googled "Cotati development fees" http://www.ci.cotati.ca.us/sections/departments/PlanningFeeSchedule.pdf
San Francisco	Citywide development impact fee register
Palo Alto	google "palo alto development fees" http://www.cityofpaloalto.org/civicax/filebank/documents/27226
Menlo Park	http://www.codepublishing.com/CA/menlopark/?MenloPark16/MenloPark1698.html Appears to have old numbers, though. Instead, used these: http://www.menlopark.org/DocumentCenter/View/1494 (googled "menlo park below market rate housing office R&D")
Sunnyvale	http://sunnyvale.ca.gov/Portals/0/Sunnyvale/FIN/FY%2012-13%20Annual%20Fee Schedule - Planning FEes
Cupertino	http://www.cupertino.org/index.aspx?page=175
Mountain View	Search for Master Fee Schedule - make sure updated and not old.
Walnut Creek	??
Oakland	In the Master Fee Schedule, under Miscellaneous (Jobs/Housing Fee)
alameda	http://www.alamedahsg.org/hd_faq.html
Berkeley	changes under consideration
Livermore	Development Fee Schedule
Pleasanton	Building Permit and Development Fees
San Rafael	http://docs.cityofsanrafael.org/CommDev/planning/handouts-and-forms/dev/14.16.030 - Affordable housing requirement.
Sac County	http://www.agendanet.saccounty.net/sirepub/cache/2/4ywfmcq3ffnhd3txfyt
Rancho Cordova	http://cityofranhocordova.org/index.aspx?page=501
Santa Monica	http://www.smgov.net/departments/council/agendas/2014/20140923/s2014
Redwood City	http://www.redwoodcity.org/home/showdocument?id=7220

nces?nodeId=TIT3REFI_CH3.48AFHOFU#!

<http://www.cityofnapa.org/images/finance/MasterFee/FY16%20Master%20Schedule%20of%20FeesFinesTaxe>

<http://www.codepublishing.com/CA/StHelena/#!/StHelena17/StHelena17146.html#17.146.040>

[!Status%20Report%20on%20Receipt%20and%20Use%20of%20Development%20Impact%20Fees.pdf](#)

http://alamedaca.gov/sites/default/files/department-files/2015-08-20/master_fee_schedule_fy_15-16_final.pdf
<http://www.ci.berkeley.ca.us/recordsonline/export/16398058.pdf>

elopment-impact-fees-handout.pdf

https://www.municode.com/library/ca/san_rafael/codes/code_of_ordinances?nodeId=TIT14ZO_DIVIVREAPAI

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last updated 2013

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es%20Penalties.pdf

http://cityofpetaluma.net/cdd/pdf/2012_development_impact_capacity_fee_booklet.pdf

pdf

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Questions

1) Oakland market strength: Increase to substantial?

2) Sacramento County and Formerly Unincorporated Communities

I haven't been able to confirm this policy:

*Pay 20% fee plus build at reduced ne.
(not meaningful given amount of fee.*

3) West Hollywood: I couldn't identify or confirm West Hollywood's fee

xus

)

2014 5-yr ACS Census	Population
County of Marin	256,802
County of Napa	139,253
County of Sacramento	1,450,277
County of Sonoma	491,790
San Rafael	58,588
City of Emeryville	10,497
City of Alameda	75,763
Town of Corte Madera	9,478
City of Berkeley	115,688
City of Cotati	7,347
City of Cupertino	59,787
City of Dublin	49,694
City of Elk Grove	158,455
City of Folsom	73,334
City of Livermore	83,901
City of Napa	78,511
City of Mountain View	76,741
City of Menlo Park	32,792
City of Oakland	402,339
City of Palo Alto	65,998
City of Petaluma	58,912
City of Pleasanton	73,164
City of Sacramento	476,075
City of San Diego	1,341,510
San Francisco	829,072
City of Santa Monica	91,619
City of St. Helena	5,895
City of Sunnyvale	145,921
City of Walnut Creek	65,923
City of West Hollywood	35,053
Citrus Heights	84,678
Rancho Cordova	67,167
City of Newark	43,635
Redwood City	79,736

San Rafael

254,599 per unit

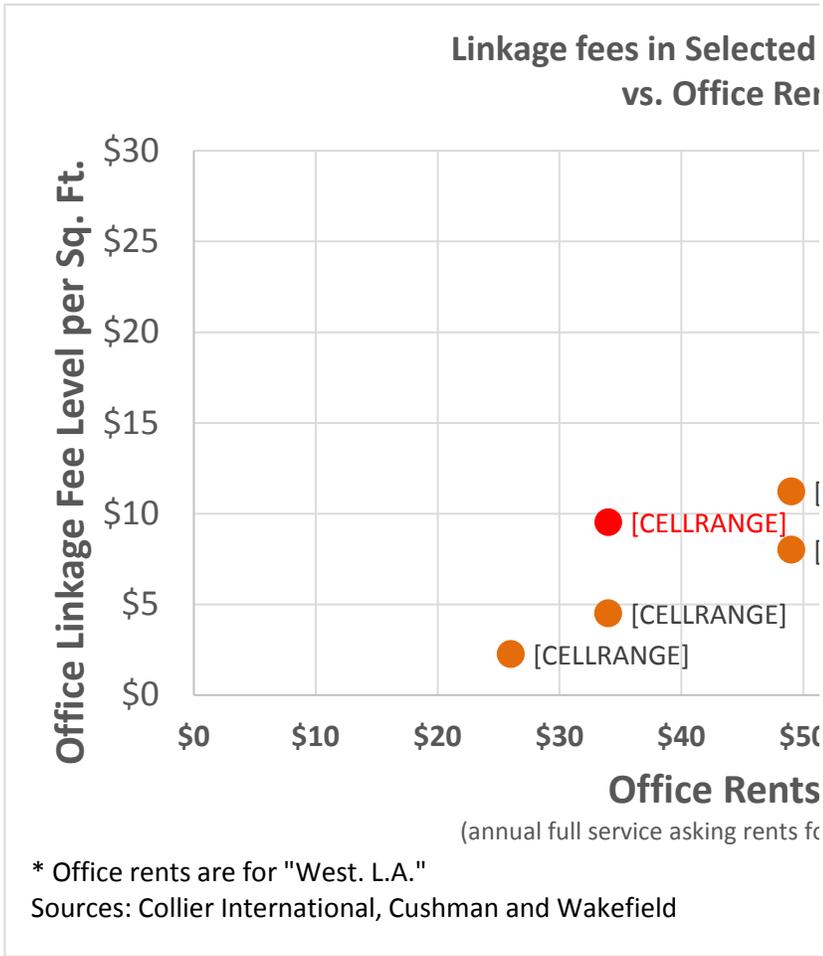
Office ² or Research and Development uses	0.03	7,638	\$	7.64
Retail, Restaurant or Personal Service uses	0.0225	5,728	\$	5.73
Manufacturing or Light Industrial uses	0.01625	4,137	\$	4.14
Warehouse uses	0.00875	2,228	\$	2.23
Hotel or motel uses ³	0.0075	1,909	\$	1.91

City	Office Rents	Fee level	Retail \$/SF	Retail
Boulder	\$ 34	\$ 10	\$6.96	
Mountain View	\$ 85	\$ 25	\$3	
Palo Alto	\$ 88	\$ 19	\$19	
Cambridge**	\$ 70	\$ 15	\$12	
Berkeley	\$ 34	\$ 5	\$5	
Santa Monica*	\$ 49	\$ 11	\$10	
West Hollywood*	\$ 49	\$ 8	\$8	
Cupertino	\$ 57	\$ 20	\$10	
Sacramento	\$26.00	\$2.25		

Aspen, CO	\$629**	\$629**
Vail, CO	\$48**	\$36 - \$101**

San Diego \$1.76 \$1.06

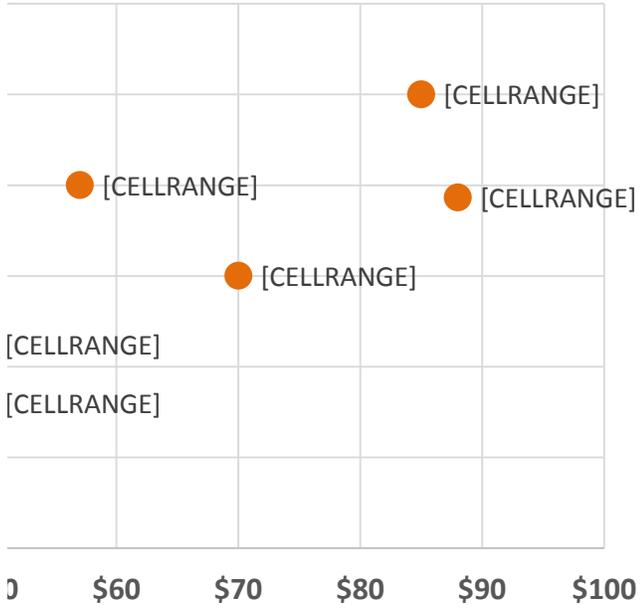
Hotel \$/SF
\$1.79*
\$3
\$19
\$12
\$5
\$3
\$8
\$10
\$134**
\$17**



\$1.06

Communities

nts



Per Sq.Ft.

or Class A space as of Q4 2015)