KEYSER MARSTON ASSOCIATES

SUPPLEMENT
to the
AFFORDABLE HOUSING NEXUS STUDIES
to Provide
Updated Countywide Maximum Fee Level Findings

Prepared for:
County of Santa Clara

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I. INTRODUCTION

The County of Santa Clara ("County") is considering adoption of Countywide inclusionary and mitigation fee ordinances applicable to residential and non-residential development within County unincorporated areas outside of the Stanford University Community Plan Area ("SCPA") that is already subject to separate ordinances enacted in 2018.

Keyser Marston Associates, Inc. (KMA) previously prepared affordable housing nexus studies to support potential adoption of countywide affordable housing requirements ("Countywide Nexus Study"). The Countywide Nexus Study was completed in 2016 and incorporated as an attachment to a subsequent 2018 report entitled Affordable Housing Nexus Studies prepared by KMA for the County. The Countywide Nexus Study provides findings regarding maximum affordable housing fees for residential and non-residential development within unincorporated areas of the County outside of the SCPA. The purpose of this Supplement is to update the 2016 maximum fee level findings of the Countywide Nexus Study based on current development costs and net subsidy requirements for creation of new affordable housing units. The net subsidy required to create a new affordable unit, also referred to as the 'affordability gap', is a key factor in the determination of maximum affordable housing fee levels.

II. UPDATED MAXIMUM SUPPORTED FEES PER SQUARE FOOT

Table 1 summarizes the conclusions of this Supplement regarding updated maximum supported affordable housing fees per square foot of residential and non-residential development.

Table 1. Maximum Affordable Housing Fees Per Square Foot	
Residential	Per Sq. Ft.
Single Family Detached [(1)]	$25.80
Smaller Single Family Detached (County Island) [(1)]	$29.20
Non-Residential	
Office	$170.10
Retail	$357.40
Hotel	$170.40
Light Industrial	$185.20
Warehouse	$62.10

(1) Findings reflect adjustment to avoid potential overlap with non-residential fees based on the analysis provided in Appendix B.

These maximum supported fees reflect the cost to mitigate affordable housing impacts as documented in the Countywide Nexus Study through construction of additional affordable housing. Maximum fees have increased since the Countywide Nexus Study was originally prepared in 2016 based on the updated affordability gap analysis presented in Section III.B. of this Supplement.

III. DETERMINATION OF MAXIMUM SUPPORTED FEES

Maximum supported fees documented in this Supplement are based upon combining the conclusions of the Countywide Nexus Study regarding the number of affordable units required to mitigate the affordable housing impacts of new residential and non-residential development with an updated analysis of the cost of delivering new affordable units in the County.

A. Affordable Unit Demand Analysis from Countywide Nexus Study

Tables 2 and 3 summarize the findings of the Countywide Nexus Study regarding the demand for affordable housing associated with each new market rate unit or each new square foot of non-residential development. Findings represent the number of affordable units required to address the increased affordable unit demand from new development in the unincorporated areas of the County outside of the SCPA.

Findings are provided for the following four income tiers:

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

Table 2. Affordable Unit Demand Per (1) Market Rate Unit

Income Category	Single Family Detached	Smaller Single Family Detached (County Island)
Extremely Low	0.10	0.06
Very Low	0.15	0.09
Low	0.13	0.07
Moderate	0.08	0.05
Total 0% to 120% of AMI	**0.46**	**0.27**

Source: Affordable Housing Nexus Studies Prepared for County of Santa Clara by Keyser Marston Associates, Inc. September 2018, Attachment A, Table C-3.

Table 3. Affordable Unit Demand Per Square Foot of Non-Residential Development					
Income Category	**Office**	**Retail**	**Hotel**	**Light Industrial**	**Warehouse**
Extremely Low	0.00002634	0.00036032	0.00015136	0.00006512	0.00003708
Very Low	0.00012013	0.00040780	0.00019575	0.00016744	0.00007346
Low	0.00022013	0.00026196	0.00013698	0.00022089	0.00006236
Moderate	0.00030683	0.00008511	0.00006229	0.00023495	0.00003889
Total 0% to 120% of AMI	**0.00067343**	**0.00111519**	**0.00054638**	**0.00068840**	**0.00021179**

Source: Affordable Housing Nexus Studies Prepared for County of Santa Clara by Keyser Marston Associates, Inc. September 2018, Attachment B, Table 4.

Please refer to the Countywide Nexus Study for information regarding the basis for these findings.

B. Mitigation Cost Analysis

A key component of an impact analysis is the mitigation cost. In an affordable housing nexus analysis, the mitigation cost is the 'affordability gap' - the financial gap between what lower income households can afford to pay and the cost of producing new housing. This section updates the affordability gaps from estimates presented in the 2016 Countywide Nexus Study. Affordability gaps are calculated for each of the four income categories addressed.

Location of Affordable Units Assisted by County

Table 4 summarizes the location of existing, under construction, and proposed affordable units assisted by the County since 2015. Approximately 10% of units are in "South County," defined for purposes of this Supplement as the cities of Gilroy, Morgan Hill and nearby unincorporated areas including San Martin located in the southern portion of the County. Approximately two thirds of the affordable units assisted by the County are in the City of San Jose with the remaining 22% of units located in the cities of Milpitas, Santa Clara, Mountain View, Palo Alto and Sunnyvale.

Table 4. Existing, Proposed, and Under Construction Affordable Units Assisted by the County Since 2015, by Location		
	Number of Units	**% of units**
South County (Gilroy and Morgan Hill)	358	10%
San Jose	2,352	67%
Other cities (1)	782	22%
Total	**3,492**	

Source: KMA analysis of data provided by County of Santa Clara Office of Supportive Housing.

(1) Includes Milpitas, Mountain View, Palo Alto, Santa Clara, Sunnyvale.

Development costs in South County tend to be lower due to lower land costs and use of lower density construction types with lower construction costs. The Countywide Nexus Study made the very conservative assumption that half of all affordable units assisted with fee revenue would be located in the southern portion of the County where costs are lower. For purposes of this Supplement, the location of units assisted using fee revenues is assumed to be similar to the recent pattern as summarized in Table 4.

County Assisted Affordable Unit Prototypes

For estimating the affordability gap, there is a need to match a household of each income level with a unit type and size according to governmental regulations and County practices and policies. The prototype affordable unit should reflect a modest unit consistent with what the County is likely to assist. The focus is on family sized units rather than studios or single room occupancy units too small to accommodate a typical-size worker household.

For Low-, Very Low-, and Extremely Low-Income households, it is assumed that the County will assist in development of multi-family rental units averaging approximately 1.4 bedrooms per unit consistent with recent and proposed affordable rental units developed in the County.

For Moderate-Income households, it is assumed that the County would assist households in an ownership unit. The typical project assumed is a two-bedroom condominium unit at approximately 50 units per acre with an average unit size of 1,150 square feet with wood frame construction over a concrete podium. For units developed in the southern portion of the County such as Morgan Hill and Gilroy, a slightly larger 1,300 square foot townhome unit with wood frame construction at an approximate density of 18 units per acre is assumed, more characteristic of attached units developed in southern areas of the County.

Development Costs

KMA prepared an estimate of total development costs for the affordable housing prototypes described above (inclusive of land acquisition costs, direct construction costs, indirect costs of development and financing). The following table summarizes the per-unit development cost estimates.

Table 5. Affordable Unit Total Development Costs

Income Group	Unit Tenure / Type	Total Development Cost
Extremely Low (Under 30% AMI)	Rental	$700,000
Very Low (30% to 50% AMI)	Rental	$700,000
Low (50% to 80% AMI)	Rental	$700,000
Moderate (80% to 120% AMI)	Ownership	$740,000
Moderate South County (80% to 120% AMI)	Ownership	$635,000

For the multi-family rental prototype, costs reflect a review of development costs for nine multi-family affordable rental projects within Santa Clara County listed below, of which at least seven have received or are proposed to receive County funding assistance. Costs for each project are summarized in Appendix Table 2.

- Gallup & Mesa
- West San Carlos
- Shorebreeze Expansion
- Roosevelt Park
- Quetzal Gardens
- Crossings on Monterey
- 226 Balbach
- Alum Rock Family
- Sango Court

The nine multi-family rental affordable projects have an average total development cost of $703,000 per unit. Of the nine projects, one is located in South County, which is similar to the 10% overall share of County-assisted affordable units that are located in South County as indicated in Table 4.

For the moderate-income condominium and townhome prototype affordable units, development costs are based on a recent KMA pro forma analysis[1] for market rate projects of comparable size, density, and construction type. Adjustments are made to reflect a moderate-income affordable project assisted by the County including removal of the inclusionary in-lieu fee which would not apply for an affordable project and prevailing wages. The analysis makes the conservative assumption that moderate income units are developed within lower land cost areas of San Jose rather than a higher land cost location such as Mountain View or Palo Alto. The estimated total development costs for a moderate-income condominium unit is $740,000 including land, direct construction, indirect costs and financing. For moderate income units developed in the southern portion of the County, a wood frame townhome affordable unit is assumed with an estimated total development cost of $635,000. Estimates are based on costs for a market rate townhome unit adjusted based on the smaller unit size, prevailing wages, and lower land costs reflective of the southern portion of the County. Additional detail on development cost estimates is presented in Appendix Tables 1 through 4.

Unit Values

For the Extremely Low, Very Low, and Low-Income rental units, unit values are based upon the funding sources assumed to be available for the project. Funding sources include tax-exempt permanent debt financing supported by the project's operating income, a deferred developer

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[1] Keyser Marston Associates, Inc. Memo to Chris Burton and Emily Lipoma Regarding Conceptual Pro Forma Analysis of High-Density For-Sale Residential Development dated October 16, 2019. https://sanjose.legistar.com/LegislationDetail.aspx?ID=4200129&GUID=5E04A82B-8D9D-46D1-9FFD-5B80A82B565E&Options=&Search= and Analysis and Context Materials in Support of Updates to the City's Inclusionary Housing Ordinance Prepared for the City of San Jose dated October 23, 2019. https://media.bizj.us/view/img/11512188/memorandum-2019-10-30t124617183.pdf

fee, and equity generated by 4% federal low income housing tax credits. The highly competitive 9% federal tax credits are not assumed because of the limited number of projects that receive an allocation of 9% tax credits in any given year per geographic region. Other affordable housing subsidy sources such as CDBG, HOME, AHP, Section 8, and various Federal and State funding programs are also limited and difficult to obtain and therefore are not assumed in this analysis as available to offset the cost of mitigating the affordable housing impacts of new development.

For affordable ownership units, unit values are based on an estimate of the restricted affordable purchase price for a qualifying Moderate-Income household calculated in Appendix Table 5.

The unit values are summarized in Table 6. Further detail is provided in Appendix Tables 1 to 5.

Table 6. Unit Values for Affordable Units		
Income Group	*Unit Tenure / Type*	*Unit Value*
Extremely Low (Under 30% AMI)	Rental	$295,000
Very Low (30% to 50% AMI)	Rental	$392,000
Low (50% to 80% AMI)	Rental	$441,000
Moderate (80% to 120% AMI)	Ownership	$518,000
Moderate South County (80% to 120% AMI)	Ownership	$505,000

Affordability Gap

The affordability gap is the difference between the cost of developing the affordable units and the unit value based on the restricted affordable rent or sales price. The resulting affordability gaps are as presented in Table 7.

Table 7. Affordability Gap Calculation			
	Unit Value	*Development Cost*	*Affordability Gap*
Affordable Rental Units			
Extremely Low (Under 30% AMI)	$295,000	$700,000	$405,000
Very Low (30% to 50% AMI)	$392,000	$700,000	$308,000
Low (50% to 80% AMI)	$441,000	$700,000	$259,000
Affordable Ownership Units (80%-120% AMI)			
Moderate Other Areas	$518,000	$740,000	$222,000
Moderate South County	$505,000	$635,000	$130,000
Blended (1)	$517,000	$730,000	$213,000

AMI = Area Median Income

(1) With 10% weight to South County consistent with Table 4.

C. Maximum Supported Fees for Residential

The last step in the nexus analysis calculates the cost of delivering affordable housing to the new households. The demand for affordable units in each income category per residential unit from Table 2 is multiplied by the mitigation cost per affordable unit from Table 7 to determine the mitigation cost per unit. The calculation is shown in Table 8, below:

Table 8. Affordable Housing Mitigation Cost Per Market Rate Unit

Income Category	Affordability Gap Per Affordable Unit	Mitigation Cost Per Market Rate Unit (1) Single Family Detached	 Smaller Single Family Detached (County Island)
Extremely Low	$405,000	$40,500	$24,300
Very Low	$308,000	$46,200	$27,700
Low	$259,000	$33,700	$18,100
Moderate	$213,000	$17,000	$10,700
Total		**$137,400**	**$80,800**

(1) Calculated by multiplying the affordability gap by the affordable unit demand per market rate unit.

The total mitigation cost per market rate unit indicated above, may also be expressed on a per square foot basis. The square foot area of the prototype unit used throughout the Countywide Nexus Study becomes the basis for the calculation (the per unit findings from above are divided by unit size to get the per square foot findings). The results are presented in Table 9.

Table 9. Affordable Housing Mitigation Cost Per Square Foot (1)

Income Category	Single Family Detached	Smaller Single Family Detached (County Island)
Unit Size (square feet)	5,000 SF	2,600 SF
Extremely Low	$8.10	$9.30
Very Low	$9.20	$10.70
Low	$6.70	$7.00
Moderate	$3.40	$4.10
Total	$27.50	$31.10

(1) Calculated by dividing the mitigation cost per market rate unit by the indicated market rate unit size. Market rate unit sizes are per the Affordable Housing Nexus Studies Prepared for County of Santa Clara by Keyser Marston Associates, Inc. September 2018, Attachment A, page 8.

The total mitigation cost per square foot is $27.50 for single family detached units and $31.10 for smaller single family detached units representative of development within "County islands." Appendix B provides an analysis of maximum fee levels that avoid the possibility of overlap between impacts mitigated by potential residential and non-residential fees. Based on the analysis presented in Appendix B, KMA recommends residential fees be limited to a maximum of $25.80 per square foot. Maximum fee levels are technical analysis findings, not policy recommendations.

D. Maximum Supported Fees for Non-Residential

Maximum supported affordable housing impact fees for non-residential development are calculated by multiplying the demand for affordable units in each income category per square foot of non-residential development from Table 3 by the mitigation cost per affordable unit from Table 7 to determine the mitigation cost per square foot. The results of this calculation are shown in Table 10, below:

Table 10. Maximum Supported Affordable Housing Impact Fee Per Square Foot for Non-Residential

		Mitigation Cost Per Square Foot (Maximum Supported Fee) (1)				
Income Category	Affordability Gap Per Affordable Unit	Office	Retail	Hotel	Light Industrial	Warehouse
Extremely Low	$405,000	$10.70	$145.90	$61.30	$26.40	$15.00
Very Low	$308,000	$37.00	$125.60	$60.30	$51.60	$22.60
Low	$259,000	$57.00	$67.80	$35.50	$57.20	$16.20
Moderate	$213,000	$65.40	$18.10	$13.30	$50.00	$8.30
Total		**$170.10**	**$357.40**	**$170.40**	**$185.20**	**$62.10**

(1) Calculated by multiplying the affordability gap by the affordable unit demand per square foot identified in Table 3.

These figures represent the maximum impact fee that could be charged for new non-residential development to mitigate impacts on the need for affordable housing. Maximum fee levels are technical analysis findings, not policy recommendations.

APPENDIX A: AFFORDABILITY GAP SUPPORTING CALCULATIONS

Appendix Table 1
Affordability Gaps for Extremely Low, Very Low, and Low Income
Supplement to Affordable Housing Nexus Studies
County of Santa Clara, CA

		Extremely Low	Very Low	Low Income
I. Affordable Prototype				
Tenure		Rental		
Average Number of Bedrooms		1.4 Bedrooms		
II. Development Costs [1]		Per Unit	Per Unit	Per Unit
Land Acquisition		$55,000	$55,000	$55,000
Directs		$440,000	$440,000	$440,000
Indirects		$160,000	$160,000	$160,000
Financing		$45,000	$45,000	$45,000
Total Development Costs		$700,000	$700,000	$700,000
III. Supported Financing		Per Unit	Per Unit	Per Unit
Affordable Rents				
Average Number of Bedrooms		1.4 Bedrooms	1.4 Bedrooms	1.4 Bedrooms
Maximum TCAC Rent [2]		$889	$1,482	$1,778
(Less) Utility Allowance [3]		($70)	($70)	($70)
Maximum Monthly Rent		$819	$1,412	$1,709
Net Operating Income (NOI)				
Gross Potential Income		Per Unit	Per Unit	Per Unit
Monthly		$819	$1,412	$1,709
Annual		$9,828	$16,944	$20,503
Other Income		$250	$250	$250
(Less) Vacancy	5.0%	($504)	($860)	($1,038)
Effective Gross Income (EGI)		$9,574	$16,334	$19,716
(Less) Operating Expense & Reserves [4]		($7,800)	($7,800)	($7,800)
(Less) Property Taxes [5]		$0	$0	$0
Net Operating Income (NOI)		$1,774	$8,534	$11,916
Permanent Financing				
Permanent Loan (tax exempt) [6]		$26,000	$123,000	$172,000
Deferred Developer Fee [7]		$16,000	$16,000	$16,000
4% Tax Credit Equity [8]		$253,000	$253,000	$253,000
Total Sources		$295,000	$392,000	$441,000
IV. Affordability Gap		Per Unit	Per Unit	Per Unit
Supported Permanent Financing		$295,000	$392,000	$441,000
(Less) Total Development Costs		($700,000)	($700,000)	($700,000)
Affordability Gap		($405,000)	($308,000)	($259,000)

[1] Development costs estimated by KMA based on 2018 and 2019 cost for affordable projects in Santa Clara County.

[2] Maximum rents per Tax Credit Allocation Committee (TCAC) for projects utilizing Low Income Housing Tax Credits (2019).

[3] Utility allowances from Santa Clara County Housing Authority (2019).

[4] Based on median operating expense and reserves for eight family affordable projects analyzed by KMA in a report entitled Review of Affordable Housing Development Costs, prepared by KMA for the City of San Jose in October 2019.

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

[6] Based on representative permanent loan terms including 5.25% interest rate, 1.15 debt service coverage and 40 year term.

[7] Reflects the average deferred developer fee for the specific projects on which development costs are based.

[8] Current tax credit underwriting assumptions drawn from Novogradac.com as of November 2019 and reflect tax credit yield of $0.95 and applicable percentage of 3.17%. Tax credit equity estimate assumes high cost area adjustment and basis limit adjustments for prevailing wage, parking beneath units, and inclusion of Very Low or ELI units as part of the unit mix.

Appendix Table 2
Development Costs for Recent Affordable Housing Projects (1)
Supplement to Affordable Housing Nexus Studies
County of Santa Clara, CA

	Gallup & Mesa	West San Carlos	Shorebreeze Expansion	226 Balbach	Alum Rock Family	Roosevelt Park	Quetzal Gardens	Crossings on Monterey	Sango Court	Average
Jurisdiction	San Jose	San Jose	Mountain View	San Jose	San Jose	San Jose	San Jose	Morgan Hill	Milpitas	
Number of Units	46	80	62	87	87	80	71	39	102	73
Avg No. Bedrooms	1.00	1.30	1.18	0.94	1.45	1.34	2.00	2.23	1.27	1.41
Cost Information Year	2019	2018	2019	2019	2018	2018	2018	2018	2018	
Land	$0	$73,906	$39,436	$27,586	$47,207	$55,243	$61,247	$68,333	$69,676	$49,182
Direct Construction	$438,261	$376,544	$388,547	$427,488	$421,862	$559,056	$611,972	$322,278	$420,375	$440,709
Indirect Costs	$227,672	$171,220	$184,169	$104,665	$127,284	$192,367	$170,027	$162,874	$184,256	$169,393
Financing	$17,679	$24,420	$41,657	$42,615	$39,810	$73,526	$67,211	$49,511	$36,361	$43,643
Total Development Cost	$683,612	$646,091	$653,809	$602,354	$636,163	$880,191	$910,456	$602,996	$710,669	$702,927
									Indirects as % of directs	38%
									Financing as % of directs	10%

Sources: County of Santa Clara, TCAC applications.

(1) Affordable projects assisted by the County or other local public agencies. Focus is on family affordable projects rather than affordable units for special populations such as seniors or supportive housing given the purpose of the nexus analysis to establish the cost of mitigating affordable housing demand by workers more broadly.

Appendix Table 3
Affordability Gap Calculation for Moderate Income - Outside of South County
Supplement to Affordable Housing Nexus Studies
County of Santa Clara, CA

I.	**Affordable Prototype - Outside of South County**		
	Tenure	For-Sale	
	Density	50 du/acre	
	Unit Size	1,150 SF	
	Bedrooms	2-Bedrooms	
	Construction Type	Condominiums	(Type V over podium)
II.	**Development Costs [1]**	Per Unit	
	Land Acquisition	$74,000	
	Directs	$483,000	
	Indirects	$148,000	
	Financing	$35,000	
	Total Costs	$740,000	
III.	**Affordable Sales Price**	Per Unit	
	Household Size	3 person HH	
	110% of Median Income [2]	$130,075	
	Maximum Affordable Sales Price	$518,000	[3]
IV.	**Affordability Gap**	Per Unit	
	Affordable Sales Price	$518,000	
	(Less) Development Costs	($740,000)	
	Affordability Gap - Moderate Income	($222,000)	

[1] Costs based on recent KMA pro forma analysis with adjustments to reflect a County funded affordable project including removal of affordable housing fees, prevailing wages and inclusion of an upfront developer fee. The prior analysis is available at https://sanjose.legistar.com/LegislationDetail.aspx?ID=4200129&GUID=5E04A82B-8D9D-46D1-9FFD-5B80A82B565E&Options=&Search=

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

[3] See Appendix Table 5 for Moderate Income home price estimate.

Appendix Table 4
Affordability Gap Calculation for Moderate - South County
Supplement to Affordable Housing Nexus Studies
South Santa Clara County

I.	**Affordable Prototype - South County**		
	Tenure	For-Sale	
	Density	18 du/acre	
	Unit Size	1,300 SF	
	Bedrooms	3-Bedrooms	
	Construction Type	Townhomes	(Type V)
II.	**Development Costs** [1]	Per Unit	
	Land and Site Improvements	$85,000	
	Directs	$403,000	
	Indirects	$117,000	
	Financing	$30,000	
	Total Costs	$635,000	
III.	**Affordable Sales Price**	Per Unit	
	Household Size	4 person HH	
	110% of Median Income [2]	$144,540	
	Maximum Affordable Sales Price	$586,000	[3]
IV.	**Affordability Gap**	Per Unit	
	Affordable Sales Price	$505,000	[4]
	(Less) Development Costs	($635,000)	
	Affordability Gap - Moderate Income	($130,000)	

[1] Costs based on recent KMA pro forma analysis with adjustments for prevailing wages and affordable housing fees. The analysis is available at https://media.bizj.us/view/img/11512188/memorandum-2019-10-30t124617183.pdf

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

[3] See Appendix Table 5 for Moderate Income home price estimate.

[4] Moderate income home price in South County adjusted from maximums to reflect 25% discount from unrestricted market rate prices estimated at $673,000 based on the median townhome sales price in Morgan Hill and Gilroy from November 2018 to November 2019 from Redfin.

Appendix Table 5
Estimated Affordable Home Prices - Moderate Income
Supplement to Affordable Housing Nexus Studies
County of Santa Clara, CA

Unit Size	2-Bedroom Condo	3-Bedroom Townhome Unit
Household Size	3-person HH	4-person HH
100% AMI Santa Clara County 2019	$118,250	$131,400
Annual Income @ 110%	$130,075	$144,540
% for Housing Costs	35%	35%
Available for Housing Costs	$45,526	$50,589
(Less) Property Taxes	($6,214)	($7,032)
(Less) HOA	($4,800)	($3,900)
(Less) Utilities	($1,440)	($2,244)
(Less) Insurance	($700)	($800)
(Less) Mortgage Insurance	($4,181)	($4,732)
Income Available for Mortgage	$28,191	$31,882
Mortgage Amount	$492,100	$556,500
Down Payment (homebuyer cash)	$25,891	$29,298
Supported Home Price	$517,991	$585,798
Key Assumptions		
- Mortgage Interest Rate (1)	4.00%	4.00%
- Down Payment (2)	5.00%	5.00%
- Property Taxes (% of sales price) (3)	1.20%	1.20%
- HOA (per month) (4)	$400	$325
- Utilities (per month) (5)	$120	$187
- Mortgage Insurance (% of loan amount)	0.85%	0.85%

(1) Mortgage interest rate based on Freddie Mac PMMS weekly average from Dec. 2018 through November 2019 for 30-year fixed rate mortgage.

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

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

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

(5) Utility allowances from Santa Clara County Housing Authority (2019).

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

The County of Santa Clara is considering establishing affordable housing fees applicable to non-residential and residential construction to help mitigate impacts on the demand for affordable housing in the County. The Countywide Nexus Study includes both a Non-Residential Nexus Analysis and a Residential Nexus to enable the potential adoption of affordable housing impact fees, the findings of which are updated in this Supplement. In this Appendix B, KMA conducts an 'overlap analysis' to determine fee levels that would avoid any possibility of overlap between the affordable housing impacts being mitigated by the County's proposed program.

To briefly summarize the Non-Residential Nexus Analysis, the logic begins with jobs located in new workplace buildings including office buildings, retail spaces and hotels. The nexus analysis then identifies the compensation structure of the new jobs depending on the building type, the income of the new worker households, and the housing affordability level of the new worker households, concluding with the number of new worker households in the lower income affordability levels.

In the Residential Nexus Analysis, the logic begins with the households purchasing or renting new market rate units. The purchasing power of those households generates new jobs in the local economy. The nexus analysis quantifies the jobs created by the spending of the new households and then identifies the compensation structure of the new jobs, the income of the new worker households, and the housing affordability level of the new worker households, concluding with the number of new worker households in the lower income affordability levels.

Some of the jobs that are counted in the Non-Residential Nexus Analysis may also be counted in the Residential Nexus Analysis. The overlap potential exists in jobs generated by the expenditures of County residents, such as expenditures for food, personal services, restaurant meals and entertainment. However, many jobs counted in the Non-Residential Nexus Analysis are not addressed in the residential nexus analysis at all. Firms in office, industrial, warehouse and hotel buildings typically serve a much broader market and are generally not focused on providing services to local residents. These non-local serving jobs are not counted in the Residential Nexus Analysis at all. Retail, which typically is primarily local-serving, is the building type that has the greatest potential for overlap between the jobs counted in the Residential and Non-Residential Nexus analyses.

Theoretically, there is a set of conditions in which 100% of the jobs counted for purposes of the Non-Residential Nexus are also counted for purposes of the Residential Nexus Analysis. For example, a small retail component within a larger mixed-use project could theoretically be almost entirely dependent upon customers from the residential use. The retail space pays the non-residential fee and the residential uses would pay the residential fee. In this special case, the two programs mitigate the affordable housing demand of the very same workers. The combined requirements of the two programs to fund construction of affordable units must not exceed 100% of the demand for affordable units generated by employees in the new retail space.

Complete overlap between jobs counted in the Non-Residential Nexus Analysis and jobs counted in the Residential Nexus Analysis could occur only in a very narrow set of theoretical circumstances. The following analysis determines maximum residential fees that would ensure that combined mitigation requirements would not exceed the nexus even if jobs counted in the Residential Nexus Analysis are also counted in the Non-Residential Nexus Analysis. As discussed, the theoretical possibility of 100% overlap exists mainly with retail jobs that serve residents of new housing in Santa Clara County; therefore, the overlap analysis is focused on the retail land use.

Highest Non-Residential Fee in County as a Percent of Maximum Fee

Residents of the unincorporated area of Santa Clara County are expected to make most retail purchases within incorporated cities in Santa Clara County, some of which have non-residential housing impact fee programs in place. Currently, the highest affordable housing fee in the County for retail uses is within the City of Palo Alto where a fee of $21.26 per square foot is currently in place. Based on the maximum non-residential fees for retail identified in Table 10, Palo Alto's fee mitigates approximately 6% of the total affordable housing impacts for retail as shown in Table B-1.

Table B-1. Highest Non-Residential Fee in County as a Percent of Maximum Fee			
Building Type	**Maximum Nexus Amount**	**Highest Adopted Retail Fee in County (Palo Alto)**	**Percent of Maximum**
Retail	$357.40	$21.26	6%

Maximum Residential Fee to Avoids Potential Overlap with Non-Residential Fees.

As non-residential fees within the County mitigate, at most, 6% of the maximum supported by the nexus, if residential fees are set at no more than 94% of the maximums identified in Table 9, combined residential and non-residential affordable housing mitigations would not exceed nexus maximums even under the theoretical circumstance of 100% overlap in the jobs counted in the two nexus analyses. Setting residential fees at no more than $25.80 per square foot (94% of the maximus identified in Table 9) will avoid the possibility of overlap between residential and non-residential fees based on current fee levels.

Table B-2. Maximum Residential Affordable Housing Fees to Avoid Possible Overlap with Non-Residential Fees.		
	Single Family Detached	Smaller Single Family Detached (County Island)
Nexus Maximum Before Overlap Adjustment (Table 9)	$27.50	$31.10
Percent of Maximum to Avoid Possible Overlap	94%	94%
Maximum Residential Fee to Avoid Possible Overlap with Non-Residential Fees	**$25.80**	**$29.20**

KEYSER MARSTON ASSOCIATES

SUPPLEMENTAL ANALYSIS, CONTEXT AND RECOMMENDATIONS

To Support Consideration of Countywide

INCLUSIONARY HOUSING AND AFFORDABLE HOUSING MITIGATION FEE ORDINANCES

Prepared for:
County of Santa Clara

Prepared by:
Keyser Marston Associates, Inc.

July 2020

TABLE OF CONTENTS

LIST OF TABLES

I. INTRODUCTION

This Supplemental Analysis, Context and Recommendations Report provides materials to inform consideration of affordable housing requirements applicable to new development within the unincorporated areas of the County of Santa Clara (“County”). The report has been prepared by Keyser Marston Associates, Inc. (“KMA”) under contract to the County.

Background

The County participated in a multi-jurisdiction affordable housing nexus study effort in cooperation with eleven other jurisdictions in Alameda and Santa Clara counties. This led to preparation of a 2016 affordable housing nexus study (“2016 Countywide Study”) to support consideration of affordable housing requirements applicable to new residential and non-residential development in unincorporated areas of the County. The 2016 Countywide Study did not address the Stanford University Campus (“Stanford Campus”). In 2018, an Addendum was prepared to address the Stanford Campus and incorporated as a component of an expanded report entitled Affordable Housing Nexus Studies (“2018 Nexus Study”). In 2020, a Supplement to the Affordable Housing Nexus Studies was prepared (“Nexus Supplement”) to update maximum fee level findings of the 2016 Countywide Study to reflect current affordable unit development costs and net subsidy requirements.

The County established affordable housing requirements applicable within the Stanford University Community Plan Area (“SCPA”) of the unincorporated County through adoption of two ordinances (“2018 Ordinances”):

- **Inclusionary Ordinance**[1] establishing a requirement to set-aside 16% of units as affordable within new residential development of three or more units within the SCPA (“SCPA Inclusionary Ordinance”); and a

- **Mitigation Fee Ordinance**[2] establishing a new affordable housing impact fee of $68.50 per square foot of academic space development within the SCPA, with the option to construct affordable units instead of paying the fee (“SCPA Mitigation Fee Ordinance”).

Report Purpose and Contents

This report was prepared to support consideration of the potential expansion of affordable housing requirements to new development throughout the unincorporated area of the County by providing the following analysis and policy information:

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[1] Ordinance No. NS-1200.368 which adds Section 4.20.130 to the County ordinance code related to Inclusionary Housing for the Stanford University Community Plan Area.
[2] Ordinance No. NS-300.929 establishing the Stanford University Community Plan Area Academic Space Affordable Housing Impact Mitigation Fee.

a. Overview of development activity in the unincorporated County;

b. Housing market data;

c. Estimated costs for residential developments to provide affordable units in compliance with a potential inclusionary requirement;

d. Summary of affordable housing requirements in other jurisdictions;

e. Recap of key findings of the nexus study; and

f. Recommendations that draw on analysis findings and the policy framework established by the 2018 Ordinances.

Findings and recommendations for residential and non-residential development are provided in Sections II and III, respectively. Supporting analysis is provided in Sections IV and V.

II. RESIDENTIAL SUMMARY AND RECOMMENDATIONS

A. Summary of Findings

1. *Nature of Development Activity* – Residential development activity in the unincorporated County outside of the SCPA consists primarily of single-family developments within rural areas of the County. An average of approximately 40 new residential units and 18 accessory dwelling units (ADUs) are built annually. Most residential units are within small one- or two-unit developments. Subdivision activity for projects that have three or more units averages approximately four lots per year countywide. Median home prices for newer units are in the $2 million range in the southern portion of the County and unincorporated areas near San Jose and in the $3 to $4 million range in unincorporated areas near Los Gatos, Saratoga and Los Altos.

2. *Nexus Maximums* – The Nexus Supplement identified maximum fee level findings of $25.80 per square foot for single family residential development and a slightly higher maximum fee level for units built within "County islands." Findings reflect the cost of mitigating affordable housing impacts of new residential development.

3. *Estimated Cost to Comply with an Inclusionary Requirement On-Site* – A small subdivision complying with a 16% inclusionary requirement by providing on-site units is estimated to experience a cost equivalent to approximately $49 to $99 per square foot (psf) in the development. The higher end of the cost range reflects projects in the higher priced locations of unincorporated Los Gatos, Saratoga and Los Altos. Costs could be reduced from these estimates if the square footage size of affordable units is permitted to be less than the market rate units.

4. *Estimated Cost to Comply with an Inclusionary Requirement Through Conversion of Market Rate Units* – Purchasing and deed-restricting existing market rate units is an option under the SCPA Inclusionary Ordinance. This alternative was found to have a somewhat lower cost than building affordable units on-site. The estimated cost equates to $39 to $61 psf for each square foot in the development. The lower end of the cost range is reflective of South County communities such as San Martin and unincorporated areas around Gilroy and Morgan Hill. Estimates assume purchased units are in a nearby incorporated city and that twice as many affordable units are required when provided as converted market rate units consistent with the SCPA Inclusionary Ordinance.

5. *Survey of Other Programs* – Information regarding other inclusionary programs is included in Section IV. to provide context for consideration of an expanded County program. A summary of requirements for the cities within the County and five other counties is provided.

B. Recommendations

Following are recommendations for consideration of an expansion of the County's Inclusionary Ordinance to residential development throughout the County unincorporated area. Recommendations were developed in collaboration with County staff and incorporate prior direction from the Board of Supervisors. Recommendations reflect the nature of residential development activity in the unincorporated County, nexus analysis results, programs in nearby jurisdictions and the policy framework established in the SCPA Inclusionary Ordinance. Recommendations are summarized in Table II-1, followed by a narrative discussion.

Table II-1. Summary of Residential Program Recommendations	
Affordable Unit Percentage	16%
Income Level of Affordable Units	For-Sale: Moderate; Rental: Low
In-Lieu Fee Alternative	In-lieu fee alternative available to projects under 7 units and to meet fractional unit inclusionary obligations

1. *Consistent Policy* – Establish a countywide inclusionary policy that is generally consistent with the SCPA Inclusionary Ordinance but distinguished in certain respects as a reflection of differences in the nature of residential development activity.

2. *Affordable Unit Percentage* – Maintain the affordable unit percentage requirement of 16% for purposes of a countywide program. A 16% requirement is within the range of neighboring counties and the cities within the County and establishing a countywide requirement at the same level as applies to the SCPA will provide for consistency.

3. *Income Level of Affordable Units* – With for-sale projects, a requirement to provide moderate-income units is recommended consistent with the SCPA Inclusionary Ordinance as well as most other inclusionary programs in the County. For rental projects, a requirement to provide Low Income units is recommended, consistent with a number of other inclusionary programs in the County. The SCPA Inclusionary Ordinance requires a distribution of affordability levels for rentals, a requirement reflective of nexus findings specific to Stanford and more appropriate to larger-scale residential development within the SCPA that makes a distribution of affordability levels more practical.

4. *Minimum Project Size* – The County is considering a new countywide inclusionary requirement that applies to residential development projects with three or more units, consistent with the SCPA Inclusionary Ordinance.

5. *In-Lieu Fee Alternative* – Include an in-lieu fee as an alternative to providing affordable units on-site for projects under seven units in size. In addition, allow fractional unit inclusionary obligations in projects with seven or more units to be satisfied with an in-lieu

fee payment. The recommended seven-unit project size threshold for the requirement to build the affordable units is based on the minimum project size for which one whole affordable unit is required under a 16% inclusionary requirement. No subdivisions with seven or more units have been recorded in the unincorporated County outside the SCPA in the last decade. One pending subdivision with nineteen units has received tentative map approval.

The SCPA Inclusionary Ordinance does not include a fee option for projects of any size. Instead, fractional affordable unit obligations are allowed to be deferred to a subsequent residential development project. Fractional unit obligations accumulate until a whole affordable unit is required. Accumulation of fractional units is not practical for the unincorporated County outside of the SCPA because development activity is smaller in scale and not under a single ownership.

Two types of in-lieu fee structures are per square foot and per affordable unit. Per square foot in-lieu fees are more common among the surveyed communities and are often favored because they scale with the size of market rate units. Per affordable unit fees are less common but offer some advantages in terms of simplicity and ability to determine the in-lieu fee prior to knowing the exact square footage of market rate units that will ultimately be built. This may be a helpful feature for implementing a program in the unincorporated County given lots within new subdivisions are sometimes sold off to individual buyers, rather than built out by a single developer, with the unit square footage to be determined later.

The Nexus Supplement provides a basis for establishing a per affordable unit in-lieu fee at a level reflective of the County's cost of replacing affordable units not provided on-site. An in-lieu fee of $259,000 per affordable unit represents the subsidy required to produce an affordable unit at Low Income, net of financing available through tax credits. San Jose is the only program in the County with a fee per affordable unit[3], set at $157,858 for for-sale projects. Although a fee of $259,000 per affordable unit would be higher than San Jose's, homes developed in the unincorporated County tend to be larger than in San Jose,[4] which results in a lower cost on a per square foot basis[5]. A fee of $259,000 is less than the estimated cost of providing the unit within the project based on the analysis in Section IV. but is proposed to be available as an option only for projects with three to six units, or to meet fractional unit requirements.

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[3] San Jose's fee is proposed to be modified to a per square foot fee.
[4] Based on KMA analysis of CoreLogic data on homes sold in calendar year 2019 and built since 2009, newer homes in San Jose average approximately 2,000 square feet. This compares to an average for the unincorporated County of 3,912 square feet as indicated in Table IV-1.
[5] A fee of $259,000 per affordable unit converts to a cost of approximately $10.59 per square foot for the average size home of 3,912 square feet ($10.59 / SF = $259,000 per affordable unit X 16% requirement / 3,912 SF) while San Jose's $157,858 fee converts to approximately $15.79 / SF (=$157,858 X 20% / 2,000) for the average newer home in San Jose.

As an example of how the proposed in-lieu fee would apply to meet fractional affordable unit requirements, with a four-unit development and a 16% inclusionary requirement, there is a requirement for 0.64 affordable units; the in-lieu fee of $259,000 per affordable unit would be multiplied by the fractional unit requirement to determine the in-lieu fee amount due of $165,760 (=0.64 X $259,000). Based on the limited residential development activity that occurs within the unincorporated County and the fact the in-lieu fee is proposed as an alternative only for small projects and fractional units, it is estimated an average of approximately $80,000 per year would be generated.

The Nexus Supplement also provides a basis for establishing a per square foot in-lieu fee, were the County to structure the fee this way, at a level sufficient to mitigate the impacts of new residential development on the need for affordable housing, which based on the Nexus Supplement is approximately $25 per square foot. Establishing a per square foot fee at this level would be within the range of cities within the County and above the $15 psf maximum rate applicable in neighboring San Mateo and Santa Cruz counties.

6. *Accessory Dwelling Units (ADUs)* – Exempt ADUs from the inclusionary requirement, including fees, given ADUs are counted as affordable units for purposes of Regional Housing Needs Allocation (RHNA) requirements. Do not accept ADUs as meeting the inclusionary obligation for a residential development. Enforcing deed restrictions for ADUs would present challenges in that management of the unit would fall to individual homeowners. Most homeowners will be unfamiliar with requirements for operating affordable rental units, including renting only to income-qualified households at affordable rent levels. Each time a home is sold to a new owner, there would be a learning curve for the new owner. The proposed approach acknowledges the contribution ADUs make to housing affordability by exempting ADUs from the requirement while avoiding potential administrative and enforcement challenges that could occur if ADUs are permitted to be used to satisfy the requirement.

III. NON-RESIDENTIAL SUMMARY AND RECOMMENDATIONS

A. Summary of Findings

1. *Limited Development activity* – Non-residential development is limited in the unincorporated area outside of the SCPA. Of the approximately 13,000 square feet per year of non-residential construction permitted annually, approximately 70% consists of agriculture and storage structures like barns.

2. *Nexus Results* – The nexus analysis calculates maximum affordable housing fee levels for new non-residential buildings based on the linkages between construction of the new buildings, the employees that work in them, and their demand for affordable housing. Maximum supported fee conclusions are shown in Table V-2 and range from $62 psf for warehouse up to $357 psf for retail.

3. *Fees in Other Jurisdictions* – Seven other counties in California have non-residential affordable housing impact fees; eight counting San Francisco. Most have fees in the range of $1 to $7 psf. San Mateo County has higher fees of $25 psf for office and $10 psf for hotel. Three of the county programs have fees that cover agricultural structures of some kind; Santa Cruz County with a $1 psf fee for agricultural uses and “barns housing animals;” Sonoma County with a $3 psf fee that applies to agricultural processing; and, San Luis Obispo County has a $0.03 psf fee for greenhouses.

B. Recommendations

1. *Fee Level* – Consider a modest fee in the range of $3 to $7 psf. The recommended fee level is reflective of the assortment of small-scale, low-employment intensity non-residential development that occurs in the County unincorporated areas outside of the SCPA. The modest fee level proposed is a marked contrast with the fee level adopted for the SCPA of $68.50 psf. The higher fee level applicable to the SCPA reflects its far greater scale and intensity of development and location in an area experiencing some of the most acute housing affordability challenges.

2. *Project Size Subject to Fee* – Application of fees to projects of all sizes is recommended for consistency with the approach used by the SCPA Mitigation Fee Ordinance.

3. *Exemptions* – Consider exempting non-conditioned building spaces (without heat or air-conditioning), agricultural structures such as barns, and non-habitable structures that are accessory to residential uses such as storage buildings. The types of structures proposed for exemption generate relatively little employment.

Based on the above non-residential recommendations, and the minor amount of non-residential development in the unincorporated area outside of the SCPA, potential fee revenue is estimated to be in the range of approximately $20,000 per year on average.

IV. SUPPORTING ANALYSIS – RESIDENTIAL

A. Residential Building Activity – County Unincorporated Area

The following section describes the nature of residential building activity within the unincorporated County outside of the SCPA.

Approximately 40 new residential units and 18 accessory dwelling units are built each year, on average, within the County unincorporated area outside of the SCPA. New residential units average approximately 3,900 square feet in size. Accessory units average approximately 854 square feet. Table IV-1 provides a summary of historic residential permitting activity by location.

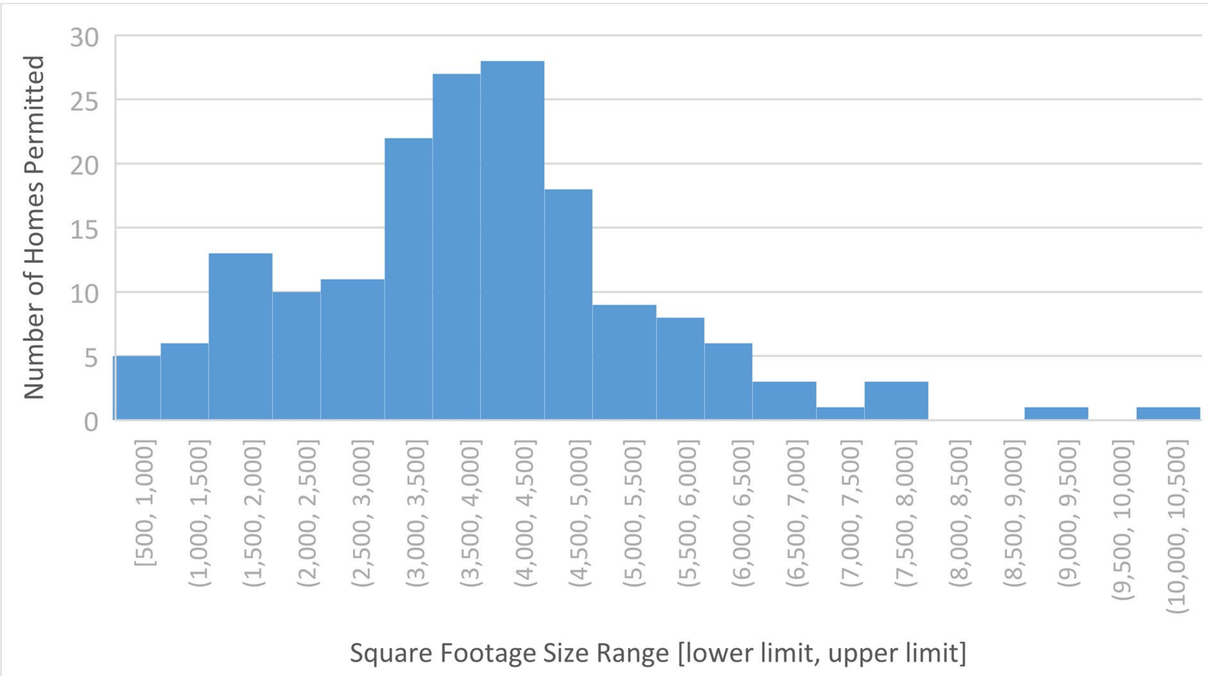
Table IV-1. Residential Building Activity: County Unincorporated Area Outside of Stanford January 2015 through June 2019

	Residential Units		Accessory Units	
	No. of Units	Average Size (Sq.Ft.)	No. of Units	Average Size (Sq.Ft.)
South County Including *Unincorp. Gilroy / Morgan Hill / San Martin*	43	3,210	25	1,020
West Valley Including *Unincorp. Los Altos / Los Gatos / Saratoga*	72	4,470	20	860
Unincorporated San Jose	63	3,760	34	730
Total / Average – Jan '15 to June '19	178	3,912	79	854
Average Number of Units Per Year	**40**		**18**	

Source: County of Santa Clara Building Permit Application Database.

The chart below shows a distribution of homes by size range, not including accessory dwelling units. Most new homes are in the range of 3,000 to 5,000 square feet.

Chart 1 – Building Permits for New Homes by Size:
Unincorporated County, excl. Stanford Area, 2015 to June 2019



Source: County of Santa Clara Building Permit Application Database. Homes with no square footage size indicated in the database have been excluded.

Table IV-2 identifies subdivisions that include three or more units from 2009 to 2019. There have been seven projects with three or more units, resulting in an average of less than one 3+ unit subdivision per year within the unincorporated County. Only one project has more than seven units, a proposed subdivision in San Martin with nineteen units that has received tentative map approval.

Table IV-2. Subdivision for Projects With 3+ Units, County Unincorporated Area Outside of SCPA

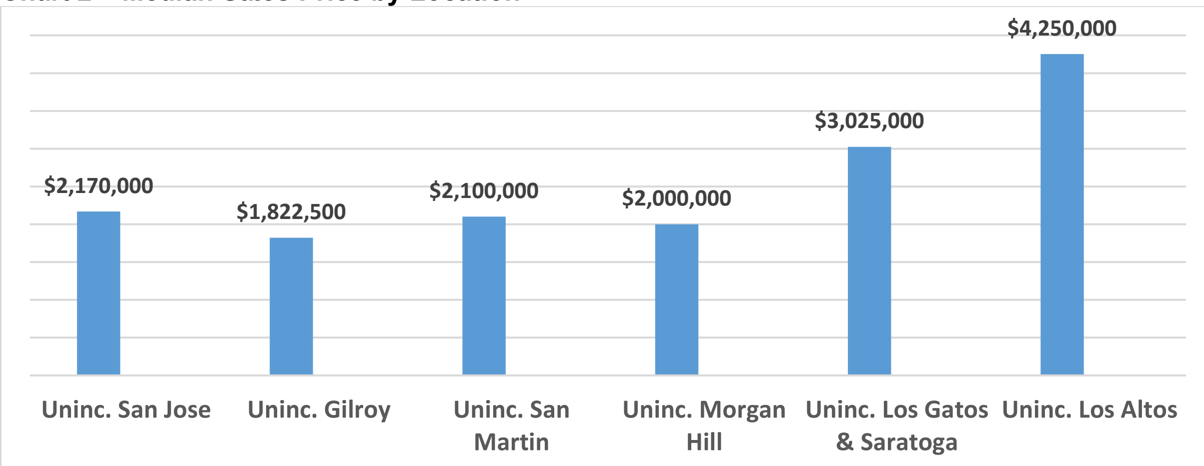
Address	No of units	Year	Location
Crothers Rd	4	2009	Unincorp San Jose
Mt Hamilton Rd	4	2010	Unincorp San Jose
22548 Ravensbury Ave	3	2011	Unincorp Los Altos Hills
5398 Alum Rock Ave	3	2014	Unincorp San Jose
8265 Watsonville Rd	3	2015	Unincorp Gilroy
10164 Pacheco Pass Hwy	4	2016	Unincorp Hollister
11811 Monterey Rd (proposed)	19	2019	San Martin
Total units	40		
Annual average	4		

Source: County of Santa Clara Planning and Development Department. Excludes four subdivision applications that were either not approved or never recorded.

B. Homes Prices in the Unincorporated County

To inform the market pricing of the prototypes, KMA reviewed sales data for homes in the unincorporated areas of the County built since 2000 and sold since January 2016. Chart 2 shows median home prices by location. Median prices are in the $3 - $4 million range in unincorporated areas near Los Altos, Los Gatos, and Saratoga and in the $2 million range in San Martin and unincorporated areas surrounding Gilroy, Morgan Hill and San Jose.

Chart 2 – Median Sales Price by Location



Source: CoreLogic sales data for 2016 to April 2019. See Appendix 1 for supporting sales data.

Table IV-3 presents a summary of the sales data by year for all locations throughout the County. The data shows increases in median and average sales price per square foot year over year from 2016 through 2018/19. Between 2016 and 2018/19, the median sales price increased 15% and the average sales price increased 19%.

Table IV-3. Sales of Newer Homes in Unincorporated Santa Clara County by Year

Year Sold	Beds	Baths	Size (SF)	Lot Size (Acres)	Sale Price	Price per SF
Median of Sales in						
2016	4	4	3,922	0.39	$2,221,500	$536
2017	4	4	3,751	0.40	$2,300,000	$654
2018/2019	5	5	4,158	0.75	$2,562,500	$709
Average of Sales in						
2016	5	5	4,415	1.25	$2,854,000	$658
2017	4	4	3,991	2.04	$2,739,000	$726
2018/2019	5	5	4,939	1.67	$3,391,000	$781

Source: CoreLogic, May 2019. Reflects homes built since 2000.

See Appendix Table 1 for the detailed sales data.

C. Estimated Cost to Provide Affordable Units Under a Potential Inclusionary Requirement

The compliance cost analysis evaluates the cost of providing required affordable units under a potential new inclusionary housing ordinance. The purpose is to assist in understanding how the cost of providing affordable units relates to that of any fee alternative. It is also useful in understanding the overall financial obligation that requirements represent.

1. Market Rate Units and Estimated Pricing

The compliance cost analysis begins by defining a set of prototypical market rate residential units representative of developments within the County unincorporated area. KMA identified three prototype residential units based on our review of recent building permit and sales data, as summarized in the prior section and included in Appendix Table 1. Table IV-4 provides a summary of the market rate prototype units.

Table IV-4. Market Rate Residential Development Prototypes

	West Valley: Unincorporated Los Altos / Los Gatos / Saratoga	South County: Unincorporated Gilroy / Morgan Hill / San Martin	Unincorporated San Jose
Building Type	One and two-story homes	One and two-story homes	Two -story homes
Average Unit Size	4,500 sf	3,400 sf	3,500 sf
Average No. of Bedrooms	5.0 BR	4.0 BR	4.0 BR
Sales Price / Market Value	$3,500,000	$1,700,000	$2,100,000
per square foot	$778	$500	$600

Source: KMA market survey and County of Santa Clara building permit data.

2. Compliance Options

KMA estimated the cost to market rate projects of complying with a potential inclusionary requirement assuming the existing 16% SCPA Inclusionary Ordinance requirement is extended countywide. Of the available options for providing affordable units under the ordinance, the KMA analysis is focused on the following two alternatives:

(1) Build-site; and

(2) Conversion of existing market rate units.

Providing units on-site may be difficult in some cases due to the small scale of projects and limited development capacity of sites. Therefore, KMA analyzed the option to convert existing market rate units in nearby incorporated communities to affordable units as another potential option for some projects.

Under the 2018 Ordinances, additional requirements apply when affordable units are provided through conversion of existing market rate units:

- Two converted units for each affordable unit required; and
- Converted units must be affordable to Low or Very Low-income households, rather than Moderate-Income as with newly constructed for-sale affordable units.

These additional requirements are an offset for the fact that converted units are otherwise less desirable in that they do not add to the housing supply.

3. Cost to Provide Converted Units

KMA estimated the cost to comply with a potential new inclusionary requirement through conversion of existing market rate units to affordable. Estimates are based on the net cost of purchasing an existing market rate unit and re-selling the unit to a qualifying household at a restricted affordable price.

4. Purchase Price for Existing Market Rate Units

KMA estimated the purchase price of converted units based on sales data for attached homes built within the past 20 years. Converted units are assumed to be provided within a modest sized attached unit at the lower end of the range of market pricing. Estimates reflect a unit at the 25th percentile of pricing for units within a size range of 1,200 square feet up to 1,900 square feet. Units more than 20 years old could be purchased for less but may also have repair and replacement needs that would represent an additional cost. Using this approach, converted units in Morgan Hill or Gilroy are estimated to have an acquisition cost of $670,000, an average size of approximately 1,600 square feet and 2.7 bedrooms, on average. For the West Valley and unincorporated San Jose projects, a converted unit in San Jose is assumed with an average of 2.5 bedrooms, 1,500 square feet and an acquisition cost of $850,000.

5. Affordable Sales Price

The SCPA Inclusionary Ordinance requires converted units to be affordable to households with Low or Very Low incomes. Low-Income pricing is assumed for purpose of estimates. Appendix Table 2 provides the supporting calculations for affordable sales prices.

6. Affordability Gap

The affordability gap represents the difference between the cost to acquire the existing market rate units and the affordable sales prices that apply after the units are restricted as affordable. The calculations are provided in Table IV-5.

Table IV-5. Affordability Gap for Converted Existing Units				
Location	Gilroy / Morgan Hill		San Jose	
No. of Bedrooms	2.7 BR		2.5 BR	
Unit Type	Townhome		Townhome	
Unit Square Footage (net)	1,600 sf		1,500 sf	
	PSF	Per Unit	PSF	Per Unit
Purchase price of existing unit (1)	$419	$670,000	$567	$850,000
Affordable Sales Price @ Low Income	($179)	($286,000)	($187)	($280,000)
Affordability Gap / Net Cost per Converted Unit	**$240**	**$384,000**	**$380**	**$570,000**

(1) Reflects sales data for attached units built within the past 20 years and sold within the last year. Pricing estimate reflects the 25th percentile of sales prices. Older units would be priced lower but may have additional rehab costs.

7. Estimated Compliance Cost for Project Providing Converted Units

Table IV-6 provides an illustration of the cost incurred by a market rate project providing converted units to satisfy inclusionary requirements. For the West Valley and Unincorporated San Jose prototype projects, the cost equates to approximately $61 per square foot. For South County projects, the estimate equates to a cost of $39 per square foot.

Table IV-6. Estimated Cost to Provide Converted Units	**West Valley: Unincorporated Los Altos / Los Gatos / Saratoga**	**South County: Unincorporated Gilroy / Morgan Hill / San Martin**	**Unincorporated San Jose**
Market Rate Units in Project	3 Units	3 Units	3 Units
Market Rate Unit Average Size	4,500 sf	3,400 sf	3,500 sf
Market Rate Unit No. of Bedrooms	5.0 BR	4.0 BR	4.0 BR
Inclusionary Requirement	16%	16%	16%
Inclusionary Units Required	0.57	0.57	0.57
Multiplier for Converted Units	2X	2X	2X
Converted Units Required (1)	1	1	1
Converted Unit Minimums			
Aggregate Bedrooms	3.0 BR	2.0 BR	2.0 BR
Aggregate Square Feet	2,160 sf	1,632 sf	1,680 sf
Gap per affordable unit square foot (2)	$380	$240	$380
Net Cost to Provide Converted Units	$821,000	$392,000	$638,000
Cost Per Market Rate Unit	**$274,000**	**$131,000**	**$213,000**
Cost Per Market Rate Sq.Ft.	**$61/SF**	**$39/SF**	**$61/SF**

(1) Assumes standard rounding.
(2) From Table IV-5. Assumes converted units selected to align with minimum unit size standard and that converted units for South County projects provided in Gilroy/Morgan Hill and converted units for West Valley and unincorporated San Jose provided in San Jose.

Estimates assume the following criteria apply to converted units:

a. Twice as many affordable units are required when provided as converted units. This is consistent with the SCPA Inclusionary Ordinance.

b. Units may be located within a nearby incorporated city.

c. The aggregate number of bedrooms at least equals the number of bedrooms that would be provided with on-site compliance.

d. The aggregate square footage must at least equal the aggregate square footage of the market rate units multiplied by the 16% inclusionary requirement. For example, for a project with 3 new 4,500 square foot market rate units with an aggregate total of 13,500 square feet, Converted Unit(s) would need to have a combined square footage of 2,160 (=13,500 sq.ft. X 16%). A single 2,160 square foot unit could be provided, or two smaller units could be provided to meet this minimum.

8. Cost to Provide On-Site Units

KMA prepared an illustrative estimate of the cost to provide inclusionary units on-site in the event a project with seven or more units is developed, the minimum size at which a whole on-site inclusionary unit would be required under proposed requirements. As shown in Table IV-7, the cost of providing on-site inclusionary units is estimated to equate to approximately $99 psf for a project in the West Valley unincorporated area, $49 psf in South County, and $66 psf in unincorporated San Jose. Estimates are based on the difference between market rate sales prices and restricted affordable sales prices.

Table IV-7. Illustrative Compliance Cost Analysis with On-Site Affordable Units

			West Valley: Unincorporated Los Altos / Los Gatos / Saratoga	South County: Unincorporated Gilroy / Morgan Hill / San Martin	Unincorporated San Jose
A.	No. of Bedrooms		5.0 BR	4.0 BR	4.0 BR
B.	Market Rate Unit Size		4,500 sf	3,400 sf	3,500 sf
C.	Market Value / Sales Price		$3,500,000	$1,700,000	$2,100,000
D.	Affordable Sales Price		($706,000)	($667,000)	($667,000)
E.	Affordability Gap		$2,794,000	$1,033,000	$1,433,000
F.	Inclusionary Percent		16%	16%	16%
G.	Net Cost Per Unit in Project	=F. X E.	$447,040	$165,280	$229,280
H.	Net Cost per square foot in Project	=G. / B.	**$99 / SF**	**$49 / SF**	**$66 / SF**

For purposes of these illustrative estimates, the aggregate square footage of affordable units is assumed to be at least equal to the aggregate square footage of market rate units multiplied by a 16% inclusionary requirement. Multiple smaller affordable units could be permitted in place of a single larger affordable unit. The cost of providing on-site units could be reduced if the square footage of affordable units is not required to be the same as the market rate units.

D. Recap of Nexus Supplement

The Nexus Supplement calculates updated maximum affordable housing impact fee levels for residential development in the unincorporated area based on the impact of new residential development on the need for affordable housing. Maximum fee level findings are summarized in Table IV-8.

Table IV-8. Maximum Supported Impact Fee Levels, Residential	
Single Family Detached	$25.80 Per Square Foot*
Smaller Single Family Detached, County Island	$29.20 Per Square Foot*

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

E. Residential Affordable Housing Requirements in Other Jurisdictions

KMA summarized affordable housing requirements adopted by cites within Santa Clara County, the requirement applicable to the SCPA, and requirements in five other counties including San Mateo, Santa Cruz, Marin, Monterey, and San Luis Obispo. The focus is on key provisions of each program including the project size thresholds, fee levels and on-site affordable unit requirements.

1. On-Site Requirements and Affordability Level

The jurisdictions surveyed have programs that require 8% to 20% affordable units onsite, with 15% being the most common. The affordability level applicable to for-sale projects is usually in the Moderate-income range. For rentals, the most common requirement is for Low and/or Very Low units. Table IV-9 provides a summary.

Table IV-9. Inclusionary Program Affordable Unit Set-aside Requirements		
	Inclusionary Percentage	**Income Level**
Santa Clara County SCPA	16%	FS: Moderate; R: Mix of ELI/VL, Low, Moderate
San Mateo County	20%	FS multi-family: ELI to Moderate; Single Family: Mod; R: ELI to Low
Santa Cruz County	15%	FS: Moderate R: Low
San Luis Obispo County	8%	FS: Very Low to Workforce R: Exempt
Monterey County*	20%	Very Low to Moderate
Marin County	20%	FS: Low R: Very Low
Campbell	15%	FS: Low and Moderate R: 60% Low; 40% Very Low
Los Altos	15% for-sale and smaller rentals Rentals with 10+ units: 20% Low or 15% Very Low	FS: Moderate If <10 units, one unit at Low R: Low or Very Low
Milpitas	15%	R: Low or Very Low FS: Moderate, Low or Very Low
Cupertino	15%	FS: 1/2 Median; 1/2 Moderate R: 40% Low, 60% Very Low
Mountain View	15%; 25% for townhomes	FS: Moderate (+10% above mod for townhomes) R: Low
San Jose**	FS and R: 15% R: 10% if provide ELI units	FS: Moderate R: 5% Very Low, 5% Low, 5% Moderate
Sunnyvale	FS: 12.5% R: credits toward fee	FS: Moderate
Santa Clara City	15%	Average 100% AMI
Palo Alto	FS, < 5 acres: 15% FS, >5 acres: 20% R: Fee	FS: 2/3 Median, 1/3 Moderate
Morgan Hill	15% and 10% Downtown	FS: Moderate R: 50% Low and 50% Very Low

FS = For-Sale; R= Rental; ELI = Extremely Low Income; VL = Very Low Income; Mod = Moderate Income
**Monterey County is pursuing an update to its inclusionary requirements.*
*** Reflects proposed revisions consistent with Council direction provided November 2019.*

2. *Project Size Thresholds*

Inclusionary ordinances must specify the minimum project sizes to which requirements will apply. There are two types of size thresholds:

- Size threshold to determine which projects are subject to the ordinance; and
- Size threshold to determine which projects will be required to construct the affordable units, rather than be permitted to pay an in-lieu fee.

Table IV-10 provides a summary of thresholds used by the other jurisdictions surveyed.

Table IV-10. Inclusionary Program Project Size Thresholds		
	Minimum Project Size Subject to Ordinance	**Minimum Project Size Required to Provide Unit**
Santa Clara County, SCPA	3 units	7 units (smallest size requiring whole unit)
San Mateo County	1 unit	10 units for-sale multi-family; other projects may pay fee
Santa Cruz County	1 unit	7 units (fee only w/approval); rentals may pay fee
San Luis Obispo County	1 unit	fee permitted for all projects
Monterey County*	3 units	5 units
Marin County	1 unit	3 units
Campbell	10 units	10 units (projects less than 6 du/ac may pay fee)
Los Altos	5 units	10 units
Milpitas	10 units	10 units (fee w/approval)
Cupertino	1 unit	7 units; rentals may pay fee
Mountain View	1 unit	7 units
San Jose**	5 units	fee permitted for all projects
Sunnyvale	R: 4 units; FS 8 units	FS: 8 units
Santa Clara City	3 units	10 units
Palo Alto	3 units	FS: 7 units; R may pay fee
Morgan Hill	2 units	2 units (fee only w/approval)

**Monterey County is pursuing an update to its inclusionary requirements.*

*** Reflects proposed revisions consistent with Council direction provided November 2019.*

Four of the five county programs surveyed have requirements applicable to projects of all sizes including single units. Cupertino and Mountain View also apply requirements to single unit developments. Other communities have minimum project size thresholds ranging from two to ten units.

Whether development projects have the choice between paying a fee or providing on-site units is a critical feature of any program. San Jose and San Luis Obispo County allow all projects to pay a fee in lieu of providing affordable units. Sunnyvale, Palo Alto, Cupertino, San Mateo County and Santa Cruz County allow rental projects to pay a fee. Other jurisdictions require projects above a size threshold to include onsite units, sometimes allowing in-lieu fee payment with special approval.

3. *Fee Levels*.

Table IV-11 provides a summary of fee levels in place for the various programs surveyed. For rentals, the cities within the County have fees ranging from $9 to $43 per square foot, except Mountain View which recently adopted much higher fees at $96 psf. The county programs range from providing an exemption for rentals up to $16 psf in Marin County for larger-sized units.

Fees on for sale units, where permitted, reflect a range of approaches and levels. Most fees are established on a per square foot basis. Four of the five county programs have some form of a tiered fee structure that varies based on the size of the unit. This includes San Mateo, Santa Cruz, San Luis Obispo, and Marin counties.

San Jose is the only surveyed program within the County that has an in-lieu fee per affordable unit, set at $157,858 for for-sale projects and $125,000 for rentals. A 20% requirement applies to projects that utilize the in-lieu fee alternative, higher than the 15% requirement that applies in the case of on-site compliance. San Jose's program is proposed to be modified to a per square foot fee and the proposed modified requirements are reflected in Table IV-11. Marin County has a fee per affordable unit that applies to for-sale projects with two or more units. Monterey County also has a fee per affordable unit.

The summary information presented in this section is intended for general comparison purposes only. An effort has been made to present current information; however, it is possible that requirements and fee levels have been revised since KMA's research was completed. For use other than a general comparison, please consult the website, code language, and staff of the individual jurisdictions.

Table IV-11. Residential Fees in Other Jurisdictions		
	For-Sale	**Rentals**
Santa Clara County SCPA	no fee option	no fee option
San Mateo County	1 unit: $5 psf above 2,500 SF 2-4 units: $5 psf, 1st 2,500 SF then $12.50 SF 5+ units: $15 psf MF 5-9 units: based on gap calculation	$10 psf
Santa Cruz County	5+ units: $15 psf Six Units or Fewer: Up to 2,000 sf: 1 unit: $2 psf, 2-4 units: $7 psf 2,001-2,500 sf: 1 unit: $3 psf, 2-4 units: $8 psf 2,500 - 3,000 sf: 1 unit: $5 psf, 2-4 units: $10 psf 3,001 - 4,000 sf: 1 unit - $10 psf, 2-4 units: $12 psf, 4,001 sf and up :$15 psf	$2 psf
San Luis Obispo County	First 2,200 sq. ft. – Exempt Next 300 sq. ft. (2,201 to 2,500 SF): $8 psf Next 500 sq. ft. (2,501 to 3,500 SF): $12 psf Next 1,120 (3,501 to 4,621 SF): $16 psf 4,621 sq. ft. and over: $7 psf entire home	Exempt
Monterey County*	in-lieu fee per required affordable unit. Separate rate for nine different geographic areas. Fee based on affordability gap.	Same as for-sale
Marin County	<u>One Unit Projects:</u> 0 - 2,000 SF: exempt; 2,000 - 2,999 SF: $6.32 psf (exempt if include ADU) 3,000 SF+: $13.41 psf ($6.71 psf if include ADU) <u>Two or More Unit Projects</u> $311,179 per required affordable unit [assuming a 2,500 SF average unit size, fee represents approximately $25 psf]	Fees vary by unit size: 0 – 500 SF: $5.37 psf 501 – 999 SF: $10.73 psf 1,000+ SF: $16.10 psf.
Campbell	$34.50 psf	$21.50 psf
Los Altos	Fee not yet established	Fee not yet established
Milpitas	$33 psf	$33 psf
Cupertino	Detached $17.82 psf, small Lot $19.60 psf, MF $23.76 psf	<35 du/Ac $23.76 psf, >35 du/Ac $29.70 psf
Mountain View	$54.50 psf; $125 psf for townhomes	$96 psf
San Jose**	Stronger market areas: $25 psf Moderate market areas: $18.26 psf	Stronger market: $43 psf; Moderate market: $18.26 psf; reduced if 5% affordable on-site
Sunnyvale	7% of sales price	$9 psf (4-7 units), $18 psf (8+ units)
Santa Clara	Single family: $30 psf; Townhome: $25 psf; Condo: $20 psf	$20 psf
Palo Alto	Single Family $77.62 psf; Single Family Attached $51.75 psf Condominiums $51.75 psf	$20.70 psf
Morgan Hill	FS: $19.70 psf, FS Downtown: $13.20 psf	$29 psf, Downtown: $14.50 psf

**Monterey County is pursuing an update to its inclusionary requirements.*

*** Reflects proposed revisions consistent with Council direction in November 2019.*

V. SUPPORTING ANALYSIS – NON-RESIDENTIAL

A. Non-Residential Building Activity – County Unincorporated Area

The following section describes the nature of non-residential building activity within the County unincorporated area outside of the SCPA. During the period from 2014 to 2018, an average of approximately 13,000 square feet per year of new non-residential structures were permitted. If agricultural and storage structures are excluded, the average is under 4,000 square feet per year. Table V-1 provides a summary of building permits for new non-residential construction over a five-year period. Appendix Table 3 provides the supporting detail by individual non-residential building permit.

Table V-1. Non-Residential Construction 2014-2018 County Unincorporated Area Outside Stanford Community Plan Area		
Building Type	**No. of Permits**	**Building Sq.Ft.**
Accessory Structures and Storage	10	12,739
Agriculture-Related	12	24,978
Office	3	4,807
Light Industrial / Other	5	14,052
5-Year Total	30	56,576
5-Year Total, Excluding Storage and Agricultural		18,859
Annual Average		12,869
Annual Average Excluding Storage & Agricultural		3,772

Source: KMA analysis of County of Santa Clara Building Permit Data.

B. Nexus Study Maximum Fee Level Findings for Non-Residential Development

The Nexus Supplement provides updated maximum affordable housing impact fee levels for a range of non-residential building types. Findings are based on the impact of new non-residential development on the need for affordable housing. Maximum fee level findings are summarized in Table V-2.

Table V-2. Nexus Maximums for Non-Residential Development	
Building Type	**Maximum Supported Fee Per Square Foot**
Office	$170.10
Retail	$357.40
Hotel	$170.40
Light Industrial	$185.20
Warehouse	$62.10

Source: Nexus Supplement.

C. Non-Residential Fees in Other Jurisdictions

Table V-3 summarizes fee levels for other counties as well as the cities within the County of Santa Clara that have adopted non-residential fees.

Silicon Valley and the Peninsula, which have some of the strongest real estate market conditions in the Bay Area, is where many of the jurisdictions with the highest fee levels are found. For office, fee levels range from $8 psf (Milpitas) to $36 psf (Palo Alto), with many in the $15-$25 psf range. For retail, fee ranges are much broader as some jurisdictions have adopted similar fee levels across all building types while others have lower fee levels for retail and hotels. The City of San Jose is in the process of considering a new commercial linkage fee program.

For the programs in other counties, office fees range from just under $1 per square foot in Sacramento and San Luis Obispo counties to $25 per square foot in San Mateo County. For Retail, the counties range from $0.77 psf (Sacramento County) to $7.50 (Napa County) and with hotel, the range is $0.92 psf (Sacramento County) to $10.00 psf (San Mateo County). In neighboring Santa Cruz County, the fee is $3 psf for most commercial development and $1 psf for agricultural and barns housing animals. Sonoma County also has a fee that applies to agricultural related uses at $3 psf.

Table V-3. Non-Residential Housing Impact Fees – Other Counties and Cities in County of Santa Clara

Fees ($psf)	Office	Retail	Hotel	Industrial	Agricultural / Processing
Counties					
San Mateo County	$25.00	$5.00	$10.00	N/A	N/A
Marin County	$7.19	$5.40	$3.00	$3.74	N/A
Santa Cruz County	$3.00	$3.00	$3.00	$3.00	$1.00
Sonoma County	$2.92	$5.05	$2.92	$3.01	$3.01
Napa County	$5.25	$7.50	$9.00	$4.50	N/A
Sacramento County	$0.97	$0.77	$0.92	$0.61	N/A
San Luis Obispo County	$0.96	$1.36	$1.44	$0.58	$0.03
Cities in County of Santa Clara					
Palo Alto	$36.22	$21.08	$21.08	$21.08	N/A
Milpitas(1)	$8.00	$8.00	$8.00	$4.00	N/A
Mountain View	$26.27	$2.81	$2.81	$26.27	N/A
City of Santa Clara	$20.00	$5.00	$5.00	$10.00	N/A
Cupertino	$23.76	$11.88	$11.88	$23.76	N/A
Sunnyvale	$16.00	$8.00	$8.00	$16.00	N/A

(1) Identifies full phase in level. N/A = No fee or no applicable category

Appendix Table 4 provides information regarding other programs in the Bay Area and elsewhere in California, including information on customized features such as size thresholds, exemptions, and build options.

APPENDIX TABLES

APPENDIX TABLE 1
RECENT HOME SALES BY LOCATION
INCLUSIONARY HOUSING POLICY ANALYSIS
COUNTY OF SANTA CLARA, CA

Units Built Since 2000 and Sold Since January 2016

	Yr. Built	BD	BA	Net SF	Lot Size (Acres)	Sale Price	$/SF	Sale Date
Unincorporated Gilroy								
12260 Heritage Way	2017	4	5	4,760	2.22	$2,385,000	$501	7/13/2018
2560 Butch Dr	2001	4	5	7,166	9.92	$2,560,000	$357	1/3/2018
1120 Day Rd	2007	3	3	3,570	2.46	$1,510,000	$423	12/26/2017
8715 Leavesley Rd	2007	5	6	5,403	35.44	$2,551,000	$472	12/14/2017
10809 New Ave	2000	4	4	4,208	8.80	$1,960,000	$466	9/6/2017
4700 Meritage Ct	2000	4	5	4,708	2.85	$1,725,000	$366	8/25/2017
10095 Pomo Pl	2006	3	3	3,588	2.06	$1,845,000	$514	7/19/2017
12240 Heritage Way	2009	4	5	4,132	2.67	$1,800,000	$436	4/17/2017
1330 Rucker Ave	2004	4	3	3,873	4.20	$1,525,000	$394	12/9/2016
10750 Guibal Ave	2006	3	3	2,772	7.20	$1,300,000	$469	2/9/2016
Median	**2006**	**4**	**4.5**	**4,170**	**3.53**	**$1,822,500**	**$451**	**8/31/2017**
Average	**2006**	**3.8**	**4.2**	**4,418**	**7.78**	**$1,916,100**	**$440**	**7/27/2017**
Unincorporated Los Altos								
685 Greenview Pl	2018	5	6	3,745	0.29	$6,000,000	$1,602	10/3/2018
1431 Topar Ave	2005	4	5	3,271	0.37	$5,000,000	$1,529	8/30/2018
290 Quinnhill Rd	2016	5	5	4,300	0.52	$6,168,000	$1,434	6/25/2018
1601 Crestview Dr	2018	5	4	2,733	0.18	$3,615,000	$1,323	4/27/2018
1365 Country Club Dr	2017	5	8	4,887	0.67	$6,800,000	$1,391	4/24/2018
24580 Ruth Lee Ct	2011	5	5	5,089	0.77	$5,700,000	$1,120	4/17/2018
1693 Fairway Dr	2018	5	6	3,372	0.31	$4,000,000	$1,186	4/17/2018
858 Hierra Ct	2013	5	4	3,397	0.34	$4,300,000	$1,266	3/23/2018
1695 Whitham Ave	2017	5	6	4,265	0.47	$4,250,000	$996	2/16/2018
901 Loyola Dr	2017	5	5	4,565	0.16	$4,725,000	$1,035	1/31/2018
11682 Winding Way	2008	3	3	1,539	0.14	$2,250,000	$1,462	11/3/2017
480 Border Hill Rd	2008	4	6	4,411	0.49	$5,650,000	$1,281	10/26/2017
748 Loyola Dr	2008	4	5	4,104	0.57	$7,190,000	$1,752	10/17/2017
1507 Arbor Ave	2006	5	5	3,264	0.25	$3,450,000	$1,057	10/10/2017
903 Loyola Dr	2017	5	5	4,158	0.18	$3,560,000	$856	9/13/2017
1641 Crestview Dr	2014	5	4	3,142	0.26	$4,480,000	$1,426	6/22/2017
1518 Hillview Dr	2002	4	4	3,895	0.54	$4,910,000	$1,261	4/28/2017
1677 Whitham Ave	2018	6	7	5,990	0.45	$4,000,000	$668	1/4/2017
1669 Whitham Ave	2018	4	6	4,784	0.56	$4,000,000	$836	1/4/2017
838 Hierra Ct	2016	4	4	2,567	0.17	$3,201,000	$1,247	12/1/2016
1636 Crestview Dr	2017	5	5	3,668	0.26	$4,900,000	$1,336	11/29/2016
1611 Shirley Ave	2016	6	6	3,752	0.18	$3,535,000	$942	11/21/2016
1443 Topar Ave	2002	5	5	3,364	0.37	$3,180,000	$945	11/14/2016
944 Lundy Ln	2006	7	7	5,502	0.27	$3,600,000	$654	10/3/2016
284 Quinnhill Rd	2008	5	4	2,673	0.32	$3,500,000	$1,309	9/30/2016
24610 Ruth Lee Ct	2014	5	6	6,026	0.59	$7,500,000	$1,245	9/12/2016
24600 Ruth Lee Ct	2014	5	5	4,925	0.65	$7,210,000	$1,464	6/20/2016
11722 Putter Way	2001	3	3	1,500	0.16	$1,800,000	$1,200	4/13/2016
1346 Arbor Ave	2018	6	7	4,971	0.31	$2,225,000	$448	3/17/2016
Median	**2014**	**5**	**5**	**3,895**	**0.32**	**$4,250,000**	**$1,247**	
Average	**2012**	**4.8**	**5.2**	**3,926**	**0.37**	**$4,506,862**	**$1,182**	
Unincorporated Morgan Hill								
1605 W Edmundson Ave	2009	4	5	4,158	9.73	$2,675,000	$643	9/7/2018
280 San Bruno Ave	2004	3	3	1,910	0.91	$1,160,000	$607	7/24/2018
2115 Lilac Ln	2007	4	4	3,711	1.12	$2,049,000	$552	6/21/2018
2370 Rockwood Ranch Rd	2000	4	5	4,740	2.41	$2,000,000	$422	3/22/2018
15955 Oak Glen Ave	2006	4	6	5,132	1.54	$3,250,000	$633	5/12/2017
19160 Calle Moniz	2016	5	5	3,345	1.21	$880,000	$263	4/6/2017
16025 Oak Glen Ave	2006	6	8	7,479	8.37	$5,600,000	$749	1/12/2017
13495 A Sycamore Dr	2009	5	4	3,894	0.92	$1,599,000	$411	12/23/2016
2390 Rockwood Ranch Rd	2004	4	6	5,015	2.27	$1,822,000	$363	11/29/2016
15605 Oak Glen Ave	2002	8	6	6,562	2.08	$2,800,000	$427	10/5/2016
16100 De Witt Ave	2008	4	6	4,547	2.50	$1,887,000	$415	1/4/2016
Median	**2006**	**4**	**5**	**4,547**	**2.08**	**$2,000,000**	**$427**	**4/6/2017**
Average	**2006**	**4.6**	**5.3**	**4,590**	**3.01**	**$2,338,364**	**$499**	

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Unincorporated San Jose

143 Sunnyslope Ave	2016	4	2	2,063	0.16	$1,110,000	$538	4/11/2019
14904 Bronson Ave	2004	3	3	2,444	0.22	$1,885,000	$771	3/22/2019
14907 Donner Dr	2004	4	4	3,038	0.22	$2,501,000	$823	3/22/2019
2551 Mount Pleasant Rd	2011	5	4	4,735	1.52	$2,280,000	$482	1/24/2019
14521 Weeth Dr	2018	5	5	4,370	0.40	$2,250,000	$515	1/24/2019
4020 Higuera Highland Ln	2007	6	5	6,427	11.03	$2,562,500	$399	12/6/2018
458 Richmond Ave	2010	3	2	1,350	0.14	$1,049,000	$777	11/14/2018
14701 Standish Dr	2001	4	3	3,797	0.23	$2,250,000	$593	9/10/2018
88 Donna Adelle Ct	2005	4	3	2,234	0.17	$1,305,000	$584	6/8/2018
14800 Berry Way	2005	6	4	3,345	0.21	$2,220,000	$664	4/4/2018
14843 Payton Ave	2018	5	4	3,418	0.22	$2,432,000	$712	3/15/2018
4075 Soelro Ct	2008	6	6	6,122	1.11	$2,375,000	$388	1/8/2018
14384 Lenray Ln	2007	4	4	3,779	0.25	$2,170,000	$574	12/15/2017
14920 Sutton Dr	2017	5	4	3,989	0.27	$2,350,000	$589	11/9/2017
14842 Berry Way	2017	5	5	3,700	0.22	$2,319,000	$627	9/28/2017
14901 Bronson Ave	2017	5	5	3,751	0.22	$2,430,000	$648	9/20/2017
14850 Conway Ave	2017	5	5	3,700	0.21	$2,287,000	$618	9/8/2017
14871 Nelson Way	2017	5	5	3,751	0.21	$2,380,000	$634	7/22/2017
14574 Nelson Way	2006	4	4	2,877	0.22	$2,205,000	$766	7/17/2017
14880 Conway Ct	2003	4	5	3,131	0.22	$2,100,000	$671	7/3/2017
15889 Miradero Ave	2016	4	3	2,795	0.22	$1,350,000	$483	6/28/2017
14900 Nelson Way	2003	4	3	2,607	0.21	$1,800,100	$690	6/20/2017
4010 Soelro Ct	2000	5	3	3,575	1.25	$1,360,000	$380	4/19/2017
14351 Lenray Ln	2002	4	5	3,260	0.22	$1,869,000	$573	4/5/2017
14927 Conway Ave	2017	5	4	3,517	0.25	$2,300,000	$654	3/2/2017
14510 Bercaw Ln	2016	7	7	4,572	0.39	$2,425,000	$530	2/28/2017
14721 Charmeran Ave	2007	3	4	2,839	0.40	$2,450,000	$863	2/13/2017
157 Wabash Ave	2000	4	3	2,208	0.13	$1,070,000	$485	12/14/2016
469 Richmond Ave	2007	3	3	2,025	0.14	$985,000	$486	11/18/2016
14804 Acton Dr	2016	4	3	2,880	0.21	$1,755,500	$610	10/13/2016
14484 New Jersey Ave	2002	4	3	3,850	0.18	$1,813,500	$471	8/29/2016
4522 Porter Ct	2012	5	4	2,735	0.15	$1,150,000	$420	8/8/2016
5088 Alum Rock Ave	2006	4	3	2,208	0.12	$820,000	$371	8/5/2016
2560 Cypress Ridge Ave	2000	4	4	3,949	0.88	$1,485,000	$376	7/22/2016
12526 Poppy Ln	2016	5	4	3,530	0.36	$400,000	$113	6/23/2016
10312 Claudia Dr	2005	3	1	997	0.13	$520,000	$522	6/3/2016
14551 Bercaw Ln	2016	5	5	3,883	0.40	$2,239,000	$577	4/25/2016
14667 Berry Way	2016	5	5	3,751	0.23	$2,218,000	$591	3/31/2016
3035 Three Springs Ct	2007	4	3	2,131	1.49	$935,000	$439	1/19/2016
Median	**2007**	**4**	**4**	**3,418**	**0.22**	**$2,170,000**	**$577**	**7/3/2017**
Average	**2010**	**4.5**	**3.9**	**3,316**	**0.64**	**$1,830,913**	**$564**	

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INCLUSIONARY HOUSING POLICY ANALYSIS
COUNTY OF SANTA CLARA, CA

Units Built Since 2000 and Sold Since January 2016

Unincorporated Los Gatos and Saratoga

16021 Wood Acres Rd	2017	4	4	3,358	0.75	$1,825,000	$543	4/12/2019
15710 West Rd	2003	6	5	6,263	0.96	$4,775,000	$762	4/9/2019
15940 Escobar Ave	2006	5	5	4,435	0.18	$3,190,000	$719	3/18/2019
16040 Overlook Dr	2010	4	6	11,507	2.76	$6,995,000	$608	2/15/2019
16416 Shady View Ln	2000	4	4	3,581	0.23	$3,250,000	$908	1/29/2019
18685 Serramonte Dr	2002	6	7	6,913	0.90	$5,150,000	$745	11/15/2018
16401 Matilija Dr	2005	5	7	12,227	1.36	$10,650,000	$871	10/30/2018
20545 Beggs Rd	2007	5	4	5,087	2.34	$2,900,000	$570	9/5/2018
16494 Farley Rd	2018	5	6	3,710	0.22	$3,600,000	$970	7/23/2018
15730 Linda Ave	2004	5	3	3,356	0.32	$2,380,000	$709	5/29/2018
16564 Farley Rd	2002	4	3	3,160	0.22	$3,425,000	$1,084	5/3/2018
15690 Glen Una Dr	2017	8	9	13,776	1.12	$8,247,000	$599	4/20/2018
16340 Soda Springs Rd	2001	4	4	2,922	6.56	$1,565,000	$536	12/5/2017
15815 Glen Una Dr	2001	5	6	6,202	1.06	$7,110,000	$1,146	10/20/2017
16420 W La Chiquita Ave	2001	4	4	3,976	0.23	$3,150,000	$792	9/28/2017
16625 Englewood Ave	2002	4	5	3,587	0.22	$2,875,000	$802	9/19/2017
19450 Black Rd	2005	2	3	2,938	1.15	$2,225,000	$757	7/10/2017
15610 Loma Vista Ave	2008	5	4	3,142	0.17	$2,495,000	$794	7/10/2017
18188 Wagner Rd	2012	3	5	4,994	3.12	$4,000,000	$801	6/12/2017
17863 Ogallala Warpath Rd	2007	2	2	1,260	0.38	$882,000	$700	6/2/2017
15650 Linda Ave	2017	4	4	2,246	0.19	$1,400,000	$623	4/24/2017
16151 Escobar Ave	2007	4	3	3,436	0.19	$2,800,000	$815	2/7/2017
21976 Gillette Dr	2000	4	4	3,738	1.39	$1,775,000	$475	1/31/2017
15600 Glen Una Dr	2004	5	6	8,548	1.44	$10,500,000	$1,228	12/12/2016
15838 Cherry Blossom Ln	2015	4	4	3,384	0.22	$2,785,000	$823	10/5/2016
15671 Glen Una Dr	2001	5	8	10,303	1.00	$8,454,000	$821	9/7/2016
15881 Glen Una Dr	2001	4	6	6,579	1.08	$6,900,000	$1,049	8/26/2016
20769 Locust Dr	2001	2	2	850	0.28	$475,000	$559	7/22/2016
19996 Gist Rd	2003	8	8	7,137	2.66	$3,925,000	$550	7/14/2016
22219 Summit Rd	2002	5	4	4,169	2.49	$2,160,000	$518	6/24/2016
20125 Orchard Meadow Dr	2014	6	6	5,684	6.34	$2,400,000	$422	11/30/2018
20005 Orchard Meadow Dr	2000	5	5	3,464	0.82	$3,200,000	$924	5/29/2018
22600 Prospect Rd	2017	5	2	2,833	3.17	$2,300,000	$812	6/26/2017
15980 Escobar Ave	2006	4	4	4,212	0.20	$2,495,000	$592	4/14/2016
15800 Loma Vista Ave	2015	5	6	4,827	0.19	$2,799,000	$580	3/15/2016
19680 Old Santa Cruz Hwy	2007	4	5	5,957	2.55	$3,802,500	$638	2/26/2016
Median	**2005**	**4.5**	**4.5**	**4,073**	**0.93**	**$3,025,000**	**$751**	**8/14/2017**
Average	**2007**	**4.6**	**4.8**	**5,104**	**1.35**	**$3,857,208**	**$746**	

Unincorporated San Martin

12705 New Ave	2000	4	5	5,627	2.09	$2,275,000	$404	10/3/2018
11100 Turlock Ave	2001	4	4	5,200	4.69	$2,100,000	$404	9/27/2018
1205 Lions Peak Ln	2001	5	4	4,740	2.78	$3,200,000	$675	5/21/2018
13645 Sycamore Ave	2009	3	3	1,697	1.44	$925,000	$545	4/10/2018
1255 Lions Peak Ln	2004	1	1	1,254	3.11	$1,300,000	$1,037	3/27/2018
1240 Lions Peak Ln	2004	4	4	5,587	3.08	$2,165,000	$388	8/23/2017
13345 Foothill Ave	2007	4	3	3,374	1.36	$1,599,000	$474	7/10/2017
2430 Church Ave	2008	4	4	4,688	2.38	$1,555,000	$332	12/22/2016
1435 Lakeview Ct	2006	3	4	5,920	3.04	$3,000,000	$507	9/27/2016
1110 Vintage Ct	2009	4	6	5,822	3.27	$2,700,000	$464	3/24/2016
15175 Center Ave	2009	4	4	5,353	4.70	$1,350,000	$252	1/5/2016
Median	**2006**	**4**	**4**	**5,200**	**3.04**	**$2,100,000**	**$464**	**8/23/2017**
Average	**2005**	**3.6**	**3.8**	**4,478**	**2.90**	**$2,015,364**	**$498**	

Source: CoreLogic, May 2019.

APPENDIX TABLE 2
AFFORDABILE SALES PRICE CALCULATIONS
INCLUSIONARY HOUSING POLICY ANALYSIS
COUNTY OF SANTA CLARA

	Affordable Pricing for Converted Units		Affordable Pricing for On-Site Units	
	Low Income	Low Income	Moderate	Moderate
Unit Size	2-Bedroom Unit	3-Bedroom Unit	4-Bedroom Unit	5-Bedroom Unit
Household Size	2-person HH	3-person HH	5-person HH	6-person HH
100% AMI Santa Clara County 2019	$118,250	$131,400	$141,900	$152,400
Percent of AMI for Pricing	70%	70%	110%	110%
Annual Income	$82,775	$91,980	$156,090	$167,640
% for Housing Costs	30%	30%	35%	35%
Available for Housing Costs	$24,833	$27,594	$54,632	$58,674
(Less) Property Taxes	($3,167)	($3,525)	($7,982)	($8,448)
(Less) HOA	($3,000)	($3,000)	$0	$0
(Less) Utilities	($1,692)	($2,244)	($3,960)	($5,040)
(Less) Insurance	($390)	($390)	($998)	($1,056)
(Less) Mortgage Insurance	($2,131)	($2,372)	($5,371)	($5,685)
Income Available for Mortgage	$14,452	$16,064	$36,320	$38,445
Supported Mortgage Amount	$252,300	$280,400	$634,000	$671,100
Down Payment (homebuyer cash)	$13,197	$14,686	$33,300	$35,200
Affordable Home Price	$265,497	$295,086	$667,300	$706,300
Key Assumptions				
- Mortgage Interest Rate [1]	*4.00%*	*4.00%*	*4.00%*	*4.00%*
- Down Payment [2]	*5.00%*	*5.00%*	*5.00%*	*5.00%*
- Property Taxes (% of sales price) [3]	*1.20%*	*1.20%*	*1.20%*	*1.20%*
- HOA (per month) [4]	*$250*	*$250*	*$0*	*$0*
- Utilities (per month) [5]	*$141*	*$187*	*$330*	*$420*
- Mortgage Insurance (% of loan amount)	*0.85%*	*0.85%*	*0.85%*	*0.85%*

1. Mortgage interest rate based on Freddie Mac PMMS weekly average from Dec. 2018 through November 2019 for 30-year fixed rate mortgage.
2. Down payment amount is an estimate for Low and Very Low Income homebuyers.
3. Property tax rate is an estimated average for new projects.
4. Homeowners Association (HOA) dues based on average HOA dues for sample units recently sold in Gilroy and Morgan Hill.
5. Utility allowances from Santa Clara County Housing Authority (2019).

APPENDIX TABLE 3
NON-RESIDENTIAL BUILDING PERMITS ISSUED FOR NEW CONSTRUCTION, 2014-2018
COUNTY OF SANTA CLARA, CA

Building Type	Square Feet	Description
Accessory Structures and Storage		
Accessory building	1,600	Construct New Accessory Building On Concrete Slab 2400 1600 Sf.
Accessory building	1,000	Install New Pre Fabricated Accessory Building 1000 Sf.
Freezer Building	4,200	Freezer Bldg -4200 Sf
Restroom	840	Build (N) 840 Sf Restroom Bldg W/ 120 Sf Of Porch And 312 Sf Of Deck
Shed	240	Build Detached 240 Sf Shed To (E) Sfr
Storage	420	Build New 420Sf Storage With Covered Patio 50Sf
Storage	941	Build (N) Storage Bldg 941 Sf - 1 Story W/ Integral Retaining Walls.
Storage	936	Build New Detached Storage 936 Sf
Storage	936	Build New Detached Storage 936 Sf
Garage/Storage	1,626	Build (N) 1,626 Sf Of Det'D Garage And Storage Building
Five Year Total	12,739	
Annual Average	2,548	
Agricultural / Barns		
Olive Mill	1,000	New Building 1000 Sf, Olive Mill Ag. Incl. 400 Amp Service
Barn	600	Build (N) Prefab Metal Barn - 600 Sf
Barn	495	Build (N) Detached Horse Stall/Barn - 495 Sf
Barn	924	Build (N) 924 Sf 6 Stall Barn W/ 936 Sf Of Cov'D Overhang
Barn	864	Build New 864Sf Barn No Mep'S Included
Barn	1,200	Build (N) 1200 Sf Metal Barn/Storage
Barn	2,640	Build New Barn 2,640Sf
Barn	1,200	New Prefabricated Metal Barn 1,200Sf
Barn	1,128	Build New 1128 Sf Barn/Workshop
Barn	2,160	New Barn 2,160 Sf, Attic Space To Habitable 1,745Sf
Barn	3,158	Construct New 3,158 S.F. Pre-Fab. Barn.
Barn	9,609	New Horse Barn/Stables 9,609Sf With (1) Bathroom
Five Year Total	24,978	
Annual Average	4,996	
Office		
Office	810	Building 8: 810 Sf Shipping And Receiving Office
Office	3,500	Build New Office Building 3,500Sf
Office	497	Build (N) Office Building 497 Sf
Five Year Total	4,807	
Annual Average	961	
Light Industrial and Other		
Catering building	608	Build (N) 608 Sf Catering Bldg W/ 252 Sf Deck
Lunch Room	900	Build New 900 SF Lunch Room
Shop	6,000	Build New Pre Fabricated 6000 Sf Shop.
Shop	1,800	Build New 1,800Sf Shop/Storage Building
Winery	4,744	Construct New 4744 Sf Winery Building
Five Year Total	14,052	
Annual Average	2,810	
Five-Year Totals		
All Structures	56,576	
Excl. Ag & storage	18,859	

Source: KMA analysis of County of Santa Clara Building Permit Data for 2014 to 2018

APPENDIX TABLE 4
SUMMARY OF NON-RESIDENTIAL AFFORDABLE HOUSING FEE PROGRAMS, CALIFORNIA

Jurisdiction	Yr. Adopted/ Updated	Fee Level (per Sq.Ft. unless otherwise noted)		Thresholds & Exemptions	Build Option/ Other	Market Strength	Comments
SAN FRANCISCO, PENINSULA, SANTA CLARA COUNTY							
San Francisco Population: 864,000	1981 Updated 2002, 2007 2019	Retail / Entertainment Hotel Office (50,000 gsf and above) Office (<50,000 gsf) Laboratory Small Enterprise Workspace	$28.13 $22.57 $69.60 $62.64 $38.37 $23.70	25,000 gsf threshold Exempt: freestanding pharmacy < 50,000 SF; grocery < 75,000	Yes, may contribute land for housing.	Very Substantial	Office and Laboratory fees reflect fully phased in January 1, 2021 fee levels. Fee is adjusted annually based on the construction cost increases.
County of Santa Clara SCPA	2018	Academic Space	$68.50		Yes	Very Substantial	Fee in effect July 1, 2020.
City of Palo Alto Population: 67,000	1984 Updated 2002 and 2017.	Office & R&D Other Commercial	$36.22 $21.08	Churches; universities; recreation; hospitals; private educational facilities; day care and nursery school; public facilities; retail, restaurants, services < 1,500 sf are exempt	Yes	Very Substantial	Fee is adjusted annually based on CPI.
City of Menlo Park Population: 34,000	1998	Office & R&D Other com./industrial	$17.79 $9.66	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: 152,000	1984 Updated 2003 and 2015.	Industrial, Office, R&D: Retail, Hotel	$16.00 $8.00	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.
City of Santa Clara Population: 125,000	2017	Office 20,000 SF + Office, under 20,000 SF Industrial 20,000 SF + Industrial under 20,000 SF Retail, Hotel, Other 5,000 SF+ Low intensity uses	$20.00 $10.00 $10.00 $5.00 $5.00 $2.00	Assembly, day care, nursery, schools and hospitals and commercial space in a mixed use project under 20,000 square feet are exempt.	Yes.	Very Substantial	Fee is adjusted annually based on ENR.
City of San Mateo Population: 104,000	2016	Office Hotel Retail	$25.00 $10.00 $5.00	5,000 SF threshold 25% fee reduction for projections paying prevailing wage. Schools, religious, child care centers, public and non-profit uses exempt.		Very Substantial	
San Bruno Population: 43,000	2015	Office and R&D Hotel Retail, Restaurant, Services	$12.50 $12.50 $6.25	No minimum threshold	Yes. Program specifies number of units per 100,000 SF.	Very Substantial	Fee is adjusted annually based on ENR.
Redwood City Population: 84,000	2015	Office Hotel Retail & Restaurant	$20.00 $5.00 $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: 80,000	Updated 2002 / 2012 /2014 /2016	Office/High Tech/Indust. Hotel/Retail/Entertainment.	$26.27 $2.81	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: 61,000	1993, 2015	Office/Industrial/R&D Hotel/Commercial/Retail	$23.76 $11.88	No minimum threshold.	N/A	Very Substantial	Fee is adjusted annually based on CPI.
City of Los Altos Population: 31,000	2018	Office (recommended fee level) All Other Non-Residential (rec. fee)	*$25.00* *$15.00*	500 SF threshold	Yes	Very Substantial	Fee is adjusted annually based on CPI.
City of Milpitas Population: 75,000	2019	Office/ Retail Industrial	$8.00 $4.00	5,000 SF threshold Assembly, day care, schools, hospitals exempt.	N/A	Very Substantial	Fee is adjusted annually based on ENR.
County of San Mateo Population: 763,000	2016	Office/Medical/R&D Hotel Retail / Restaurant /Services	$25.00 $10.00 $5.00	3,500 SF threshold; 25% fee reduction for prevailing wage. public, institutional, childcare, recreational, assisted living exempt.	Yes. Program specifies number of units.	Very Substantial	Fee is adjusted annually based on ENR.

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.

Prepared by: Keyser Marston Associates, Inc.
Filename: \\SF-FS2\wp\19\19163\006\004\Non-residential fees chart 5-19; Fee Chart; 1/21/2020; dd

APPENDIX TABLE 4
SUMMARY OF NON-RESIDENTIAL AFFORDABLE HOUSING FEE PROGRAMS, CALIFORNIA

Jurisdiction	Yr. Adopted/ Updated	Fee Level (per Sq.Ft. unless otherwise noted)		Thresholds & Exemptions	Build Option/ Other	Market Strength	Comments
EAST BAY							
City of Walnut Creek Population: 69,000	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: 417,000	2002	Office/ Warehouse	$5.44	25,000 SF exemption	Yes - Can build units equal to total eligible SF times .00004	Substantial	Fee due in 3 installments. Fee adjusted with an annual escalator tied to residential construction cost increases.
City of Berkeley Population: 120,000	1993 2014	Office Retail/Restaurant Industrial/Manufacturing Hotel/Lodging Warehouse/Storage Self-Storage R&D	$4.50 $4.50 $2.25 $4.50 $2.25 $4.37 $4.50	7,500 SF threshold.	Yes	Substantial	Annual CPI increase. May negotiate fee downward based on hardship or reduced impact.
City of Fremont Population: 231,000	2017	Office, R&D, Hotel, Retail Industrial, Mfg, Warehouse	$8.00 $4.00	Public uses, additions less than 1,000 SF, manufacturing over 100,000 SF / building exempt. Additional	Yes by formula	Substantial	Fees are as of 2020 full phase in.
City of Emeryville	2014	All Commercial	$4.42	Schools, daycare centers.	Yes	Substantial	Fee adjusted annually.
City of Alameda Population: 78,000	1989	Retail Office Warehouse Manufacturing Hotel/Motel	$2.47 $4.86 $0.84 $0.84 $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: 79,000	1990, 2018	Retail Hotel/Motel Office Industrial	 $3.15 $7.61 12.64	No minimum threshold Churches exempt.	Yes	Moderate	Fee adjusted annually.
City of Dublin Population: 57,000	2005	Industrial Office R&D Retail Services & Accommodation	$0.54 $1.39 $0.91 $1.13 $0.47	20,000 SF threshold	N/A	Moderate	
City of Newark Population: 46,000		Commercial Industrial	$3.59 $0.69	No min threshold Schools, recreational facilities, religious institutions exempt.	Yes	Moderate	Revised annually
City of Livermore Population: 88,000	1999	Retail Service Retail Office Hotel Manufacturing Warehouse Business / Commercial High Intensity Industrial Low Intensity Industrial	$1.38 $1.04 $0.89 $679/ rm $0.43 $0.12 $0.88 $0.44 $0.28	No minimum threshold Church, private or public schools exempt.	Yes; negotiated on a case-by-case basis.	Moderate	

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SUMMARY OF NON-RESIDENTIAL AFFORDABLE HOUSING FEE PROGRAMS, CALIFORNIA

Jurisdiction	Yr. Adopted/ Updated	Fee Level (per Sq.Ft. unless otherwise noted)		Thresholds & Exemptions	Build Option/ Other	Market Strength	Comments
MARIN, NAPA, SONOMA, SANTA CRUZ							
County of Santa Cruz Population: 273,000	2015	All Other Non-Residential Agricultural, Barn Housing Animals	$3.00 $1.00	No minimum threshold. Governmental and institutional uses exempt	N/A	Substantial	
County of Marin Population: 261,000	2003, 2016	Office/R&D Retail/Rest. Warehouse Residential Care Facility Medical-Extended Care Hotel/Motel Manufacturing	$7.19 $5.40 $1.94 $19.32 $22.54 $1,745/rm $3.74	No minimum threshold	Yes, preferred.	Substantial	
San Rafael Population: 59,000	2005	Office/R&D Retail/Rest./Pers. Services Manufacturing/LI Warehouse Hotel/Motel	$10.32 $7.74 $5.59 $3.01 $2.58	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: 10,000	2001	Office R&D lab Light Industrial Warehouse Retail Com Services Restaurant Hotel Health Club/Rec Training facility/School	$4.79 $3.20 $2.79 $0.40 $8.38 $1.20 $4.39 $1.20 $2.00 $2.39	No minimum threshold	N/A	Substantial	
City of St. Helena Population: 6,000	2004	Office Comm./Retail Hotel Winery/Industrial	$4.11 $5.21 $3.80 $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: 60,000	2003	Commercial Industrial Retail	$2.42 $2.49 $4.17	N/A	Yes, subject to City Council approval.	Moderate/ Substantial	Fee adjusted annually by ENR construction cost index.
County of Sonoma Population: 501,000	2005	Office Hotel Retail Industrial / Warehouse R&D Ag Processing	$2.92 $2.92 $5.05 $3.01 $3.01	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 Industrial Retail	$2.08 $2.15 $3.59	First 2,000 SF exempt Non-profits exempt.	Yes. Specifies No. of units per 1,000 SF	Moderate	Fee adjusted annually by ENR construction cost index.
County of Napa Population: 141,000	Updated 2014	Office Hotel Retail Industrial Warehouse	$5.25 $9.00 $7.50 $4.50 $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: 80,000	1999 Updated 2016	Office Hotel Retail Industrial	$3.55 $6.00 $3.55 $3.50	No minimum threshold Non-profits are exempt	Units or land dedication; on a case by case basis.	Moderate/ Substantial	Fee has not changed since 1999. Increases under consideration.

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Jurisdiction	Yr. Adopted/ Updated	Fee Level (per Sq.Ft. unless otherwise noted)	Thresholds & Exemptions	Build Option/ Other	Market Strength	Comments
SACRAMENTO AREA						
City of Sacramento Population: 490,000	1989 Most recent update, 2017	Office $2.51 Hotel $2.39 Commercial $2.01 Manufacturing $1.57 Warehouse/Office $0.69	No minimum threshold State or federal property, mixed use w/50%+ residential, certain non-profits, temporary buildings.	Yes. Specifies No. of units per SF	Moderate	
City of Folsom Population: 76,000	2002	Office, Retail, Lt Industrial, and Manufacturing $1.59 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: 1,495,000	1989	Office $0.97 Hotel $0.92 R&D $0.82 Commercial $0.77 Manufacturing $0.61 Warehouse $0.26	No minimum threshold Service uses operated by non-profits are exempt	N/A	Moderate	
City of Elk Grove Population: 166,000	1989 Most recent update, 2013	Commercial $0.76 Hotel $2.24 Manufacturing $0.86 Warehouse $0.92	No minimum threshold Federal/state agencies, public schools, churches, libraries, city, county projects.	N/A	Moderate	Fee is adjusted annually based on ENR construction cost index
Citrus Heights Population: 87,000	1989 (inherited from County when incorporated)	Office $0.97 Hotel $0.92 R&D $0.82 Commercial $0.77 Manufacturing $0.61 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: 71,000	1989 (inherited from County when incorporated)	Office $0.97 Hotel $0.92 R&D $0.82 Commercial $0.77 Manufacturing $0.61 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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SUMMARY OF NON-RESIDENTIAL AFFORDABLE HOUSING 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 Los Angeles Population: 3,950,000	2017	Non-Residential - fee varies by zone Low Medium High	 $3.00 $4.00 $5.00	15,000 SF threshold Governmental and public institutional uses developed for governmental or community use, private elementary or high school, hospitals, grocery stores not located within 1/3 mile of existing grocer stores, Central City West Specific Plan Area, South LA Transit Empowerment Zone.	N/A	Diverse Market Conditions	Fees adjusted annually based on CPI.
City of Santa Monica Population: 92,000	1984 Updated 2002, 2015	Retail Office Hotel/Lodging Hospital Industrial Institutional Creative Office Medical Office	$9.75 $11.21 $3.07 $6.15 $7.53 $10.23 $9.59 $6.89	1,000 SF threshold Private K-12 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: 36,000	1986	Non-Residential	$8.68	10,000 SF threshold Schools, public facilities, non-profits, public transportation.	Yes	Substantial	Fees adjusted by CPI annually
City of San Diego Population: 1,391,000	1990 Updated 2014	Office Hotel R&D Retail	$2.12 $1.28 $0.80 $1.28	No minimum threshold Industrial/ warehouse, non-profit hospitals exempt.	Can dedicate land or air rights in lieu of fee	Substantial	
CENTRAL COAST							
County of San Luis Obispo Population: 280,000	2009 updated 2017	Retail Office Hotel/Motel Industrial / Warehouse Commercial Greenhouses Other Non-Residential	$1.36 $0.96 $1.44 $0.58 $0.03 $1.26	5,000 gsf threshold educational, religious, public, institutional, and residential care uses	Yes equivalent to what fees would produce	Moderate	Fees indicated are 40% of full phase-in level and are indexed annually based on the construction cost increases.
City of San Luis Obispo Population: 47,000	2004	5% of building permit valuation		2,500 gsf threshold	Yes. 2 aff. units per acre.	Moderate	

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