



**NEXUS STUDY & FEE ANALYSIS
SUMMARY**

CITY OF SAN CARLOS

Residential Below Market Rate
Ordinance Revisions

February 2, 2010

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INTRODUCTION

This document provides materials in support of the proposed changes to the City of San Carlos (“City”) Below Market Rate Ordinance (“BMR Ordinance”). The materials have been prepared by the Rosenow Spevacek Group (“RSG”) under a contractual agreement with the City.

The City’s existing BMR Ordinance was adopted in 2004 and is applicable to all residential developments and certain additions, either ownership or rental, single-family or multifamily. Developments of seven (7) or more units are required to restrict at least 15% of the total units to occupancy by very-low, low, and median income households (“BMR Units”). Developments of less than seven units are required to pay an in-lieu fee equal to 1-2% of the building permit valuation for a one unit development and 2% of valuation for a development of two units or more. The current BMR Ordinance does not allow for the payment of an in-lieu fee for larger projects, does not distinguish between ownership and rental developments and does not adjust for target income level allocations of the required BMR units, although the development economics are very different for each housing type. The addition of an in-lieu fee option for ownership projects greater than 2 units and adjustment of target income level allocations are two of the major proposed changes to the BMR Ordinance. Other changes include the inclusion of State Density Bonus Law (“SDBL”) mandates, revisions to affordable definitions and unit standards, and adjustments regarding rental housing in response to the recent court decision in Palmer/Sixth Street Properties v. City of Los Angeles.

The City is generally characterized as being an upper middle-class community. The 2008 median household income was \$112,282, approximately one-third higher than the San Mateo County (“County”) median of \$84,684. Historical and current housing costs in the City are also approximately one-third higher than the County as a whole, with a median priced single family home in the City costing \$850,000 in 2009. These demographics have lead to the development of mostly higher-end units in the City. The continued development of higher-end residential units in the City generates new consumer spending, creating the need for new jobs, many of which are low wage; ultimately generating demand for affordable housing units. The Nexus Study attached as Appendix 1 links the development of new market rate residential units to the need generated for affordable housing units.

Materials Included in this Document

This document presents a nexus analysis linking the production of new market rate housing to the need for affordable units. The linkage is established by equating consumer spending by households purchasing new residential units to an increase in jobs within the community. Many of these jobs will be in low-wage industries, requiring affordable housing for those employees. As shown in Appendix 1 the Nexus Study shows a consistency between the affordable units required in the revised BMR Ordinance and the demand for affordable housing units created by the development of market rate units.

The document has been divided into two sections and three appendices. The sections and appendices are interconnected and all necessary to complete the analysis.

Section 1 – Residential Nexus Study Summary of Findings: This section provides an overview of the Nexus Study, including methodology, data used, and findings. The complete Nexus Study is included as Appendix I.

Section 2 – Fee Levels Supported and Recommendations: This section presents the fee levels supported by the Nexus Study for each of the four residential product types, reviews adjustments to the maximum fee supported to ensure economic feasibility, provides fee structure options used in other jurisdictions for comparison purposes, and outlines RSG’s recommendations for fees in the City.

Appendix 1 – Residential Nexus Study: A complete copy of the residential Nexus Study is included.

Appendix 2 – Residential Values, Market Rate and Affordable: This appendix provides the background information used to establish the market values for the four product types used in the Nexus Study. Calculations of affordable sales prices and rent levels are also included. The affordable sales and rental prices are used to calculate the affordability gaps for the different affordable unit types.

Appendix 3 – Fee Selection Materials: This appendix provides the data and methodology used to calculate the fees associated with the BMR Ordinance.

Timeline and Previous Work Completed

In March of 2009, the City Council (“Council”) directed City staff to form an Ad Hoc Housing Task Force (“Task Force”) to study the existing BMR Ordinance and recommend modifications. The Task Force met six times between April and October of 2009, discussing all aspects of the BMR Ordinance and ultimately suggesting the Council adopt the revisions shown in this Section as well as the Nexus Study. Most of the data included as Appendix 2 was prepared as a part of this process, in order to allow the Task Force to make informed decisions regarding changes to the BMR Ordinance. Information used in Appendix 2 was updated as necessary in order to complete this document. RSG is confident that the information included in this document is current and reflects conditions in the market place.

Revisions to BMR Ordinance

The following is a summary of the existing requirements in the BMR Ordinance and the proposed changes relating to residential construction.

The current BMR Ordinance was adopted in 2004 and includes the following features:

- Is applicable to all residential developments and certain additions, either ownership or rental, multifamily or single family.
- At least 15% of the total units to be developed must be restricted to occupancy by affordable households. The 15% requirement is met by first providing one median unit; and evenly dispersing additional BMR Units between very-low and low income.
- BMR Units are required to be dispersed throughout the development, indistinguishable from the market-rate units and deed restricted to remain as affordable units for the “useful life” of the building.

- The existing BMR Ordinance defines affordable ownership as a monthly housing cost (including mortgage principal and interest and HOA fees, if any) not to exceed one-twelfth of 30% of the maximum annual household income for the applicable income level (i.e. median, low, very-low) adjusted for assumed household size. Affordable rent is defined as not to exceed 30% of the maximum annual household income for the applicable income level (i.e. very-low, low, and median) adjusted for assumed household size, or the allowable fair market rent as established by HUD.
- For developments of two to six units, or where the application of 15% of the total number of units in the development results in a fractional unit of less than 0.5, the developer must pay a partial unit fee of 2% of the construction valuation. Developments of one unit or an addition that expands floor size by 25% or more, pay an impact fee of 1% of construction valuation.
- Additionally, the existing Ordinance does not address State Density Bonus Laws (“SDBL”), Affordable definitions are not consistent with California Redevelopment Law (“CRL”), and there is not an option for ownership developments to pay an in-lieu fee instead of constructing units, for projects of seven units or more.

The proposed revisions to the BMR Ordinance incorporate many changes and additions. Several definitions have been changed to provide consistency with CRL, SDBL provisions have been added, income targeting has been adjusted to more accurately reflect the economics of different product types, and an affordable housing impact fee has been added for rental developments, single family homes, and larger additions. The main changes to the BMR Ordinance are as follows:

- The definitions for “Affordable Rent”, “Affordable Ownership Cost”, and restrictive covenant requirements have been modified to make them consistent with CRL.
- The revised BMR Ordinance incorporates the necessary portions of SDBL; however, units produced to comply with the BMR Ordinance may not count towards SDBL thresholds. In order to trigger a density bonus, units must be produced above and beyond those required in the BMR Ordinance.
- The revised BMR Ordinance would allow BMR units to have finishes which differ from market rate units, but are still of good quality.
- The revised BMR Ordinance would require that all new single family homes pay an affordable housing impact fee, but would only require rehabilitations which increase the size of a home by more than 1,000 square feet to pay the fee.
- The revised BMR Ordinance would allow developers of ownership projects to request a waiver of the requirement to construct a BMR unit and in exchange pay an in-lieu fee. The fee levels would be reviewed annually and would reflect the actual costs for the City to produce a BMR unit.

- The new revised BMR Ordinance continues to require that 15% of all ownership developments be devoted to BMR units. Ownership developments would need to provide 10% moderate and 5% low income units.
- To comply with the Palmer/Sixth Street Properties v. City of Los Angeles court decision, developers of rental projects would pay an affordable housing impact fee.
- Any developer who elects to provide rental housing to meet their BMR requirements must provide 5% low and 10% very-low income units.

Disclaimer

RSG has prepared this report using the most current and accurate data available. Sources used include the US Census ("Census"), the IMPLAN Model, California Economic Development Department, Department of Labor Bureau of Labor Statistics, and First American Title MetroScan Information Service. RSG believes that these data sources provide accurate and relevant information for this analysis, but can not guarantee their accuracy and assumes no liability for information from these sources or others.

SECTION 1: RESIDENTIAL NEXUS ANALYSIS SUMMARY

This section provides an overview of the methodology and data used in the Nexus Study, as well as, the findings from the Nexus Study. The complete Nexus Study is attached as Appendix 1. The Nexus Study links and quantifies the affordable housing need generated by the development of new market rate units. The linkage is established based on the additional consumer spending added into the economy by the purchase of the new housing units. This additional consumer spending generates the need for new employees, many of whom are paid at a wage which does not allow them to afford market rate housing, generating the need for affordable housing units.

The Nexus Study provides documentation in support of the existing BMR Ordinance, as well as the proposed changes outlined in this document.

Nexus Concept

RSG completed a multiple step analysis for this Nexus Study. The analysis starts with the sales price or rental rate of market rate units, based on those prices, household income is estimated. The estimated household income is input to the IMPLAN Model, in order to estimate the number and type of jobs generated by the additional household income. The IMPLAN Model breaks the jobs generated into specific industry categories, which are then combined with occupational data from the Bureau of Labor Statistics in order to estimate the specific jobs produced. These job categories are combined with wage information from the California Employment Development Department to estimate the income of employees. Based on these results household incomes are generated and, ultimately, the number of affordable housing units needed by these workers.

This approach can be demonstrated by explaining the methodology in relation to a new family moving into the City. A new residential unit is developed within the City and sold to a family at the going market rate. The family's income can be estimated based on the amount needed to purchase the home, by using current mortgage rates and lending standards. The household's income will be used to purchase goods and services, which will generate the need for additional employees at the businesses in which the household frequents. The additional employees will be paid at different salary levels, based on the industry and type of job. Some of the jobs which are produced will be low paying; especially service industry jobs, and will produce very-low, low, and moderate income households, even when there are multiple earners in the households. These households are unable to purchase or rent housing units at market rate, and thus will seek out affordable units.

The principal model/data used for the Nexus Study was the IMPLAN Model, which has been widely used for the last 30 years to quantify the employment impacts from household income. The IMPLAN Model quantifies direct, indirect, and induced employment impacts. Direct impacts are jobs generated at businesses serving the new residents directly (restaurants, retail stores, etc.). Indirect impacts are generated by the increased demand at companies which serve the businesses affected by the direct impacts; they include wholesalers, insurance firms, accountants, janitors, or any companies down the service/supply chain from the affected business. Lastly, induced impacts are generated when employees at businesses affected by direct and indirect impacts spend their wages in the local economy, generating the need for additional employees. The Nexus Study shows both direct impacts and total impacts (direct, indirect, and induced). Consistent with other nexus studies which have used the IMPLAN Model, RSG

used total impacts to assess the effect that the new residential units will have on affordable housing needs in the City.

Net New Underlying Assumption

One of the underlying assumptions in the Nexus Study is that households purchasing or renting new units represent net new households in the City. It is assumed that if the purchaser or renter already lives in the City the vacancy created by their movement will be filled by another household, ultimately resulting in a greater number of units and households within the City. Demolitions, resulting in the loss of housing units, are not occurring in the City to any significant degree, which reinforces the assumption that new housing units created in the City correlate to a net increase in units. Specific to this assumption, the Nexus Study and corresponding fee analysis does not include any costs attributable to existing affordable housing deficiencies, but only considers, and works to off-set the needs generated by the development of new market rate housing units.

Nexus Study Results

The first step in the analysis is to determine the typical market rate products and the income of those households purchasing or renting them. For purchasing households, lending standards were used to calculate the estimated housing cost and for rental households the gross median rent as a percentage of income, as identified in the Census, was used to estimate housing costs.

- To estimate the housing costs associated with each of the ownership product types the following terms were used; 20% down payment, 30 year fixed rate mortgage, 6.25% interest rate, and 1.15% annual property tax rate. For the condominium product type a monthly HOA fee of \$300 was also assumed. The key assumption is that a household will, on average, spend 35% of its gross income on housing costs. In recent years, lenders have been willing to lend funds based on housing costs of greater than 35%, however, within the last year lending practices have constricted back to the 35% standard. Moving forward, it is predicted by experts within the lending field, that lending institutions will continue to use more conservative lending practices. Based on current practices and these predications, RSG has estimated purchasing households would use 35% of their gross income for housing costs.
- The percent of housing cost to income is typically less for rental households than for ownership households, but can vary from community to community depending on different economic factors, including household income and rental rates. In order to use data specific to the City the Census category "median gross rent as a percentage of income" was used in this analysis. It showed that, on average, renters in the City are spending 24.1% of their gross income on rent. The percentage of income spent on housing costs is less than that of households purchasing units, this is explained because renters will typically have other debts, and do not view their housing costs as an investment.

Four residential product types were included in the analysis. The market sales prices and rents were based on sales and rental data from the calendar year 2009. The four product types include, a new 1,250 square foot, apartment renting for \$2,150 per month, a 1,180 square foot condominium selling for \$506,250, a 1,763 square foot, single family home selling for \$850,000, and a 2,500 square foot, high-end

single family home selling for \$1,100,000. This information, as well as the household incomes needed to purchase or rent the product types is shown in Table A.

Market Rate Product Types **Table A**
San Carlos Nexus Study & Fee Analysis

Unit Type	Rental	Ownership Units		
		Condo	SFR (Median \$)	SFR (High \$)
Typical Unit Size	1,250	1,180	1,763	2,500
Typical Bedrooms	2 BR	2 BR	3 BR	4 BR
Rent/Sales Price	\$2,150	\$506,250	\$850,000	\$1,100,000
Rent/Sales Price per SF	\$1.72/sf/mo	\$429/sf	\$482/sf	\$440/sf
Required Annual Household Income	\$107,054	\$112,416	\$171,479	\$221,914

Source: First American Title MetroScan Information Service, Craigslist, Zillow, 1001 Laurel Comps

The next step in the analysis was to input household income in to the IMPLAN Model. Housing expenses and state and federal taxes were not deducted from household income, because they are handled internally by the IMPLAN Model. However, prior to inputting household income into the IMPLAN Model the national average saving rate was deducted to account for savings by households, which is not handled internally by the IMPLAN Model. The household incomes shown in Table A were adjusted to account for 100 housing units. 100 units were used in order to avoid fractions; providing an analysis which is easy to review and understand.

The IMPLAN Model output provides jobs generated by industry. The total number of jobs generated is shown in Table B, as well as the total household income which was input into the IMPLAN Model.

Employment Generated **Table B**
San Carlos Nexus Study & Fee Analysis

<i>Per 100 Market Rate Units</i>	Rental	Condo	SFR (Median \$)	SFR (High \$)
Gross Household Income ¹	\$10,445,253	\$10,968,466	\$16,731,171	\$21,652,103
Direct Impacts (Jobs)	25.6	26.9	41.1	53.2
Total Impacts (Jobs) ²	31.6	33.1	50.4	65.3

¹ Gross Household Income includes a 2.34% reduction for annual household saving. Saving percent is based on Average national quarterly personal savings rate from 2005 through Quarter 3 of 2009 according to the Bureau of Economic Analysis Table 2.1 - Personal Income and Its Disposition

² Total Impacts include, direct, indirect, and induced impacts.

Source: Minnesota IMPLAN Group 2008 County Data for San Mateo County

The number of jobs created is separated into two categories, direct impacts and total impacts. The total impacts yield approximately 25% more jobs than the direct impacts alone. These results are typical for a community located within an urban or metropolitan area. Direct impacts are high and distributed across many industry sectors. Since the City is fairly urban, residents will be able to find most services and retail establishments within the community, creating little leakage of direct consumer spending. However, because only a small area was analyzed for this Nexus Study, the number of indirect and induced impacts is limited. If the Nexus Study were to analyze the County as a whole, instead of just the City, then the number of indirect and induced impacts would be much higher, because these impacts are based on companies which provide goods and services to the businesses affected by the direct impacts. The wholesalers and services providers to these businesses will likely not be located in the City themselves but instead throughout the county or region, because these businesses operate on a regional scale. As shown in the Nexus Study, most jobs generated are within the retail, restaurant, and service industries, which are typically the services provided locally.

The final steps in the analysis convert the number of jobs generated by the consumer spending associated with 100 new residential units to the number of affordable units needed by those new employee households. The analysis first converts the number of jobs generated into the number of households generated, under the assumption that more than one wage earner will reside in a household. Jobs generated by industry are then divided into occupational categories from the Department of Labor, Bureau of Labor Statistics 2006 Occupational Employment Survey, which is then combined with California Employment Development Department wage data to calculate household incomes. The households created, and their corresponding income, are then distributed into household sizes based on the Census household size distribution for the County. The resulting households are then placed into income categories based on County affordability requirements. At this stage in the analysis the number of very-low, low, and moderate income units required by the development of 100 housing units can be calculated. Table C shows the number of affordable units needed to meet the needs of the workers to be employed in jobs generated.

Affordable Housing Unit Need Generated by Market Rate Units **Table C**
San Carlos Nexus Study & Fee Analysis

<i>Per 100 Market Rate Units</i>	Direct, Indirect, and Induced Impacts			
	Rental	Condo	SFR (Median \$)	SFR (High \$)
Very Low (50% of AMI)	13.6	14.2	21.6	33.1
Low (80% of AMI)	4.9	5.1	8.3	9.5
Moderate (120% of AMI)	2.2	2.3	3.5	3.5
Total Affordable Need Generated	20.7	21.7	33.5	46.2
Over 120% of AMI	2.7	2.8	3.9	2.2
Total Worker Households	23.4	24.5	37.4	48.4

Source: Minnesota IMPLAN Group 2008 County Plus Data for San Mateo County; 2000 US Census; Bureau of Labor Statistics; and California Department of Housing and Community Development

Comparison of Analysis Results and Revised BMR Ordinance

The analysis has shown the number of very-low, low, and moderate income housing units required to meet the need generated by the construction of 100 market rate units. These amounts have been adjusted to percentages in order to compare the units needed, to the requirements in the revised BMR Ordinance. The percentages in Table D are calculated by combining the 100 market rate units and the affordable units needed. In the case of the condominium product type, 100 market rate units would generate the need for 24.5 worker units, for a total of 124.5 residential units. Of these 124.5 units the analysis shows a need for 21.7 affordable units, or 17% of the total 124.5 units, as shown in Table D.

Affordable Housing Impacts Generated by Market Rate Development **Table D**
San Carlos Nexus Study & Fee Analysis

<i>Per 100 Market Rate Units</i>	Total Impacts			
	Rental	Condo	SFR (Median \$)	SFR (High \$)
Very Low (50% of AMI)	11%	11%	16%	22%
Low (80% of AMI)	4%	4%	6%	6%
Moderate (120% of AMI)	2%	2%	3%	2%
Total Affordable Need Generated	17%	17%	24%	31%

As shown in Table D, the total impacts created by new residents in the rental product type generates a need for up to 11% very-low income units, 4% low income, and 2% moderate income, for a cumulative need of 17% affordable units. Because the City cannot require the provision of rental housing, the impacts created by rental housing have been converted into an affordable housing impact fee. Where developers choose to provide rental housing, to meet their BMR requirements, the required percentage of affordable units (10% very-low and 5% low) approximates the impacts of the project.

The total impacts for ownership units are shown across three product types. Of the three product types the condominiums produce the need for the fewest number of affordable units, with up to 11% at very-low, 4% at low, and 2% at moderate, for a cumulative need of 17% affordable units. These percentages exceed the proposed requirements of 5% low and 10% moderate, in the BMR Ordinance. Additionally, the impacts of the two single family ownership product types also exceed the requirements which are proposed in the BMR Ordinance. The median single family home product type generates a need for 24% affordable units and the high-priced product type 31%.

Conclusion

The analysis has shown the percentage requirements in the BMR Ordinance are supported by the Nexus Study. The development of new residential housing units in the City, through the consumer spending of their purchasers, generates a need for affordable housing units in excess of the requirements in the BMR Ordinance.

SECTION 2: IMPACT FEE LEVELS SUPPORTED AND RECOMMENDATIONS

This section reviews the calculation and structure of the impact fees. In determining a fee structure and levels it is important that the fee is supported by the nexus analysis, demonstrating the full impact of the demand for affordable housing units resulting from development of market rate residential units. It is equally important to take the economic feasibility into consideration as a primary factor to assist in removing or minimizing constraints to developing new housing units in the community. It is also important to demonstrate the reasonableness of the selected fee structure and levels. This section also identifies the financial impacts associated with affordable housing requirements in the City along with options for selecting an appropriately supported impact fee. Finally, recommendations regarding fee structure and levels are made for each of the affordable unit prototypes analyzed herein.

The following subsections address specific components of this analysis including:

- Identification of the maximum supportable impact fee levels indicated by the nexus analysis;
- Review of adjustments to the maximum impact fee supported, to ensure economic feasibility;
- Discussion of fee structure options and comparisons to other jurisdictions; and,
- Summary of RSG recommendations for fees for the City.

Overview

The BMR program in the City, since its adoption in 1999, has functioned primarily as an inclusionary housing requirement to produce affordable housing units as a part of each residential project developed in the City. The fee component of the program has been limited in its application to the fractional unit requirements under the BMR Ordinance. Over the past years the BMR program has produced few affordable housing units and yielded approximately \$200,000 per year in fees.

Nexus Analysis Supportable Fees

The residential nexus analysis presented in detail as Appendix 1 of this report identifies the number of affordable housing units by income category that are associated with the development of each of the four market rate residential product types used in the nexus analysis. The household income categories include: very low income reflecting up to 50% area median income; low income reflecting 50% to 80% of the area median income; and, moderate income reflecting 80% to 120% of the area median income. The market product types included multifamily rental apartments, single family attached condominiums, and two single family detached product types reflecting the median and approximate seventy fifth percentile in the market. The nexus analysis used the IMPLAN Model to identify the impacts, expressed by the need generated for affordable housing units by income category per 100 market rate units developed in the City. The model is compiled using related data from the 2000 US Census, the Bureau of Labor Statistics, California Employment Development Department, and the California Department of Housing and Community Development. Conclusions of the nexus analysis are presented in Table E.

Affordable Housing Impacts Generated by Market Rate Development **Table E**
San Carlos Nexus Study & Fee Analysis

<i>Per 100 Market Rate Units</i>	Total Impacts			
	Rental	Condo	SFR (Median \$)	SFR (High \$)
Very Low (50% of AMI)	11%	11%	16%	22%
Low (80% of AMI)	4%	4%	6%	6%
Moderate (120% of AMI)	2%	2%	3%	2%
Total Affordable Need Generated	17%	17%	24%	31%

Table E summarizes the percentage impact for each income category resulting from the combined direct, indirect and induced employment related to the development of market rate housing units in the City. As reflected in the table above, the nexus analysis identifies that the demand for affordable housing units associated with each of the market rate residential product types exceeds the 15% affordable housing impact requirements under the City’s proposed revisions to the BMR Ordinance.

To calculate the full economic impact associated with developing residential units, the percentage impact identified in Table E must be linked to the housing affordability gaps identified for each income category. The housing affordability gap is reflected by the difference between the market rate values in the City and the affordable housing prices. For this analysis the market rate values for single family detached and attached units reflect the median sale prices based on market surveys conducted for the past one year period. The rental values for multifamily apartments are reflected by the capitalized value of median market rents, reduced by a 5% vacancy allowance and estimated operating expenses to estimate net operating income. The market surveys are provided in Appendix 2 and include existing and new construction units. To identify the supportable impact fees per the nexus analysis, the housing affordability gaps for each income category are multiplied by the affordable demand percentages reflected in Table E. Tables F and G reflect the nexus cost/impact per unit by income category for affordability gaps associated with ownership units and multifamily rental apartments.

Residential Nexus Cost Summary - Ownership Affordability Gap **Table F**
San Carlos Nexus Study

Income Category	Affordability Gap	For-Sale Units		
		Condo	SFR (Median \$)	SFR (High \$)
Very Low (50% of AMI)	\$415,863	\$45,745	\$66,538	\$91,490
Low (80% of AMI)	\$349,895	\$13,995	\$20,994	\$20,994
Moderate (120% of AMI)	\$177,492	\$3,550	\$5,325	\$5,325
Total		\$63,290	\$92,857	\$117,809

Residential Nexus Cost Summary - Multifamily Rental Affordability Gap **Table G**

San Carlos Nexus Study		
Income Category	Affordability	
	Gap	Rental
Very Low (50% of AMI)	\$264,676	\$29,114
Low (80% of AMI)	\$224,817	\$8,993
Moderate (120% of AMI)	\$249,716	\$4,994
Total		\$43,101

The total nexus costs indicated in Tables F and G may also be expressed on a per square foot basis. Since it is assumed in this analysis that the affordable housing units will be developed in either attached ownership condominiums or multifamily rental apartments, the total square feet area for the ownership condominium and multifamily rental prototype units used throughout the analysis, are used as the basis for the square foot calculations (see Appendix 2). The results per square foot per product type and income category are summarized in Tables H and I for the affordability gaps associated with both owner-occupied units and multifamily rental units.

Square Foot Cost Summary - Ownership Affordability Gap **Table H**

San Carlos Nexus Study		Condo
Unit Square Feet		1,025
Income Category	Affordability Gap	
Very Low (50% of AMI)	\$415,863	\$44.64
Low (80% of AMI)	\$349,895	\$13.65
Moderate (120% of AMI)	\$117,492	\$2.23
Total		\$60.52

Square Foot Cost Summary - Multifamily Rental Affordability Gap
San Carlos Nexus Study **Table I**

	<i>Unit Square Feet</i>	Rental
		952
Income Category	Affordability Gap	
Very Low (50% of AMI)	\$264,676	\$30.58
Low (80% of AMI)	\$224,817	\$9.45
Moderate (120% of AMI)	\$249,716	\$5.25
Total		\$45.28

Tables F and G identify the economic impacts or costs associated with the demand for affordable housing units created by the development of market rate residential units in the City. The Nexus Analysis supports impact fee levels of \$63,290 per unit for single family ownership condominiums and \$43,101 per unit for multifamily rental apartments. Tables H and I identify supportable impact fee levels of \$60.52 to \$65.22 per square foot for ownership condominiums and \$42.04 to \$45.28 per square foot for multifamily rental apartments. As would be expected, the impacts associated with the larger and more expensive single family detached units are significantly higher.

Fee Adjustments to Achieve Economic Feasibility

In order to ensure the development of the affordable housing units, consideration must be given to the ability to achieve a reasonable level of economic feasibility. In addition, fee levels or on-site development requirements must not be so onerous as to constrain development of market rate units in the community. The impact fee level should also be implemented on a phased basis to allow underlying land costs to adjust to the BMR requirement.

Appendix 2 provides the affordable housing cost calculations and development gap funding analyses by income category for prototypical ownership condominium and rental apartment units. The development funding gap reflects the difference between the total costs, including land and developer fee, to develop an affordable unit and the affordable housing value of the unit. The two prototype housing units were selected since it was determined that affordable housing units may be more economically accommodated in higher density attached housing types for both ownership and rental tenure. The selected median sales and rental values reflect the lower end of the range for new construction units, and as a result the gaps identified are fairly conservative and may understate the fees that would actually be needed to fully mitigate the impact on affordable housing units created by new development. A more in depth discussion regarding the approach and methodology used in estimating the development funding gap is provided in Appendix 2 and its attachments.

On-Site Compliance Requirements

The proposed revisions to the BMR Ordinance include an on-site affordable housing requirement applicable to seven or more ownership units, as well as alternative options for compliance. The alternative options include: producing the comparable affordable unit(s) at an offsite location, providing larger units or more affordable units, converting existing market rate units to affordable, providing rental instead of ownership units, donating land for future housing development, or payment of an impact fee. The revised on-site compliance requirements for ownership units are as follows:

- Single Family Detached and Attached Ownership Units – 15% of all units must be affordable to low and moderate income households, of which not less than 5% must be for low income households and not more than 10% for moderate income households.

These percentages have been selected for consistency with the Housing Element, the quantified housing needs of the City, and the findings of the nexus analysis summarized in Section 1.

The calculation of affordable housing costs is proposed to be revised from the current BMR Ordinance to be consistent with the CRL and SDBL. The affordable housing costs, affordable housing prices, and rent levels are presented and discussed in Appendix 2.

Appendix 3 provides a full analysis of the costs to develop prototypical ownership condominium units and rental apartments in the City. The analysis is based on similar high density attached products for both the ownership condominiums and rental apartment units. The prototype units are configured in two and three story buildings above partial subterranean parking. The on-site equivalent is reflected by the difference between the value of the affordable unit and cost of producing the prototypical affordable unit or the development funding gap. The development funding gap also serves as the financial equivalent for purposes of calculating the impact fee for rental apartments and an in-lieu fee for an ownership project which can demonstrate that it would be infeasible to develop the affordable ownership unit(s) on-site. The latter would be particularly likely in a single family detached project. The resulting on-site equivalent or development funding gaps are identified as follows:

Single Family Attached Ownership Condominium Units: \$32,790 per market rate unit
 \$27.79 per market rate square foot

Although the City cannot require the provision of affordable rental units, the development funding gap is as follows:

Multifamily Attached Rental Apartment Units: \$33,370 per market rate unit
 \$26.70 per market rate square foot

As previously discussed, the selected fee levels should not exceed the nexus based impact costs or the comparable cost of developing the affordable units. The above fee levels are 48% lower than the nexus cost identified for single family condominiums and 23% below the nexus cost identified for multifamily rental apartments.

Summary of Fee Structure Options and Comparisons to Other Jurisdictions

Appendix 3 identifies five basic ways for structuring impact fees, which reflect policy decisions by local jurisdictions. The different ways are summarized as follows:

1. Percent of Building Valuation – as used in the original BMR Ordinance, which is regarded as easily understood, easy to administer, and generally yields higher fees for larger sized units.
2. Percent of Sales Price of the Market Rate Units – as used in Palo Alto and Mountain View, which is regarded as easily understood with both higher value units and larger unit sizes yielding higher fees.
3. Actual Development Gap for Each Project – as used in Sunnyvale, which is more difficult to explain and predict but captures full gap with higher value units and larger unit sizes yielding higher fees.
4. Gap Established for Each Affordable Unit Required – as used in San Jose, which is easy to administer and apply to fractional units but has no ability to capture a higher fee for larger of more valuable units.
5. Gap Established per Square Foot on Market Rate Units – a variation of four, as used in Walnut Creek and Santa Rosa, which is easily understood, easy to administer, and captures more for larger units, but may not fully capture the gap for higher end units which contribute most heavily to the need for affordable housing units.

Another way would be to base the fee on the nexus analysis impact cost, which in our opinion would not be economically feasible given the very high costs in the City. The nexus cost best serves to identify the full impacts on affordable housing demand generated by the development of market rate housing for comparison purposes and to demonstrate that the impact fees are reasonably related to the need for affordable housing associated with development projects in the City.

There is a wide disparity in inclusionary program features throughout the state and the communities surrounding the City. Fee levels, percentage requirements, and affordability levels are all variables reflected in other jurisdictions, which are increasingly under review and revisions to reflect changing economics and legal constraints.

Fee Setting Summary and Recommendations

From among the impact fee setting concepts identified above, RSG recommends using the per square foot method applying a separate fee for ownership projects (detached and attached) and a separate fee for multifamily rental apartment projects. The “per square foot” fee would be an easily understood and calculated structure, which is also easy to apply. Additionally, it is equitable in that the “per square foot” fee will more accurately reflect the range of unit sizes that are likely to be developed in the City. It should be noted that while application of the single per square foot fee for all single family units, particularly detached units, may not capture the highest fee payment that the nexus analysis supports, it does go much further towards capturing higher fees on the larger units.

As identified in the On-Site Compliance subsection, the full onsite equivalencies as reflected by the development funding gaps for the prototypical affordable units are \$27.79 and \$26.70 for ownership and

rental apartment units respectively. These fees are below the levels justified by the Nexus Study. For rental apartments, this impact fee is intended as an economically feasible impact fee and not an in-lieu fee.

The blended development funding gap for ownership units reflects a per square foot gap of \$20.59 for moderate income units and \$42.20 per square foot for low income units. The former amount is applied to the first fourteen market rate units and the latter to the following seven market rate units in accordance with BMR requirements. The blended development funding gap for rental apartments reflects a per square foot gap of \$23.54 for low income units and \$28.27 per square foot for very-low income units. For rental apartment units, the latter is applied to the first fourteen market rate units, while the former amount is applied to the following seven market rate units, after the first fourteen. The allocation of the rental multifamily impact fee is meant to reasonably correlate to the affordable housing need as shown in the Nexus Study.

The 15% on-site compliance requirement for ownership units is identified as being reasonably feasible when related to total sale prices and values for modest (20 units) and large (50+ units) developments. In addition, it may be expected that the land costs for future residential development in the City should adjust to reflect the revised BMR Ordinance requirements.

While the on-site equivalency for modest and large ownership developments would be economically feasible, impact on smaller projects would be more pronounced. To address the greater impact on smaller ownership projects of less than seven units, RSG recommends using a phased fee schedule that would weigh each fractional unit requirement on an incremental basis. The phased fees would be applied as shown in Table J:

Recommended Ownership Unit Fee Increments **Table J**
San Carlos Nexus Study & Fee Analysis

Fractional Unit	Applicable Percentage	Per Square Foot Fee
Unit 1	10%	\$2.06
Unit 2	28%	\$5.76
Unit 3	46%	\$9.47
Unit 4	64%	\$13.18
Unit 5	82%	\$16.88
Unit 6	95%	\$19.56
Unit 7	100%	\$20.59

Based on the incremental fee identified in Table J, development of one 2,500 square foot single family home would result in a fee of \$5,150, which would reflect about 0.5% of the comparable \$1.1 million market value. This would be about 0.8% of the estimated construction cost of \$255 per square foot, which is comparable to the current fee of 1% of construction cost in the existing BMR Ordinance.

Recommended Multifamily Rental Unit Fee Increments **Table K**
San Carlos Nexus Study & Fee Analysis

Fractional Unit	Applicable Percentage	Per Square Foot Fee
Unit 1	10%	\$2.83
Unit 2	28%	\$7.92
Unit 3	46%	\$13.00
Unit 4	64%	\$18.09
Unit 5	82%	\$23.18
Unit 6	95%	\$26.86
Unit 7	100%	\$28.27

Based on the incremental fee identified in Table K, development of one 1,250 square foot median market rate rental apartment would result in a fee of \$3,537, which would reflect about 1% of the comparable \$368,100 market value for the unit. This would be about 1.1% of the estimated construction cost of \$249 per square foot, which is comparable to the current fee of 1% of construction cost in existing BMR Ordinance.

Detailed fee schedules for both ownership condominium and rental apartment projects are provided in Appendix 3 Exhibits 2 & 3 respectively, pursuant to the BMR Ordinance requirements for projects from one to fifty units in size.

Based on the above findings, the impacts of implementing the proposed revisions to the BMR Ordinance should not alter the current economics nor constrain the development of market rate units in the City. Accordingly, RSG recommends that the revised impact fee requirements be effective on the effective date of the BMR Ordinance.

As shown in the previous section the City has based affordable housing impact fees on the supportable nexus need generated by the development of market rate units. Additionally, the City has made reductions to the impact fees for developments of less than seven units, in an effort to not constrain the development of market rate units in the City. However, because of the great uncertainties associated with other sources of affordable housing funding, including redevelopment take-aways, tax credit uncertainties, and the continued instability of other funding sources, the City can not rely on, nor anticipate these funding sources being available to assist in financing affordable housing production. In order to meet the housing needs of all residents in the City, and specifically those generated by the development of market rate units, the City finds it necessary to implement the preceding impact fees and changes to the existing BMR Ordinance.

APPENDICES

Appendix 1: Residential Nexus Study



**Appendix 1:
Residential Nexus Study**

CITY OF SAN CARLOS

Residential Below Market Rate
Ordinance Revisions

February 2, 2010

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INTRODUCTION

This Residential Nexus Analysis (“Nexus Study”) has been prepared by the Rosenow Spevacek Group (“RSG”) for the City of San Carlos (“City”) to support the City’s revised Below Market Rate Housing Ordinance (“BMR Ordinance”). It addresses market rate residential projects and units which are subject to the BMR Ordinance and quantifies the linkages between those new units and the need for affordable housing generated by the consumer spending of residents in those new units.

Existing BMR Ordinance

The City’s existing BMR Ordinance was adopted in 2004 and is applicable to all residential developments and certain additions, either ownership or rental, single-family or multi-family. Developments of seven (7) or more units are required to restrict at least 15% of the total units to occupancy by very-low, low, and median income households (“BMR Units”). The BMR Units are required to be dispersed throughout the development, indistinguishable from the market-rate units and deed restricted to remain as affordable units for the “useful life” of the building. The existing BMR Ordinance defines affordable ownership as a monthly housing cost (including mortgage principal and interest and HOA fees, if any) not to exceed one-twelfth of 30% of the maximum annual household income for the applicable income level (i.e. median, low, very-low) adjusted for assumed household size based on unit size. Affordable rent is defined as not to exceed 30% of the maximum annual household income for the applicable income level (i.e. very-low, low, and median) adjusted for assumed household size based on unit size, or the allowable fair market rent as established by HUD.

The 15% inclusionary requirement is met in each development by first providing one median unit; and evenly dispersing additional BMR units between very-low and low income. The existing BMR Ordinance does not distinguish between ownership and rental developments and does not adjust the target income level allocations, although the development economics are very different for these housing types.

Single family developments and large additions pay an impact fee based on 1% of the valuation of improvements. For developments of two to six units, or where the application of 15% of the total number of units in the development results in a fractional unit of less than 0.5, the development must pay an in-lieu fee of 2% of the construction valuation.

Additionally, the existing BMR Ordinance does not address State Density Bonus Laws (“SDBL”), Affordable definitions are not consistent with California Redevelopment Law (“CRL”), and there is not an option to pay an impact fee instead of constructing units.

In March of 2009, the City Council (“Council”) directed staff to form an Ad Hoc Housing Task Force to study the existing BMR Ordinance and recommend modifications.

Revised BMR Ordinance

The Ad Hoc Housing Task Force and City staff has recommended that the Council accept the following changes to the BMR Ordinance:

Definition Consistency with CRL: The definitions for “Affordable Rent”, “Affordable Ownership Cost”, and restrictive covenant requirements in the existing BMR Ordinance were not consistent with the CRL. The revised BMR Ordinance would modify these definitions to make them consistent with CRL.

SDBL Compliance: The existing BMR Ordinance does not address the required components of SDBL. SDBL requires the City to adopt an ordinance which provides a developer with a density bonus and other incentives and concessions for the production of very-low, low, or moderate income units with qualifying household incomes. The revised BMR Ordinance incorporates the necessary portions of SDBL; however, units produced to comply with the BMR Ordinance may not count towards SDBL thresholds. In order to trigger a density bonus, units must be produced above and beyond those required in the BMR Ordinance.

Unit Standards: The existing BMR Ordinance requires that BMR units have finishes which are equal to those in the market rate units in the development. The revised BMR Ordinance would allow BMR units to have finishes which differ from market rate units, but are still of good quality.

Impact Fee: The existing BMR Ordinance requires that all new single family homes and rehabilitation projects which increase the size of the existing structure by more than 25% pay an impact fee. The new BMR Ordinance would require that all new single family homes pay an affordable housing impact fee, but would only require rehabilitations which increase the size of a home by more than 1,000 square feet to pay the fee.

In-Lieu Fee: The existing BMR Ordinance does not allow for the payment of in-lieu fee instead of producing an ownership BMR unit when a full BMR unit is required to be included in an ownership development. The revised BMR Ordinance would allow developers to request a waiver of the requirement to construct a BMR unit and in exchange pay an in-lieu fee. The fee levels would be reviewed annually and would reflect the actual costs for the City to produce a BMR unit.

Income Level Targeting: The existing BMR Ordinance requires 15% of all ownership residential developments be devoted to BMR units, with the first unit being a median income unit and the remainder dispersed evenly between low and very-low income units. The new BMR Ordinance requires ownership developments to provide 10% moderate and 5% low income units.

Compliance with Palmer Decision: To comply with Palmer/Sixth Street Properties v. City of Los Angeles, the revised BMR Ordinance requires developers of rental housing to pay an affordable housing impact fee and does not require the provision of affordable rental housing. Developers who elect to provide affordable rental housing to meet their BMR requirements must provide 5% low and 10% very-low income units.

This Nexus Study has been prepared to demonstrate nexus support to the BMR Ordinance and specifically the proposed changes.

Nexus Study Methodology

RSG completed a multiple step analysis for this Nexus Study. The analysis starts with the sales price or rental rate of new market rate units; based on those prices, household income is estimated. The estimated household income is input to the IMPLAN Model, in order to estimate the number and type of jobs generated by the additional household income. The IMPLAN Model breaks the jobs generated into specific industry categories, which are then combined with occupational data from the Bureau of Labor Statistics in order to estimate the specific jobs produced. These job categories are combined with wage information from the California Employment Development Department to estimate the income of employees. Based in these results household incomes are generated and, ultimately, the number of affordable housing units needed by these workers.

This approach can be demonstrated by explaining the methodology in relation to a new family moving into the City. A new residential unit is developed within the City and sold to a family at the going market rate. The family's income can be estimated based on the amount needed to purchase the home, by using current mortgage rates and lending standards. The household's income will be used to purchase goods and services, which will generate the need for additional employees at the businesses in which the household frequents. The additional employees will be paid at different salary levels, based on the industry and type of job. Some of the jobs which are produced will be low paying; especially service industry jobs, and will produce very-low, low, and moderate income households, even when there are multiple earners in the households. These households are unable to purchase or rent housing units at market rate, and thus will seek out affordable units.

The principal model/data used for the Nexus Study was the IMPLAN Model, which has been widely used for the last 30 years to quantify the employment impacts from household income. The IMPLAN Model quantifies direct, indirect, and induced employment impacts. Direct impacts are jobs generated at businesses serving the new residents directly (restaurants, retail stores, etc.). Indirect impacts are generated by the increased demand at companies which serve the businesses affected by the direct impacts; they include wholesalers, insurance firms, accountants, janitors, or any companies down the service/supply chain from the affected business. Lastly, induced impacts are generated when employees at businesses affected by direct and indirect impacts spend their wages in the local economy, generating the need for additional employees. The Nexus Study shows both direct impacts and total impacts (direct, indirect, and induced). Consistent with other nexus studies which have used the IMPLAN Model, RSG used total impacts to assess the affect the new residential units will have on affordable housing needs in the City.

Net New Underlying Assumption

One of the underlying assumptions in the Nexus Study is that households purchasing or renting new units represent net new households in the City. It is assumed that if the purchaser or renter already lives in the City the vacancy created by their movement will be filled by another household, ultimately resulting in a greater number of units and households within the City. Demolitions, resulting in the loss of housing units, are not occurring in the City to any significant degree, which reinforces the assumption that new housing units created in the City correlate to a net increase in units. Specific to this assumption, the Nexus Study and corresponding fee analysis does not include any costs attributable to existing affordable housing deficiencies, but only considers, and works to off-set the needs generated by the development of new market rate housing units.

Disclaimer

RSG has prepared this report using the most current and accurate data available. Sources used include the US Census ("Census"), the IMPLAN Model, California Economic Development Department, Department of Labor, Bureau of Labor Statistics, and First American Title MetroScan Information Service. RSG believes that these data sources provide accurate and relevant information for this analysis, but can not guarantee their accuracy and assumes no liability for information from these sources or others.

SECTION 1: MARKET RATE UNITS AND HOUSEHOLD INCOME

All residential units constructed in the City and some existing single family home remodels will be subject to the BMR Ordinance. To provide a comprehensive analysis and nexus relating to the City's housing market RSG used four product type developments typical in the City to assess the nexus between each of their development and the need generated for affordable housing. Section 1 describes the four product type developments used in the Nexus Study including their characteristics and the methodology and data sources used to create them. Based on these product types household income for the purchasers of the units will be estimated. Household income is the input to the IMPLAN Model as described in Section 2 of this report. These are the first two steps in the chain of linkages that connect new market rate units to the demand generated for affordable residential units.

A variety of residential units can be constructed in City including, single family homes, ownership condominiums, and rental apartments. The product types used in this analysis include two single family home developments, one condominium development and one rental apartment development. Of the two single family home developments, one is based on the 2009 median single family home sales price in the City and the other on a typical sales price for a home located at approximately the 75th percentile of the 2009 single family home sales in the City. Based on the data reviewed, conversations with staff, and RSG's knowledge of the City's residential market RSG believes these four product types provide an accurate cross section of the existing and potential residential developments which will be affected by the BMR Ordinance.

San Carlos Housing Market and Product Types

To select the residential product types, RSG used sales and rental data from the calendar year 2009 to ascertain the median values and rents for properties within the City. RSG utilized First American Title MetroScan Information Service ("MetroScan") to obtain a database of all residential properties sold in the City in 2009. MetroScan utilizes County Assessor data to provide property information, which includes sales information and property characteristics. Sales data was divided into two categories, single family homes and condominiums. Multi-unit residential structures were excluded from the for-sale analysis and instead were analyzed based on rental rates. Additionally, RSG obtained recent sales data from the developer of a large scale condominium project in the City; which was added to the information obtained from MetroScan. Based on RSG's knowledge of development activity in the City and conversations with staff no other significant new development occurred in the City in 2009. RSG believes the combination of these two data sources provides a thorough listing of residential property transactions which occurred in the City during 2009. Residential rental rates were based on a new rental development in the City. Data from Zilpy, Craigslist, and similar developments were used to estimate the market rent.

The four market rate product types selected were based on the type of residential units currently present in the City, recently developed, or in the pre-development stage. Of the three ownership developments, one product type represents the development of a condominium project, one a median priced single family home development, and one a high-end single family home. Two single family home product types were chosen because the majority of residential properties in the City are single family homes and tend to vary from modest to high-end. The four product types are summarized in Table 1a, including the typical unit size, number of bedrooms, and pricing/rent levels.

Market Rate Product Types
San Carlos Nexus Study

Table 1a

Unit Type	Rental	Ownership Units		
		Condo	SFR (Median \$)	SFR (High \$)
Typical Unit Size	1,250	1,180	1,763	2,500
Typical Bedrooms	2 BR	2 BR	3 BR	4 BR
Rent/Sales Price	\$2,150	\$506,250	\$850,000	\$1,100,000
Rent/Sales Price per SF	\$1.72/sf/mo	\$429/sf	\$482/sf	\$440/sf

Source: First American Title MetroScan Information Service, Craigslist, Zillow, 1001 Laurel Comps

Rental Product Type:

The rental product type is based on a typical median sized unit in a new development. Few rental developments have been constructed in the City recently, but there are specific plans for this type of development in the future. New rental developments in the City are predicted to be similar to new condominium developments, because the City tends to have high wage earners, seeking high quality units. These units would typically be of good quality, with good finishes and located in the downtown area of City, adjacent to light-rail. It is estimated the average size of the units would be approximately 1,250 square feet. This product type is meant represent a new, good quality rental development, in a desirable location, which is typical of the type of developments currently planned in the City.

Condominium Ownership Product Type:

The condominium ownership product type represents the majority of attached multi-family units being produced in the City. Recently, several condominium developments have been completed in the City, most occurring within the City’s downtown area. Specifically, one large project, 1001 Laurel, was completed in 2009. RSG collected the sales prices of all condominiums sold in the City during 2009, including those at 1001 Laurel. The median sales price for a condominium in 2009 was \$506,250. This product type is meant to represent condominium developments which would be constructed in the downtown area, which is typical for condominium developments in the City. These units would typically be good quality and have good to high-end finishes. They tend to be smaller than single family homes, but typically offer a very good location and multiple HOA amenities. For this product type the monthly HOA fees were estimated to be \$300.

Median Priced Ownership Single Family Home Product Type:

This product type is based on the 2009 median price for a single family home in the City. Based on sales completed in 2009 the median priced single family home in the City was valued at \$850,000. The average size of the single family homes sold in 2009 was 1,763 square feet. This product type was based on these figures and is meant to represent the development of an average single family home the City. These homes will typically be of good quality and have average to good finishes. They will vary in size, age, and location, but are typically older, modest homes, in a good location.

High Priced Ownership Single Family Home Product type:

This product type is based on high-end homes sold at approximately the 75th percentile of the 2009 single family home sales. Valued at \$1,100,000 a typical home at this price would have approximately 2,500 square feet. This product type is meant to represent the development of high-end homes in the City. Homes in this price range are typically of good quality and have good to high-end finishes. They will vary in size, age, and location, but are typically newer or have been remodeled and are located in the most desirable areas of the City and may offer a view of the San Francisco Bay Area.

Income of Residential Unit Purchasers

Using the sale prices of the three ownership product types the incomes of the purchasing households was estimated. To estimate income, a monthly housing payment was calculated based on typical housing costs. The following assumptions were used when calculating the monthly housing cost associated with each ownership product type:

- 20% Down Payment
- 30 Year Fixed Rate Mortgage
- 6.25% Interest Rate
- 1.15% Annual Property Taxes
- \$300 Per Month HOA fee for Condominium Prototype

These assumptions were used, along with the key assumption that an ownership household will, on average, spend 35% of its gross income on housing costs. In recent years, lenders have been willing to lend funds based on housing costs of greater than 35%, however, within the last year lending practices have constricted back to the 35% standard. Moving forward, it is predicted by experts within the lending field, that lending institutions will continue to use more conservative practices. Based on current practices and these predications, RSG has estimated purchasing households would use 35% of their gross income for housing costs.

Household income was adjusted to reflect the average national savings rate which was obtained from the Bureau of Economic Analysis and represents the average national quarterly personal savings rate from 2005 through the third quarter of 2009. The savings rate includes personal savings and various IRA and 401k programs. This savings rate was deducted from the household income, because it reflects a dollar amount which will not be spent on consumer products and not impact the creation of jobs. Table 1b shows the estimated household incomes for purchasers of the three ownership prototypes.

APPENDIX 1: RESIDENTIAL NEXUS STUDY

City of San Carlos

Income of Purchasing Households

Table 1b

San Carlos Nexus Study

		Condo	SFR (Median \$)	SFR (Median \$)
Sales Price		\$506,250	\$850,000	\$1,100,000
Mortgage				
Down Payment	20%	\$101,250	\$170,000	\$220,000
Total Loan Amount		\$405,000	\$680,000	\$880,000
Annual Payment at 6.25% Interest over 30 years		\$29,924	\$50,243	\$65,020
Annual HOA Fees		\$3,600		
Property Taxes	1.15%	\$5,822	\$9,775	\$12,650
Total Annual Housing Cost		\$39,346	\$60,018	\$77,670
Required Household Annual Income	35%	\$112,416	\$171,479	\$221,914
Less Savings ¹	2.43%	(\$2,732)	(\$4,167)	(\$5,392)
Gross Income for 100 Households		\$10,968,466	\$16,731,171	\$21,652,103

¹ Average national quarterly personal savings rate from 2005 through Quarter 3 of 2009 according to the Bureau of Economic Analysis Table 2.1 - Personal Income and Its Disposition

Table 1b details the calculation which equates purchase price to household income. The result is that a household purchasing a condominium at \$506,250 will have an annual income of \$112,416, a household purchasing a median priced home at \$850,000 will have an annual income of \$171,479, and a household purchasing a high-end home at \$1,100,000 will have an annual income of \$221,914.

Income of Renters

The percent of housing cost to income is typically less for rental households than for purchasing households, but can vary from community to community depending on different economic factors, including household income and rental rates. In order to use data specific to the City, the Census category "median gross rent as a percentage of income" was used in this analysis. It showed that, on average, renters in the City are spending 24.1% of their gross income on rent. The percentage of income spent on housing costs is less than that of households purchasing units, because renters will typically have other debts, and do not view their housing costs as an investment. The result is that the average rental household of a newly constructed unit will have a household income of \$107,054, after adjusting for the national average savings rate. The household income is slightly lower, but still similar to the purchaser of the condominium unit. Many factors come into play when explaining why someone with a high income may choose to rent instead of buy, including the down payment which is necessary to purchase the condominium unit, the additional cost of monthly HOA dues, the decreased amount of housing mobility, and other requirements associated with owning property. Table 1c provides a summary of the rental household income calculation.

Income of Rental Households		Table 1c
San Carlos Nexus Study		
		Rental Unit
Annual Market Rent		\$25,800
Required Household Annual Income ¹	24.1%	\$107,054
Less Savings ²	2.43%	(\$2,601)
Gross Income For 100 Households		\$10,445,253

¹ The 2000 US Census shows the median gross rent as a percentage of income in San Carlos as 24.1%

² Average national quarterly personal savings rate from 2005 through Quarter 3 of 2009 according to the Bureau of Economic Analysis Table 2.1 - Personal Income and Its Disposition

Source: 2000 US Census, Bureau of Economic Analysis, Zilpy

Summary

This section detailed the steps used to calculate the incomes of households purchasing newly constructed units in the City. The household incomes calculated in Tables 1b and 1c were adjusted to account for 100 housing units. 100 units were used in order to avoid fractions; providing an analysis which is easy to review and understand. Household income is the data input for the IMPLAN Model. Once input into the IMPLAN Model the household income will be adjusted to reflect federal and state taxes, as well as housing costs, to produce a total disposable income for each product type. Disposable income represents the amount of money which households have to purchase consumer goods and services, which is the generator of jobs and ultimately the need for very-low, low, and moderate income housing units. The following section will use the IMPLAN Model to estimate those impacts.

SECTION 2: THE IMPLAN MODEL

New residential units will create new households in the City; those new households will increase consumer spending, creating jobs; particularly in sectors such as retail, restaurants, health care, and other service related industries. The widely used economic analysis tool, IMPLAN (Impact Analysis for PLANning), was used to quantify these new jobs by industry sector.

IMPLAN Model Description

The IMPLAN Model is an economic analysis software package commercially available through the Minnesota IMPLAN Group. The IMPLAN Model was originally developed by the U.S. Forest Service, the Federal Emergency Management Agency, and the U.S. Department of the Interior Bureau of Land Management and has been in use since 1979. Over the last 30 years the IMPLAN Model has been in existence it has continually been refined and improved. The IMPLAN Model has become a widely used tool to analyze the economic impacts for a broad range of projects and programs from major construction projects to natural resource programs.

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

The IMPLAN Model's results are created by tracking how changes in purchases filter through the supply chain. Industries that produce goods and services for consumption must purchase products from other producers, which in turn, purchase goods and services from other producers. The IMPLAN Model tracks these relationships to the point where leakage from the region stops the cycle. This allows the user to identify how a change in demand for one industry will affect over 500 other industry sectors.

Data is available for each state, county, and zip code, which makes the IMPLAN Model specific to the economic conditions in the area being analyzed. This Nexus Study utilized the data set for the 94070 zip code, which is the zip code for the City.

The IMPLAN Model divides the estimated economic impacts into three categories:

Direct Impacts – These impacts are associated with direct final demand changes. An example of this type of impact would be a retail store employee created when households in new residential units spend money at that specific store. The added employee at the retail store would be considered a direct impact.

Indirect Impacts - These impacts are associated with industries down the supply chain from industries experiencing direct impacts. Using the retail store example, indirect impacts would include employment generated at product wholesalers, producers of raw materials used to create the items, and service firms which supply the retail store.

Induced Impacts – These impacts are generated by the household spending from the new employees created by direct and indirect impacts. Using the retail store example, induced

impacts would include the jobs generated when the new employees at the retail store, product wholesalers, and producers of raw materials spend their earnings in the local economy.

The following shows the results generated by the IMPLAN Model for the City. The results are separated into two categories, direct impacts and total impacts, which combine direct, indirect, and induced impacts.

Application of the IMPLAN Model to Estimate Job Creation

The IMPLAN Model was used to link household spending to job growth occurring in the City. Jobs created by household spending from the new residential units were analyzed per 100 units in each prototype. 100 units were used in order to avoid fractions and provide an analysis which is easy to review and understand. The IMPLAN Model distributes spending among various types of goods and services (industry sectors) based on data from the Consumer Expenditure Survey and Bureau of Economic Analysis Benchmark input-output study, to estimate direct, indirect, and induced employment generated. Job creation, driven by increased demand for products and services, was projected for each of the industries which will serve the new households.

Household income, calculated in Section 1, was input into the IMPLAN Model. Local and federal taxes and housing costs are handled internally within the IMPLAN Model to achieve the total disposable income. Disposable income is considered the consumer spending for each household, which is used to estimate the number of new jobs created. The number of jobs created is summarized in Table 2a.

Employment Generated **Table 2a**
San Carlos Nexus Study

<i>Per 100 Market Rate Units</i>	Rental	Condo	SFR (Median \$)	SFR (High \$)
Gross Household Income ¹	\$10,445,253	\$10,968,466	\$16,731,171	\$21,652,103
Direct Impacts (Jobs)	25.6	26.9	41.1	53.2
Total Impacts (Jobs) ²	31.6	33.1	50.4	65.3

¹ Gross Household Income includes a 2.34% reduction for annual household saving. Saving percent is based on Average national quarterly personal savings rate from 2005 through Quarter 3 of 2009 according to the Bureau of Economic Analysis Table 2.1 - Personal Income and Its Disposition

² Total Impacts include, direct, indirect, and induced impacts.

Source: Minnesota IMPLAN Group 2008 County Data for San Mateo County

As shown in Table 2a, the total impacts (jobs) generated from the development of 100 rental housing units is 31.6, 33.1 for ownership condominiums, 50.4 for median priced single family homes, and 65.3 for high-end single family homes. These impacts will be used in Section 3 to quantify the number of affordable housing units generated by the development of market rate housing units.

Table 2b presents a detailed summary of the jobs created per industry. The table is sorted by the number of jobs created in each industry. Industry sectors representing at least 1% of the direct or total jobs

produced were shown in Table 2b, industries representing less than 1% of the jobs produced were combined into an “other industries” category. The percentage of jobs created in each industry is not equal across the four product types because the households corresponding to each product type fall into different income categories. The rental and condominium product types fall into the 100-150k household income category and the two single family product types fall into the 150k and above household income category. Consumer spending patterns differ based on the household income category, changing the type and number of jobs created in each and the percentage breakdown. For example, the percentage of jobs created by the single family home product types in the private household operations category (housekeepers, etc) is double the percent for the rental and condo product types.

The number of jobs created is separated into two categories, direct impacts and total impacts. The total impacts yield approximately 25% more jobs than the direct impacts alone. These results are typical for a community located within an urban or metropolitan area. Direct impacts are high and distributed across many industry sectors. Since the City is fairly urban, residents will be able to find most services and retail establishments within the community, creating little leakage of direct consumer spending. However, because only a small area was analyzed for this Nexus Study the number of indirect and induced impacts is limited. If the Nexus Study were to analyze the County as a whole, instead of just the City, then the number of indirect and induced impacts would be much higher, because these impacts are based on companies which provide goods and services to the businesses affected by the direct impacts. The wholesalers and service providers to these businesses will likely not be located in the City themselves but instead throughout the County or region, because these businesses operate on a regional scale. As shown in Table 2b, most jobs generated are within the retail, restaurant, and service industries, which are typically the services provided locally.

The results shown in Table 2a will be used in Section 3 to calculate the number and percentage of households created by those new jobs which would fall into the very-low, low, and moderate income categories. The number of households created will indicate the level of affordable housing need created by each of the four product types.

APPENDIX 1: RESIDENTIAL NEXUS STUDY

City of San Carlos

IMPLAN Model Output - Jobs Generated

Table 2b

San Carlos Nexus Study

Per 100 Market Rate Units

	Direct Impacts					Direct, Indirect, & Induced Impacts				
	Rental	Condo	SFR (Median \$)	SFR (High \$)	% of Jobs ²	Rental	Condo	SFR (Median \$)	SFR (High \$)	% of Jobs ²
Household Income of New Residents¹	\$10,445,253	\$10,968,466	\$16,731,171	\$21,652,103		\$10,445,253	\$10,968,466	\$16,731,171	\$21,652,103	
Employment Generated by Industry³										
Food Services and Drinking Places	3.3	3.4	4.8	6.3	12%	3.6	3.8	5.4	7.0	11%
Private Household Operations	2.0	2.1	3.6	4.7	8%	2.1	2.2	3.9	5.0	7%
Retail Stores - Miscellaneous	1.5	1.5	2.2	2.8	5%	1.6	1.7	2.4	3.1	5%
Retail Stores - Food and Beverage	1.4	1.5	2.1	2.7	5%	1.6	1.6	2.3	3.0	5%
Wholesale Trade Businesses	1.8	1.9	1.5	1.9	5%	2.2	2.3	2.1	2.7	5%
Offices of Physicians, Dentists, and Other Health	1.3	1.3	2.0	2.5	5%	1.4	1.4	2.1	2.7	4%
Retail Stores - Building Material and Garden Supply	1.2	1.3	1.8	2.4	5%	1.3	1.4	2.0	2.6	4%
Child Day Care Services	0.7	0.7	1.8	2.3	4%	0.7	0.8	1.9	2.4	3%
Real Estate Establishments	0.9	1.0	0.8	1.0	3%	1.9	2.0	2.3	2.9	5%
Retail Stores - Health and Personal Care	0.9	0.9	1.3	1.7	3%	1.0	1.0	1.4	1.9	3%
Automotive Repair and Maintenance, Except Car Washes	0.7	0.7	1.3	1.7	3%	0.8	0.8	1.4	1.8	3%
Personal Care Services	0.7	0.7	1.1	1.5	3%	0.8	0.8	1.2	1.6	2%
Retail Nonstores - Direct and Electronic Sales	0.7	0.8	1.1	1.4	3%	0.8	0.8	1.2	1.5	2%
Retail Stores - Sporting Goods, Hobby, Book and Music	0.7	0.8	1.1	1.4	3%	0.8	0.8	1.2	1.5	2%
Nursing and Residential Care Facilities	0.5	0.5	0.9	1.2	2%	0.5	0.5	1.0	1.3	2%
Retail Stores - Furniture and Home Furnishings	0.5	0.6	0.8	1.0	2%	0.6	0.6	0.9	1.1	2%
Retail Stores - Motor Vehicle and Parts	0.4	0.4	0.6	0.8	1%	0.4	0.5	0.7	0.8	1%
Individual and Family Services	0.2	0.3	0.6	0.8	1%	0.3	0.3	0.7	0.9	1%
Private Elementary and Secondary Schools	0.2	0.2	0.6	0.8	1%	0.3	0.3	0.7	0.9	1%
Retail Stores - Electronics and Appliances	0.4	0.4	0.5	0.7	1%	0.4	0.4	0.6	0.7	1%
Veterinary Services	0.3	0.3	0.5	0.7	1%	0.3	0.3	0.6	0.7	1%
Other Private Educational Services	0.2	0.3	0.5	0.6	1%	0.3	0.3	0.5	0.6	1%
Retail Stores - Clothing and Clothing Accessories	0.3	0.3	0.5	0.6	1%	0.3	0.4	0.5	0.7	1%
Funds, Trusts, and Other Financial Vehicles	0.2	0.2	0.5	0.6	1%	0.3	0.3	0.5	0.7	1%
Dry-Cleaning and Laundry Services	0.2	0.2	0.5	0.6	1%	0.3	0.3	0.6	0.8	1%
Medical Labs, Outpatient, and Ambulatory Care Services	0.2	0.3	0.4	0.5	1%	0.3	0.3	0.5	0.6	1%
Performing Arts Companies	0.3	0.3	0.4	0.5	1%	0.3	0.3	0.5	0.6	1%
Religious Organizations	0.2	0.2	0.5	0.6	1%	0.2	0.2	0.5	0.6	1%
Fitness and Recreational Sports Centers	0.2	0.2	0.4	0.5	1%	0.3	0.3	0.5	0.6	1%
Transit and Ground Passenger Transportation	0.2	0.2	0.4	0.5	1%	0.2	0.3	0.5	0.6	1%
Services to Buildings and Dwellings	0.1	0.1	0.2	0.2	0%	0.5	0.5	0.8	1.0	2%
Other Industries ⁴	3.2	3.4	5.9	7.6	14%	5.6	5.8	9.5	12.3	18%
	25.6	26.9	41.1	53.2	100%	31.6	33.1	50.4	65.3	100%

¹ The IMPLAN Model estimates how increases in consumer spending will create jobs in the local economy. See Section 1 for a description of the process used by RSG to estimate household income.

² The percent of jobs created in each category is a weighted average between the three prototypes. A weighted average was used because the type and number of jobs created differs across the four prototypes, because consumer spending patterns differ between income categories. The rental and condo prototypes fall into the 100k-150k income category and the two single family prototypes fall into the 150k+ income category.

³ Industries listed represent more than 1% of the total employment generated in either the direct or total category.

⁴ Includes all industries which do not account for more than 1% of the total employment generated in either the direct or total category.



SECTION 3: AFFORDABLE HOUSING NEEDS ANALYSIS

This section provides a description and summary of the analysis connecting jobs created by new residential units (the output of the IMPLAN Model), the wages those jobs pay, and ultimately the number of affordable housing units needed for very-low, low, and moderate income households.

Analysis Approach

This analysis is used to convert the number of jobs generated by the consumer spending associated with 100 new residential units to the number of affordable units needed by those new employee households. The analysis first converts the number of jobs generated into the number of households generated, under the assumption that more than one wage earner will reside in a household. Jobs generated by industry are then divided into occupational categories from the Department of Labor, Bureau of Labor Statistics 2006 Occupational Employment Survey, which is then combined with California Employment Development Department wage data to calculate household incomes. The households created, and their corresponding income, are then distributed into household sizes based on the Census household size distribution for the County. The resulting households are then placed into income categories based on County affordability requirements. At this stage in the analysis the number of very-low, low, and moderate income households required by the development of 100 housing units can be calculated and shown as a percentage of the total units constructed. The following is a detailed description of the analysis.

Step 1 – Convert New Jobs to New Households:

This step converts the number of employees created (jobs) to the number of employee households created. This step is meant to adjust the number of new housing units needed, because, on average, there is more than one worker per household. The Census was used to estimate the number of workers per household in the City. Census data was gathered for the number of households in the City and the number of individuals in the labor force. Using these two data sets it is estimated that there are, on average, 1.34 workers per household. The number of jobs generated, based on the IMPLAN Model output, is divided by 1.34 to determine the number of households generated by the development of 100 residential units, the results are shown in Table 3a.

Employment and Households Generated **Table 3a**
San Carlos Nexus Study

<i>Per 100 Market Rate Units</i>	Rental	Condo	SFR (Median \$)	SFR (High \$)
<i>Employees Created (Jobs) ¹</i>				
Direct Impacts	25.6	26.9	41.1	53.2
Total Impacts ²	31.6	33.1	50.4	65.3
<i>Households Created³</i>				
Direct Impacts	19.0	19.9	30.5	39.4
Total Impacts ²	23.4	24.5	37.4	48.4

¹ Results from IMPLAN Model

² Total Impacts include, direct, indirect, and induced impacts.

³ Employees created divided by the number of workers per household. Workers per households based on the 2000 Census.

Source: Minnesota IMPLAN Group 2008 County Data for San Mateo County

Step 2 – Occupational Distribution of Jobs Generated:

In step two the number of jobs per industry sector (as provided by the IMPLAN Model) was divided into occupational categories. This step allows the jobs created to be associated with incomes.

Specifically, the IMPLAN Model output is combined with data from the Department of Labor, Bureau of Labor Statistics 2006 Occupational Employment Statistics Survey (“OES”) for the Metropolitan Statistical Area of San Francisco/San Mateo/Redwood City (“MSA”). The combining of OES an IMPLAN Model data was achieved by matching IMPLAN Model industry sectors with North American Industry Classification System Codes (“NAICS”), which are used in the OES.

As shown in Table 3b, new jobs will be distributed throughout a variety of occupations. The largest occupational categories based on direct impacts are sales (36%), food preparation and serving (11%), personal care and service (9%), and building and grounds cleaning and maintenance operations (8%). Based on total impacts (direct, indirect, and induced), sales (37%), food preparation and serving (12%), personal care and service (10%), and building and grounds cleaning and maintenance operations (8%) are the largest occupational categories. Within each occupational category there are dozens of specific occupations (jobs), as shown in Table 3f. The jobs generated within each occupational category were distributed between the specific occupations based on the percentage distribution in the MSA, as shown in Table 3f. Jobs generated were distributed into specific occupations to associate wages with those jobs, as shown in Table 3f and explained in step three.

Worker Households Generated per OES Category

Table 3b

San Carlos Nexus Study

Per 100 Market Rate Units

	Direct Impacts Only				Direct, Indirect, & Induced Impacts			
	Rental	Condo	SFR (Median \$)	SFR (High \$)	Rental	Condo	SFR (Median \$)	SFR (High \$)
Employees Generated (IMPLAN Model)	25.6	26.9	41.1	53.2	31.6	33.1	50.4	65.3
Worker Households Generated ¹	19.0	19.9	30.5	39.4	23.4	24.5	37.4	48.4

Occupation Categories^{2 & 3}

	Worker Households by Occupation Category				Worker Households by Occupation Category			
Management occupations	0.1	0.1	0.1	0.1	0.3	0.3	0.4	0.5
Business and financial operations occupations	0.3	0.3	0.5	0.7	0.5	0.5	0.8	1.1
Computer and mathematical science occupations	0.1	0.1	0.1	0.2	0.2	0.2	0.3	0.4
Architecture and engineering occupations	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.2
Life, physical, and social science occupations	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Community and social services occupations	0.5	0.5	1.2	1.5	0.5	0.6	1.3	1.7
Legal occupations	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.4
Education, training, and library occupations	0.4	0.4	0.9	1.2	0.4	0.5	1.0	1.3
Arts, design, entertainment, sports, and media occupations	0.3	0.3	0.5	0.6	0.4	0.5	0.7	0.9
Healthcare practitioners and technical occupations	0.6	0.7	1.0	1.4	0.7	0.7	1.1	1.5
Healthcare support occupations	0.9	0.9	1.6	2.0	0.9	1.0	1.7	2.2
Protective service occupations	0.1	0.1	0.2	0.2	0.1	0.1	0.2	0.3
Food preparation and serving related occupations	2.4	2.5	3.6	4.6	2.7	2.8	4.0	5.2
Building and grounds cleaning and maintenance occupations	1.5	1.6	2.8	3.6	1.9	2.0	3.4	4.3
Personal care and service occupations	1.5	1.6	3.2	4.2	1.7	1.8	3.5	4.6
Sales and related occupations	7.7	8.1	10.5	13.5	9.0	9.4	12.4	16.1
Office and administrative support occupations	1.1	1.2	1.5	2.0	1.6	1.7	2.3	3.0
Farming, fishing, and forestry occupations	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Construction and extraction occupations	0.0	0.0	0.0	0.1	0.3	0.3	0.4	0.6
Installation, maintenance, and repair occupations	0.7	0.7	1.3	1.7	0.8	0.9	1.5	2.0
Production occupations	0.2	0.2	0.3	0.4	0.3	0.3	0.5	0.7
Transportation and material moving occupations	0.4	0.4	0.9	1.1	0.6	0.6	1.1	1.4
	19.0	19.9	30.5	39.4	23.4	24.5	37.4	48.4

¹ According to the 2000 US Census, there were 1.34 workers per household. Worker households generated are therefore total employees divided by workers per household.

² Occupation categories defined by the Occupational Employment Statistics Survey (OES) of the Bureau of Labor Statistics for the Metropolitan Statistical Area of the San Francisco/San Mateo/Redwood City

³ The IMPLAN Model divided generated employment into industries, these results have been matched with OES Occupation Categories in order to estimate wages.

Source: Minnesota IMPLAN Group 2008 County Plus Data for San Mateo County; 2000 US Census; Bureau of Labor Statistics; and California Department of Housing and Community Development

Step 3 – Incomes of Jobs Generated:

In step three the occupational data from step two is combined with wage and salary information for the County from the California Employment Development Department (“CEDD”), as shown in Table 3f. The wage and salary information from Table 3f was used to calculate the income related to specific occupations. The OES occupational categories and jobs are the same as those used by the CEDD. The distribution of jobs within the category was estimated to be the same as the distribution within the MSA, of which the City is a part. Median incomes are provided by the CEDD for each job type, which were used to estimate the number of very-low, low, and moderate income households in each occupational category.

Step 4 – Incomes of Households Generated:

The individual wage data provided by CEDD was used to estimate the number of households which fall into the very-low, low, and moderate income categories by assuming that individuals in multiple earner households, on average, earn a similar wage. The same ratio of workers-per-household used in step one, was used to adjust the wage data for individual employees to that of households. Households of more than one person were conservatively estimated to, on average, have more than one worker. After adjusting individual employee income to household income, those households were placed in income categories based on California Housing and Community Development Department (“HCD”) income limits, as shown in step five.

Step 5 – Household Size Distribution:

Step five allocates the households from step four into household size categories. Household size distribution is based on Census data for the County. After households have been distributed into size categories they now have income and size associated with them. These two pieces of data allow the households to be distributed into HCD income categories; which are categorized by household size and income.

Step 6 – Distribution of Households into Income Categories:

Step six distributes the households created into income categories. Households falling at or below the income limits shown in Table 3b were placed in their corresponding category. After all households were placed into income categories, totals were generated for each category. These totals show the number of housing units required to meet the housing needs of the very-low, low, and moderate income households generated by the construction of 100 market rate residential units. The total number of affordable households generated is shown in Table 3d.

2009 San Mateo County Income Limits by Household Size
San Carlos Nexus Study

Table 3c

Income Category	Household Size						
	1	2	3	4	5	6	7+
Very Low (50% of AMI)	\$39,600	\$42,250	\$50,900	\$56,550	\$61,050	\$65,600	\$70,100
Low (80% of AMI)	\$63,350	\$72,400	\$81,450	\$90,500	\$97,700	\$104,950	\$112,200
Moderate (120% of AMI)	\$81,300	\$92,900	\$104,550	\$116,150	\$125,450	\$134,750	\$144,050

Source: California Department of Housing and Community Development

Summary

Table 3d shows the results of the analysis, specifically the number of housing units which need to be constructed to meet the housing needs of the very-low, low, and moderate income households created by the development of market rate residential units. The table shows the number of units required in each income category for each of the four residential product types.

According to Table 3d, approximately 90% of the new worker households created by the development of 100 market rate units have incomes which fall below 120% of the AMI, with nearly 60% of those households earning less than 50% of the AMI. As shown, the vast majority of the jobs created by the development of 100 new market rate housing units are low-paying jobs where the workers can not afford market rate housing, and will seek affordable housing. This is typical, based on the type of jobs which are created by the consumer spending of the new households. Specifically, the greatest number of jobs are created in the sales, food preparation, personal care, office/administrative support, and building/grounds maintenance occupational categories. The total number of affordable units needed to meet the needs of the workers to be employed in jobs generated by the development of 100 market rate units is shown in Table 3d.

Affordable Housing Unit Need Generated by Market Rate Units **Table 3d**
San Carlos Nexus Study

<i>Per 100 Market Rate Units</i>	Direct, Indirect, and Induced Impacts			
	Rental	Condo	SFR (Median \$)	SFR (High \$)
Very Low (50% of AMI)	13.6	14.2	21.6	33.1
Low (80% of AMI)	4.9	5.1	8.3	9.5
Moderate (120% of AMI)	2.2	2.3	3.5	3.5
Total Affordable Need Generated	20.7	21.7	33.5	46.2
Over 120% of AMI	2.7	2.8	3.9	2.2
Total Worker Households	23.4	24.5	37.4	48.4

Source: Minnesota IMPLAN Group 2008 County Plus Data for San Mateo County; 2000 US Census; Bureau of Labor Statistics; and California Department of Housing and Community Development

Comparison of Analysis Results and Revised BMR Ordinance

The analysis has shown the number of very-low, low, and moderate income housing units required to meet the need generated by the construction of 100 market rate units. These amounts have been adjusted to percentages in order to compare the units needed, to the requirements in the revised BMR Ordinance. The percentages in Table 3e are calculated by combining the 100 market rate units and the affordable units needed. In the case of the condominium product type, 100 market rate units would generate the need for 24.5 worker units, for a total of 124.5 residential units. Of these 124.5 units the analysis shows a need for 21.7 affordable units, or 17% of the total 124.5 units, as shown in Table 3e.

Affordable Housing Impacts Generated by Market Rate Development **Table 3e**
San Carlos Nexus Study

<i>Per 100 Market Rate Units</i>	Total Impacts			
	Rental	Condo	SFR (Median \$)	SFR (High \$)
Very Low (50% of AMI)	11%	11%	16%	22%
Low (80% of AMI)	4%	4%	6%	6%
Moderate (120% of AMI)	2%	2%	3%	2%
Total Affordable Need Generated	17%	17%	24%	31%

As shown in Table 3e, the total impacts created by new residents in the rental product type generate a need for up to 11% very-low income units, 4% low income, and 2% moderate income, for a cumulative need of 17% affordable units. Because the City cannot require the provision of affordable rental units per the Palmer/Sixth Street Properties v. City of Los Angeles court decision, the impacts created by rental housing have been converted into an affordable impact fee. Where developers choose to provide rental housing, to meet their BMR requirements, the required percentage of affordable units (10% very-low and 5% low) approximates the impacts of the project.

The total impacts for ownership units are shown across three product types. Of the three product types the condominiums produce the need for the fewest number of affordable units, with up to 11% at very-low, 4% at low, and 2% at moderate, for a cumulative need of 17% affordable units. These percentages exceed the proposed requirements of 5% low and 10% moderate, in the revised BMR Ordinance. Additionally, the impacts of the two single family ownership product types also exceed the requirements which are proposed in the revised BMR Ordinance. The median single family home product type generates a need for 24% affordable units and the high-priced product type 31%.

Conclusion

The analysis has shown the percentage requirements in the revised BMR Ordinance are supported by the Nexus Study. The development of new residential housing units in the City, through the consumer spending of their purchasers, generates a need for affordable housing units in excess of the requirements in the revised BMR Ordinance.

APPENDIX 1: RESIDENTIAL NEXUS STUDY

City of San Carlos

**OES Occupational Categories Combined with CEDD Wage Data for SF/San Mateo/Redwood City MSA
San Carlos Nexus Study**

Table 3f

OES Occupation Category	Total Employees in MSA	% of Employees in Specific Occupations of each Major Category	Mean Annual Wage
Management occupations	74,570	100%	\$127,510
Chief executives	2,850	3.9%	\$193,670
General and operations managers	19,940	27.0%	\$133,880
Legislators	120	0.2%	\$53,730
Advertising and promotions managers	570	0.8%	\$123,290
Marketing managers	4,150	5.6%	\$153,520
Sales managers	4,710	6.4%	\$141,340
Public relations managers	1,030	1.4%	\$128,830
Administrative services managers	2,140	2.9%	\$94,090
Computer and information systems managers	5,100	6.9%	\$147,680
Financial managers	8,130	11.0%	\$143,310
Compensation and benefits managers	420	0.6%	\$118,300
Training and development managers	320	0.4%	\$123,930
Human resources managers, all other	1,070	1.4%	\$138,160
Industrial production managers	1,040	1.4%	\$128,190
Purchasing managers	630	0.9%	\$99,660
Transportation, storage, and distribution managers	640	0.9%	\$99,580
Construction managers	1,550	2.1%	\$117,080
Education administrators, preschool and child care center/program	360	0.5%	\$69,120
Education administrators, elementary and secondary school	1,000	1.4%	\$107,300
Education administrators, all other	270	0.4%	\$63,180
Engineering managers	2,160	2.9%	\$140,280
Food service managers	2,630	3.6%	\$57,810
Funeral directors	70	0.1%	\$60,990
Lodging managers	510	0.7%	\$49,990
Medical and health services managers	1,700	2.3%	\$100,510
Natural sciences managers	1,430	1.9%	\$166,160
Postmasters and mail superintendents	50	0.1%	\$69,060
Property, real estate, and community association managers	3,040	4.1%	\$64,360
Social and community service managers	1,340	1.8%	\$66,880
Managers, all other	4,860	6.6%	\$120,310
Business and financial operations occupations	76,780	100%	\$89,360
Agents and business managers of artists, performers, and athletes	170	0.2%	\$63,610
Wholesale and retail buyers, except farm products	1,460	1.9%	\$56,900
Purchasing agents, except wholesale, retail, and farm products	1,690	2.2%	\$67,330
Claims adjusters, examiners, and investigators	1,810	2.4%	\$68,660
Compliance officers, except agriculture, construction, health/safety, & transportation	2,580	3.4%	\$77,100
Cost estimators	1,620	2.1%	\$80,680
Emergency management specialists	50	0.1%	\$79,670
Employment, recruitment, and placement specialists	2,740	3.6%	\$88,360
Compensation, benefits, and job analysis specialists	1,400	1.8%	\$70,820
Training and development specialists	1,650	2.1%	\$74,630
Human resources, training, and labor relations specialists, all other	2,470	3.2%	\$81,470
Logisticians	890	1.2%	\$74,590
Management analysts	9,610	12.5%	\$106,840
Meeting and convention planners	840	1.1%	\$58,580
Business operations specialists, all other	16,280	21.2%	\$86,380
Accountants and auditors	14,380	18.7%	\$78,380
Appraisers and assessors of real estate	400	0.5%	\$96,370
Budget analysts	1,190	1.5%	\$85,510
Credit analysts	870	1.1%	\$90,170
Financial analysts	4,560	5.9%	\$120,330
Personal financial advisors	3,900	5.1%	\$139,300
Insurance underwriters	810	1.1%	\$79,560
Financial examiners	670	0.9%	\$108,170
Loan counselors	270	0.4%	\$42,770
Loan officers	1,560	2.0%	\$94,300
Tax preparers	430	0.6%	\$65,510
Financial specialists, all other	2,480	3.2%	\$93,720
Computer and mathematical science occupations	49,610	100%	\$93,000
Computer and information scientists, research	690	1.4%	\$123,030
Computer programmers	3,000	6.0%	\$89,010
Computer software engineers, applications	10,830	21.8%	\$102,140
Computer software engineers, systems software	6,890	13.9%	\$113,650
Computer support specialists	5,510	11.1%	\$60,210

APPENDIX 1: RESIDENTIAL NEXUS STUDY

City of San Carlos

Computer systems analysts	7,100	14.3%	\$92,870
Database administrators	1,410	2.8%	\$90,820
Network and computer systems administrators	4,610	9.3%	\$91,180
Network systems and data communications analysts	3,120	6.3%	\$89,340
Computer specialists, all other	4,750	9.6%	\$85,080
Actuaries	210	0.4%	\$97,070
Operations research analysts	920	1.9%	\$86,390
Statisticians	430	0.9%	\$93,510
Mathematical scientists, all other	140	0.3%	\$77,200
Architecture and engineering occupations	18,380	100%	\$84,710
Architects, except landscape and naval	2,130	11.6%	\$82,400
Landscape architects	450	2.4%	\$65,770
Cartographers and photogrammetrists	110	0.6%	\$71,520
Surveyors	220	1.2%	\$70,410
Biomedical engineers	580	3.2%	\$100,680
Chemical engineers	50	0.3%	\$92,690
Civil engineers	3,210	17.5%	\$90,430
Computer hardware engineers	1,060	5.8%	\$115,550
Electrical engineers	980	5.3%	\$100,550
Electronics engineers, except computer	880	4.8%	\$96,090
Environmental engineers	450	2.4%	\$99,480
Health and safety engineers, except mining safety engineers and inspectors	170	0.9%	\$83,590
Industrial engineers	900	4.9%	\$88,480
Mechanical engineers	830	4.5%	\$93,030
Engineers, all other	1,450	7.9%	\$90,720
Architectural and civil drafters	1,680	9.1%	\$58,060
Electrical and electronics drafters	140	0.8%	\$60,240
Mechanical drafters	180	1.0%	\$58,920
Drafters, all other	90	0.5%	\$55,390
Civil engineering technicians	240	1.3%	\$60,600
Electrical and electronic engineering technicians	1,060	5.8%	\$69,920
Electro-mechanical technicians	180	1.0%	\$49,200
Environmental engineering technicians	90	0.5%	\$59,290
Industrial engineering technicians	240	1.3%	\$59,290
Mechanical engineering technicians	230	1.3%	\$55,550
Engineering technicians, except drafters, all other	610	3.3%	\$69,170
Surveying and mapping technicians	170	0.9%	\$57,650
Life, physical, and social science occupations	20,030	100%	\$82,100
Biochemists and biophysicists	770	3.8%	\$87,780
Zoologists and wildlife biologists	220	1.1%	\$74,100
Biological scientists, all other	410	2.0%	\$82,060
Conservation scientists	70	0.3%	\$62,780
Medical scientists, except epidemiologists	4,710	23.5%	\$95,400
Life scientists, all other	320	1.6%	\$91,670
Physicists	520	2.6%	\$113,140
Chemists	1,060	5.3%	\$85,450
Environmental scientists and specialists, including health	1,290	6.4%	\$84,940
Geoscientists, except hydrologists and geographers	380	1.9%	\$103,580
Hydrologists	50	0.2%	\$89,600
Physical scientists, all other	300	1.5%	\$103,690
Economists	130	0.6%	\$104,280
Market research analysts	4,500	22.5%	\$83,590
Survey researchers	270	1.3%	\$66,960
Clinical, counseling, and school psychologists	770	3.8%	\$76,640
Psychologists, all other	300	1.5%	\$95,260
Urban and regional planners	350	1.7%	\$89,350
Social scientists and related workers, all other	350	1.7%	\$83,770
Biological technicians	1,560	7.8%	\$46,750
Chemical technicians	560	2.8%	\$54,170
Social science research assistants	280	1.4%	\$42,550
Environmental science and protection technicians, including health	400	2.0%	\$54,670
Life, physical, and social science technicians, all other	460	2.3%	\$54,900
Community and social services occupations	12,660	100%	\$52,070
Substance abuse and behavioral disorder counselors	960	7.6%	\$35,190
Educational, vocational, and school counselors	2,350	18.6%	\$62,180
Mental health counselors	700	5.5%	\$49,660
Rehabilitation counselors	520	4.1%	\$35,550
Counselors, all other	460	3.6%	\$44,230
Child, family, and school social workers	880	7.0%	\$47,730
Medical and public health social workers	770	6.1%	\$65,390
Mental health and substance abuse social workers	860	6.8%	\$44,880

APPENDIX 1: RESIDENTIAL NEXUS STUDY

City of San Carlos

Social workers, all other	750	5.9%	\$51,750
Health educators	1,120	8.8%	\$79,830
Social and human service assistants	1,870	14.8%	\$34,550
Community and social service specialists, all other	960	7.6%	\$43,970
Clergy	280	2.2%	\$63,900
Directors, religious activities and education	180	1.4%	\$49,950
Legal occupations	15,250	100%	\$121,990
Lawyers	9,820	64.4%	\$155,760
Arbitrators, mediators, and conciliators	40	0.3%	\$105,800
Paralegals and legal assistants	3,570	23.4%	\$62,170
Law clerks	340	2.2%	\$51,280
Title examiners, abstractors, and searchers	470	3.1%	\$58,710
Legal support workers, all other	1,010	6.6%	\$57,830
Education, training, and library occupations	48,650	100%	\$61,650
Computer science teachers, postsecondary	410	0.8%	\$105,130
Mathematical science teachers, postsecondary	230	0.5%	\$114,380
Anthropology and archeology teachers, postsecondary	50	0.1%	\$88,580
Area, ethnic, and cultural studies teachers, postsecondary	90	0.2%	\$139,950
Economics teachers, postsecondary	80	0.2%	\$95,770
Political science teachers, postsecondary	90	0.2%	\$85,470
Psychology teachers, postsecondary	220	0.5%	\$80,130
Sociology teachers, postsecondary	170	0.3%	\$145,640
Health specialties teachers, postsecondary	1,060	2.2%	\$94,750
Education teachers, postsecondary	570	1.2%	\$93,260
Library science teachers, postsecondary	30	0.1%	\$97,870
Art, drama, and music teachers, postsecondary	1,260	2.6%	\$104,100
Communications teachers, postsecondary	100	0.2%	\$85,490
English language and literature teachers, postsecondary	680	1.4%	\$68,830
Foreign language and literature teachers, postsecondary	260	0.5%	\$83,470
History teachers, postsecondary	130	0.3%	\$85,360
Philosophy and religion teachers, postsecondary	100	0.2%	\$72,790
Home economics teachers, postsecondary	40	0.1%	\$127,950
Recreation and fitness studies teachers, postsecondary	160	0.3%	\$116,150
Vocational education teachers, postsecondary	840	1.7%	\$74,100
Postsecondary teachers, all other	4,470	9.2%	\$73,460
Preschool teachers, except special education	3,380	6.9%	\$36,050
Kindergarten teachers, except special education	1,320	2.7%	\$57,080
Elementary school teachers, except special education	6,300	12.9%	\$60,420
Middle school teachers, except special and vocational education	2,510	5.2%	\$62,890
Secondary school teachers, except special and vocational education	4,870	10.0%	\$62,640
Vocational education teachers, secondary school	230	0.5%	\$54,000
Special education teachers, preschool, kindergarten, and elementary school	630	1.3%	\$50,370
Special education teachers, middle school	230	0.5%	\$62,490
Special education teachers, secondary school	360	0.7%	\$56,580
Adult literacy, remedial education, and GED teachers and instructors	670	1.4%	\$49,500
Self-enrichment education teachers	1,680	3.5%	\$44,710
Teachers and instructors, all other	3,510	7.2%	\$47,370
Archivists	30	0.1%	\$69,160
Curators	250	0.5%	\$74,980
Museum technicians and conservators	250	0.5%	\$46,180
Librarians	990	2.0%	\$72,820
Library technicians	730	1.5%	\$44,950
Instructional coordinators	1,220	2.5%	\$71,580
Teacher assistants	7,680	15.8%	\$32,090
Education, training, and library workers, all other	770	1.6%	\$42,050
Arts, design, entertainment, sports, and media occupations	25,560	100%	\$69,860
Art directors	1,330	5.2%	\$105,910
Multi-media artists and animators	1,500	5.9%	\$78,650
Artists and related workers, all other	60	0.2%	\$67,290
Commercial and industrial designers	680	2.7%	\$92,770
Fashion designers	310	1.2%	\$80,160
Floral designers	390	1.5%	\$35,170
Graphic designers	3,590	14.0%	\$73,140
Interior designers	700	2.7%	\$67,830
Merchandise displayers and window trimmers	610	2.4%	\$34,720
Set and exhibit designers	90	0.4%	\$48,410
Designers, all other	170	0.7%	\$66,160
Actors	660	2.6%	N/A
Producers and directors	1,180	4.6%	\$94,550
Coaches and scouts	1,410	5.5%	\$54,780
Dancers	360	1.4%	N/A

APPENDIX 1: RESIDENTIAL NEXUS STUDY

City of San Carlos

Choreographers	110	0.4%	\$42,130
Music directors and composers	150	0.6%	\$62,470
Musicians and singers	970	3.8%	N/A
Entertainers and performers, sports and related workers, all other	100	0.4%	N/A
Radio and television announcers	290	1.1%	N/A
Public address system and other announcers	90	0.4%	\$36,320
Broadcast news analysts	90	0.4%	\$107,190
Reporters and correspondents	750	2.9%	\$55,250
Public relations specialists	4,930	19.3%	\$71,170
Editors	1,690	6.6%	\$66,400
Technical writers	650	2.5%	\$80,280
Writers and authors	920	3.6%	\$68,370
Interpreters and translators	360	1.4%	\$54,250
Media and communication workers, all other	400	1.6%	\$58,780
Audio and video equipment technicians	760	3.0%	\$51,210
Broadcast technicians	290	1.1%	\$48,210
Sound engineering technicians	490	1.9%	\$63,200
Photographers	560	2.2%	\$62,470
Camera operators, television, video, and motion picture	360	1.4%	\$58,280
Film and video editors	550	2.2%	\$66,730
Media and communication equipment workers, all other	390	1.5%	\$62,310
Healthcare practitioners and technical occupations	36,430	100%	\$91,010
Dentists, general	420	1.2%	\$110,740
Dietitians and nutritionists	270	0.7%	\$68,800
Optometrists	130	0.4%	\$92,780
Pharmacists	1,480	4.1%	\$118,790
Anesthesiologists	310	0.9%	N/A
Family and general practitioners	310	0.9%	\$153,890
Pediatricians, general	310	0.9%	\$147,160
Psychiatrists	280	0.8%	\$171,040
Surgeons	590	1.6%	N/A
Physicians and surgeons, all other	1,430	3.9%	\$163,300
Physician assistants	240	0.7%	\$89,830
Podiatrists	100	0.3%	N/A
Registered nurses	15,370	42.2%	\$96,700
Audiologists	90	0.2%	N/A
Occupational therapists	380	1.0%	\$93,050
Physical therapists	790	2.2%	\$92,370
Recreational therapists	90	0.2%	\$52,780
Respiratory therapists	470	1.3%	\$65,040
Speech-language pathologists	410	1.1%	\$77,960
Veterinarians	270	0.7%	\$103,250
Medical and clinical laboratory technologists	700	1.9%	\$70,020
Medical and clinical laboratory technicians	1,060	2.9%	\$45,370
Dental hygienists	1,280	3.5%	\$94,960
Cardiovascular technologists and technicians	170	0.5%	\$58,060
Diagnostic medical sonographers	320	0.9%	\$80,420
Nuclear medicine technologists	70	0.2%	\$89,120
Radiologic technologists and technicians	900	2.5%	\$63,560
Emergency medical technicians and paramedics	390	1.1%	\$53,630
Dietetic technicians	50	0.1%	\$33,270
Pharmacy technicians	1,570	4.3%	\$42,660
Psychiatric technicians	320	0.9%	\$58,500
Surgical technologists	760	2.1%	\$52,450
Veterinary technologists and technicians	590	1.6%	\$38,500
Licensed practical and licensed vocational nurses	3,130	8.6%	\$56,080
Medical records and health information technicians	760	2.1%	\$44,800
Opticians, dispensing	320	0.9%	\$42,950
Health technologists and technicians, all other	540	1.5%	\$49,740
Occupational health and safety specialists	310	0.9%	\$86,630
Athletic trainers	30	0.1%	\$40,040
Healthcare practitioners and technical workers, all other	510	1.4%	\$91,450
Healthcare support occupations	18,210	100%	\$37,370
Home health aides	2,690	14.8%	\$23,150
Nursing aides, orderlies, and attendants	5,720	31.4%	\$37,760
Psychiatric aides	110	0.6%	\$39,570
Physical therapist assistants	160	0.9%	\$60,960
Physical therapist aides	180	1.0%	\$28,520
Massage therapists	1,220	6.7%	\$49,760
Dental assistants	2,690	14.8%	\$41,230
Medical assistants	3,370	18.5%	\$38,460
Medical equipment preparers	200	1.1%	\$37,180

APPENDIX 1: RESIDENTIAL NEXUS STUDY

City of San Carlos

Pharmacy aides	250	1.4%	N/A
Veterinary assistants and laboratory animal caretakers	520	2.9%	\$33,660
Healthcare support workers, all other	1,350	7.4%	\$38,650
Protective service occupations	15,370	100%	\$52,850
First-line supervisors/managers of police and detectives	280	1.8%	\$114,180
First-line supervisors/managers of fire fighting and prevention workers	250	1.6%	\$132,730
First-line supervisors/managers, protective service workers, all other	450	2.9%	\$55,550
Fire inspectors and investigators	40	0.3%	\$98,690
Correctional officers and jailers	1,320	8.6%	\$68,930
Private detectives and investigators	760	4.9%	\$57,360
Security guards	10,690	69.6%	\$30,810
Crossing guards	220	1.4%	\$23,750
Lifeguards, ski patrol, and other recreational protective service workers	490	3.2%	\$30,810
Protective service workers, all other	870	5.7%	\$42,330
Food preparation and serving related occupations	93,760	100%	\$24,190
Chefs and head cooks	1,350	1.4%	\$52,910
First-line supervisors/managers of food preparation and serving workers	5,120	5.5%	\$33,270
Cooks, fast food	5,630	6.0%	\$20,650
Cooks, institution and cafeteria	1,500	1.6%	\$34,360
Cooks, restaurant	8,910	9.5%	\$27,040
Cooks, short order	1,160	1.2%	\$24,530
Cooks, all other	280	0.3%	\$27,830
Food preparation workers	7,130	7.6%	\$23,580
Bartenders	4,730	5.0%	\$23,820
Combined food preparation and serving workers, including fast food	13,790	14.7%	\$22,280
Counter attendants, cafeteria, food concession, and coffee shop	7,560	8.1%	\$21,130
Waiters and waitresses	20,150	21.5%	\$23,030
Food servers, nonrestaurant	1,860	2.0%	\$28,160
Dining room and cafeteria attendants and bartender helpers	5,810	6.2%	\$21,640
Dishwashers	5,570	5.9%	\$20,880
Hosts and hostesses, restaurant, lounge, and coffee shop	2,780	3.0%	\$23,950
Food preparation and serving related workers, all other	430	0.5%	\$20,670
Building and grounds cleaning and maintenance occupations	35,490	100%	\$29,970
First-line supervisors/managers of housekeeping and janitorial workers	1,210	3.4%	\$45,230
First-line supervisors/managers of landscaping, lawn, & groundskeeping workers	510	1.4%	\$55,640
Janitors and cleaners, except maids and housekeeping cleaners	18,800	53.0%	\$27,790
Maids and housekeeping cleaners	9,230	26.0%	\$27,910
Pest control workers	290	0.8%	\$34,030
Landscaping and groundskeeping workers	5,450	15.4%	\$33,990
Personal care and service occupations	23,020	100%	\$31,330
First-line supervisors/managers of personal service workers	1,080	4.7%	\$48,150
Animal trainers	160	0.7%	\$44,360
Nonfarm animal caretakers	1,180	5.1%	\$28,140
Motion picture projectionists	90	0.4%	\$27,870
Ushers, lobby attendants, and ticket takers	1,520	6.6%	\$23,950
Amusement and recreation attendants	2,170	9.4%	\$21,710
Costume attendants	80	0.3%	\$36,360
Locker room, coatroom, and dressing room attendants	90	0.4%	\$30,340
Entertainment attendants and related workers, all other	90	0.4%	\$28,820
Hairdressers, hairstylists, and cosmetologists	1,180	5.1%	\$32,050
Manicurists and pedicurists	960	4.2%	\$22,350
Skin care specialists	390	1.7%	\$56,680
Baggage porters and bellhops	1,220	5.3%	\$28,670
Concierges	330	1.4%	\$35,860
Tour guides and escorts	310	1.3%	\$31,060
Transportation attendants, except flight attendants and baggage porters	140	0.6%	\$24,920
Child care workers	3,130	13.6%	\$29,970
Personal and home care aides	2,560	11.1%	\$23,170
Fitness trainers and aerobics instructors	3,010	13.1%	\$45,700
Recreation workers	2,630	11.4%	\$29,450
Residential advisors	120	0.5%	\$25,150
Personal care and service workers, all other	580	2.5%	\$38,250
Sales and related occupations	103,630	100%	\$50,740
First-line supervisors/managers of retail sales workers	7,330	7.1%	\$47,350
First-line supervisors/managers of non-retail sales workers	2,590	2.5%	\$88,170
Cashiers	20,010	19.3%	\$25,880
Counter and rental clerks	3,880	3.7%	\$28,470
Parts salespersons	550	0.5%	\$42,580
Retail salespersons	32,310	31.2%	\$30,230

APPENDIX 1: RESIDENTIAL NEXUS STUDY

City of San Carlos

Advertising sales agents	2,080	2.0%	\$63,510
Insurance sales agents	2,160	2.1%	\$108,350
Securities, commodities, and financial services sales agents	6,060	5.8%	\$135,170
Travel agents	1,110	1.1%	\$36,930
Sales representatives, services, all other	8,350	8.1%	\$73,520
Sales representatives, wholesale/manufacturing, technical/scientific products	3,150	3.0%	\$89,760
Sales representatives, wholesale/manufacturing, except technical/scientific	7,000	6.8%	\$65,980
Demonstrators and product promoters	320	0.3%	\$32,830
Real estate brokers	310	0.3%	\$153,710
Sales engineers	2,140	2.1%	\$101,700
Telemarketers	2,110	2.0%	\$33,350
Sales and related workers, all other	2,170	2.1%	\$51,660
Office and administrative support occupations	172,970	100%	\$42,130
First-line supervisors/managers of office and administrative support workers	13,060	7.6%	\$58,750
Switchboard operators, including answering service	1,190	0.7%	\$35,690
Bill and account collectors	1,520	0.9%	\$48,070
Billing and posting clerks and machine operators	3,370	1.9%	\$45,180
Bookkeeping, accounting, and auditing clerks	13,170	7.6%	\$44,380
Gaming cage workers	50	0.0%	\$35,450
Payroll and timekeeping clerks	1,190	0.7%	\$46,870
Procurement clerks	550	0.3%	\$41,990
Tellers	3,890	2.2%	\$29,650
Brokerage clerks	1,970	1.1%	\$48,100
Correspondence clerks	30	0.0%	\$32,510
Credit authorizers, checkers, and clerks	190	0.1%	\$44,910
Customer service representatives	10,700	6.2%	\$41,200
File clerks	2,260	1.3%	\$34,700
Hotel, motel, and resort desk clerks	2,370	1.4%	\$29,890
Interviewers, except eligibility and loan	2,340	1.4%	\$37,650
Library assistants, clerical	1,110	0.6%	\$31,670
Loan interviewers and clerks	1,370	0.8%	\$41,550
New accounts clerks	480	0.3%	\$36,180
Order clerks	2,140	1.2%	\$33,810
Human resources assistants, except payroll and timekeeping	1,490	0.9%	\$49,020
Receptionists and information clerks	8,080	4.7%	\$32,670
Reservation and transportation ticket agents and travel clerks	1,970	1.1%	\$37,290
All other information and record clerks	2,530	1.5%	\$47,990
Cargo and freight agents	2,350	1.4%	\$38,890
Couriers and messengers	1,310	0.8%	\$28,010
Police, fire, and ambulance dispatchers	320	0.2%	\$57,930
Dispatchers, except police, fire, and ambulance	1,250	0.7%	\$37,170
Meter readers, utilities	260	0.2%	\$49,800
Postal service clerks	590	0.3%	\$50,520
Postal service mail carriers	2,790	1.6%	\$49,400
Postal service mail sorters, processors, and processing machine operators	2,360	1.4%	\$48,670
Production, planning, and expediting clerks	2,050	1.2%	\$48,580
Shipping, receiving, and traffic clerks	4,190	2.4%	\$34,460
Stock clerks and order fillers	10,030	5.8%	\$27,030
Weighers, measurers, checkers, and samplers, recordkeeping	360	0.2%	\$26,540
Executive secretaries and administrative assistants	21,280	12.3%	\$53,970
Legal secretaries	3,430	2.0%	\$60,380
Medical secretaries	5,160	3.0%	\$37,790
Secretaries, except legal, medical, and executive	5,750	3.3%	\$39,430
Computer operators	1,190	0.7%	\$44,870
Data entry keyers	1,710	1.0%	\$30,930
Word processors and typists	1,700	1.0%	\$43,510
Desktop publishers	210	0.1%	\$40,260
Insurance claims and policy processing clerks	2,140	1.2%	\$48,800
Mail clerks and mail machine operators, except postal service	760	0.4%	\$32,960
Office clerks, general	21,690	12.5%	\$33,430
Office machine operators, except computer	1,110	0.6%	\$31,200
Statistical assistants	100	0.1%	\$46,520
Office and administrative support workers, all other	1,860	1.1%	\$40,870
Farming, fishing, and forestry occupations	260	100%	\$32,250
First-line supervisors/managers of farming, fishing, and forestry workers	30	11.5%	\$49,140
Farmworkers and laborers, crop, nursery, and greenhouse	230	88.5%	\$24,960
Construction and extraction occupations	39,270	100%	\$61,360
First-line supervisors/managers of construction trades and extraction workers	3,450	8.8%	\$85,740
Stonemasons	190	0.5%	\$46,850
Carpenters	8,540	21.7%	\$61,770
Carpet installers	300	0.8%	\$55,940

APPENDIX 1: RESIDENTIAL NEXUS STUDY

City of San Carlos

Floor sanders and finishers	180	0.5%	\$61,350
Tile and marble setters	550	1.4%	\$50,210
Cement masons and concrete finishers	1,110	2.8%	\$50,500
Construction laborers	7,840	20.0%	\$47,120
Paving, surfacing, and tamping equipment operators	90	0.2%	\$59,350
Operating engineers and other construction equipment operators	770	2.0%	\$69,610
Drywall and ceiling tile installers	1,390	3.5%	\$65,270
Tapers	430	1.1%	\$59,980
Electricians	3,670	9.3%	\$82,930
Glaziers	210	0.5%	\$57,700
Painters, construction and maintenance	3,010	7.7%	\$51,700
Pipelayers	140	0.4%	\$57,110
Plumbers, pipefitters, and steamfitters	3,170	8.1%	\$65,300
Plasterers and stucco masons	380	1.0%	\$49,140
Reinforcing iron and rebar workers	60	0.2%	\$59,450
Roofers	890	2.3%	\$54,120
Sheet metal workers	1,210	3.1%	\$78,770
Helpers--brickmasons, blockmasons, stonemasons, and tile and marble setters	90	0.2%	\$46,660
Helpers--carpenters	300	0.8%	\$40,030
Helpers--electricians	200	0.5%	\$45,200
Helpers--pipelayers, plumbers, pipefitters, and steamfitters	130	0.3%	\$40,200
Construction and building inspectors	610	1.6%	\$70,740
Hazardous materials removal workers	220	0.6%	\$40,710
Highway maintenance workers	100	0.3%	\$56,990
Septic tank servicers and sewer pipe cleaners	40	0.1%	\$47,510
Installation, maintenance, and repair occupations	22,490	100%	\$51,130
First-line supervisors/managers of mechanics, installers, and repairers	2,030	9.0%	\$74,540
Computer, automated teller, and office machine repairers	730	3.2%	\$49,850
Telecommunications equipment installers and repairers, except line installers	1,480	6.6%	\$63,180
Avionics technicians	130	0.6%	\$58,200
Electrical and electronics repairers, commercial and industrial equipment	40	0.2%	\$68,230
Electronic equipment installers and repairers, motor vehicles	80	0.4%	\$33,690
Electronic home entertainment equipment installers and repairers	200	0.9%	\$41,730
Security and fire alarm systems installers	210	0.9%	\$49,920
Automotive body and related repairers	860	3.8%	\$51,590
Automotive service technicians and mechanics	3,540	15.7%	\$47,800
Bus and truck mechanics and diesel engine specialists	560	2.5%	\$52,640
Mobile heavy equipment mechanics, except engines	130	0.6%	\$57,690
Motorboat mechanics	100	0.4%	\$49,380
Tire repairers and changers	330	1.5%	\$31,900
Control and valve installers and repairers, except mechanical door	190	0.8%	\$64,090
Heating, air conditioning, and refrigeration mechanics and installers	360	1.6%	\$56,550
Industrial machinery mechanics	340	1.5%	\$62,880
Maintenance and repair workers, general	7,480	33.3%	\$44,720
Maintenance workers, machinery	50	0.2%	N/A
Millwrights	160	0.7%	\$66,870
Telecommunications line installers and repairers	600	2.7%	\$58,390
Medical equipment repairers	200	0.9%	\$55,930
Watch repairers	70	0.3%	\$28,310
Precision instrument and equipment repairers, all other	40	0.2%	\$54,930
Coin, vending, and amusement machine servicers and repairers	170	0.8%	\$33,610
Locksmiths and safe repairers	200	0.9%	\$45,430
Riggers	110	0.5%	\$61,880
Helpers--installation, maintenance, and repair workers	1,080	4.8%	\$30,030
Installation, maintenance, and repair workers, all other	1,070	4.8%	\$42,670
Production occupations	26,090	100%	\$35,690
First-line supervisors/managers of production and operating workers	1,880	7.2%	\$65,280
Electrical and electronic equipment assemblers	530	2.0%	\$30,010
Structural metal fabricators and fitters	80	0.3%	\$41,400
Team assemblers	2,250	8.6%	\$32,410
Assemblers and fabricators, all other	1,070	4.1%	\$31,940
Bakers	1,640	6.3%	\$30,880
Butchers and meat cutters	790	3.0%	\$34,940
Meat, poultry, and fish cutters and trimmers	830	3.2%	\$26,290
Food and tobacco roasting, baking, and drying machine operators and tenders	60	0.2%	\$30,700
Food batchmakers	960	3.7%	\$27,190
Food cooking machine operators and tenders	250	1.0%	\$22,500
Computer-controlled machine tool operators, metal and plastic	210	0.8%	\$51,690
Extruding and drawing machine setters, operators, and tenders, metal and plastic	50	0.2%	\$35,250
Forging machine setters, operators, and tenders, metal and plastic	80	0.3%	\$52,130
Cutting, punching, press machine setters, operators, tenders, metal/plastic	400	1.5%	\$31,750
Grinding, lapping, polishing, buffing machine tool setters, operators, tenders	150	0.6%	\$33,220

APPENDIX 1: RESIDENTIAL NEXUS STUDY

City of San Carlos

Machinists	670	2.6%	\$48,630
Multiple machine tool setters, operators, and tenders, metal and plastic	40	0.2%	\$26,480
Tool and die makers	70	0.3%	\$51,560
Welders, cutters, solderers, and brazers	440	1.7%	\$43,030
Plating and coating machine setters, operators, and tenders, metal and plastic	40	0.2%	\$32,630
Metal workers and plastic workers, all other	140	0.5%	\$39,000
Job printers	150	0.6%	\$60,430
Prepress technicians and workers	600	2.3%	\$46,620
Printing machine operators	710	2.7%	\$46,650
Laundry and dry-cleaning workers	1,540	5.9%	\$23,530
Pressers, textile, garment, and related materials	820	3.1%	\$22,320
Sewing machine operators	2,140	8.2%	\$20,510
Tailors, dressmakers, and custom sewers	340	1.3%	\$39,460
Textile cutting machine setters, operators, and tenders	80	0.3%	\$30,570
Fabric and apparel patternmakers	90	0.3%	\$46,800
Upholsterers	320	1.2%	\$37,970
Cabinetmakers and bench carpenters	380	1.5%	\$41,770
Furniture finishers	150	0.6%	\$35,580
Woodworking machine setters, operators, and tenders, except sawing	150	0.6%	\$37,060
Power plant operators	50	0.2%	\$71,170
Water and liquid waste treatment plant and system operators	330	1.3%	\$60,840
Chemical plant and system operators	40	0.2%	\$65,550
Plant and system operators, all other	60	0.2%	\$80,210
Separating, filtering, clarifying, precipitating, still machine setters, operators, tenders	120	0.5%	\$37,110
Grinding and polishing workers, hand	140	0.5%	\$32,420
Mixing and blending machine setters, operators, and tenders	200	0.8%	\$39,560
Cutters and trimmers, hand	130	0.5%	\$26,160
Extruding, forming, pressing, compacting machine setters, operators, tenders	60	0.2%	\$28,980
Inspectors, testers, sorters, samplers, and weighers	1,350	5.2%	\$34,960
Jewelers and precious stone and metal workers	130	0.5%	\$42,490
Packaging and filling machine operators and tenders	970	3.7%	\$26,970
Coating, painting, and spraying machine setters, operators, and tenders	100	0.4%	\$32,990
Painters, transportation equipment	380	1.5%	\$48,370
Painting, coating, and decorating workers	40	0.2%	\$39,120
Cleaning, washing, and metal pickling equipment operators and tenders	40	0.2%	\$20,230
Molders, shapers, and casters, except metal and plastic	180	0.7%	\$31,520
Paper goods machine setters, operators, and tenders	110	0.4%	\$25,480
Helpers—production workers	980	3.8%	\$24,820
Production workers, all other	580	2.2%	\$27,420
Transportation and material moving occupations	42,480	100%	\$39,810
Aircraft cargo handling supervisors	180	0.4%	\$39,290
First-line supervisors/managers of helpers, laborers, and material movers, hand	940	2.2%	\$49,530
First-line supervisors/managers of trans & material-moving & vehicle operators	1,400	3.3%	\$61,670
Bus drivers, transit and intercity	3,550	8.4%	N/A
Bus drivers, school	440	1.0%	\$32,610
Driver/sales workers	2,320	5.5%	\$28,570
Truck drivers, heavy and tractor-trailer	4,000	9.4%	\$45,080
Truck drivers, light or delivery services	4,980	11.7%	\$38,710
Taxi drivers and chauffeurs	1,170	2.8%	\$30,470
Motor vehicle operators, all other	1,150	2.7%	\$28,940
Sailors and marine oilers	150	0.4%	\$35,890
Parking lot attendants	2,490	5.9%	\$26,400
Conveyor operators and tenders	90	0.2%	\$27,160
Industrial truck and tractor operators	1,960	4.6%	\$45,920
Cleaners of vehicles and equipment	2,840	6.7%	\$23,760
Laborers and freight, stock, and material movers, hand	9,480	22.3%	\$28,790
Machine feeders and offbearers	150	0.4%	\$23,220
Packers and packagers, hand	2,950	6.9%	\$21,540
Refuse and recyclable material collectors	1,530	3.6%	\$45,180
Material moving workers, all other	710	1.7%	\$52,670

Note: Select jobs were missing wage information. These jobs were not included within their respective occupational categories. Other jobs within the category were adjusted to account for their exclusion.

Source: Minnesota IMPLAN Group 2008 County Plus Data for San Mateo County; 2000 US Census; Bureau of Labor Statistics; and California

Appendix 2: Residential Values – Market Rate and Affordable



**Appendix 2:
Residential Values – Market Rate
and Affordable**

CITY OF SAN CARLOS

Residential Below Market
Rate Ordinance Revisions

February 2, 2010

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INTRODUCTION

The identification of values for both market rate and affordable housing units in the City of San Carlos (“City”) is fundamental in establishing the values used in other components of the residential nexus analysis. This section establishes the respective values for various residential product types including single family detached and attached dwelling units and multifamily rental apartments that may be developed in the City. In addition, this section addresses the housing affordability gap and more particularly the development funding gaps between market rate housing values and the affordable housing values. The latter serves to identify the financial impact associated with developing the affordable housing units.

Market values are based on surveys of existing residential properties recently sold or developed in the City during the calendar year 2009. Weighted consideration is given to the recently developed projects when the data is available. Affordable housing values are based on the formulas pursuant to California Government Code Section 65915 (“State Density Bonus Law”) and California Health and Safety Code Sections 33000 et.seq. (“California Redevelopment Law” (“CRL”). The calculation of affordable housing values starts from the San Mateo County (“County”) Median Income adjusted for family size.

The difference between the market values and affordable values for any given residential unit reflects what is generally referred to as the housing affordability gap. More important to this analysis, however, is identification of the difference between the affordable values and the cost to produce any given residential unit, which is more specifically referred to as either the construction funding gap (excluding land cost) or the development funding gap (including land cost). The estimation of the development funding gap amounts provide the basis for the determination of a residential housing impact fee associated with the Below Market Rate Housing Ordinance (“BMR Ordinance”) and the proposed impact fee identified therein.

MARKET RATE HOUSING VALUES

Market Survey Overview

Residential market surveys were conducted over the past eighteen months for various property types including single family homes, condominiums and apartments. The values have reflected changing market conditions over the period based on national and regional economic dynamics. The surveys summarized herein were updated in January 2010 to reflect market sales activity for the entire calendar year 2009. The California Real Estate Journal (January 11, 2010) reported that while most real estate observers continue to see values falling over a cliff without a bottom, at the national level valuation declines are beginning to slow. In addition, the City’s residential market has performed substantially better than the broader market including that for the County reflecting an 11% decline in values compared to 24% in the County during the period from May 2008 to May 2009.

This analysis uses the median market values found in the City’s market to determine the applicable market values assigned to single family homes, condominiums and apartments. The current median values are below the market highs experienced in 2007 and 2008 and as a result may not be high enough to support the costs, including but not limited to land costs, for developing the residential units today. This is particularly true for the development of rental apartments in the City due to market factors including lower rents, higher vacancies, increased operating costs and more restrictive financing availability. As a result, this analysis was prepared to generally reflect lower costs to developers of the

on-site ownership BMR units than may likely be the case and impact fee amounts which are lower than may be required to produce the equivalent BMR units.

To expand affordable housing opportunities in the City, the BMR Housing Program is designed to reflect the lower end of the average cost range for each of the housing product type. Since the market surveys include both existing and newly constructed units, the use of median values in our view adequately reflects the lower end of the average units to be constructed going forward. This is based on the appraisal principle of substitution, which indicates that, with all things being equal; a household will not choose a unit that is higher priced than a comparable unit located in the market area.

Market Value Summary

The market value conclusions, based on the updated surveys and related data, which form the basis for this analysis are as follows:

- For new single family detached ownership homes, the lower average cost is reflected by the median value and a higher average cost reflected by an approximate seventy fifth percentile value. The two values are used to address the fairly broad range of the single family home prices in the City with the latter used to identify the impacts that higher values may have on the program. The median value is \$850,000 for an assumed three bedroom unit of approximately 1,763 square feet selling for \$482 per square feet. The seventy fifth percentile value is \$1,100,000 for an assumed four bedroom unit of approximately 2,500 square feet selling for \$440 per square feet.
- For attached ownership condominium units, the estimated weighted median value is \$506,250 for an average unit of approximately 1,180 square feet selling for \$429 per square feet.
- For rental apartment units, the weighted median rent is \$2,150 (\$1.72 per square foot) for an average unit of approximately 1,250 square feet. The estimated median value of the unit is approximately \$376,100 (\$300 per square foot) based the capitalization of the net operating income after deducting for operating expenses and a 5% vacancy allowance, using a market capitalization rate of 5%.

Median values above generally reflect the lower end of the current market experience for new units and are likely lower than the values needed to make the projects feasible. This would suggest that either little or no new construction (except for higher value units) is going to occur until the market recovers or the weak market conditions will continue until construction costs, including land, come down sufficiently to make the projects feasible. It is important to note that these lower values have been selected to reflect a very conservative analysis to illustrate that the current BMR Ordinance can be updated and impact fees can be imputed to reflect the financial impacts associated with developing affordable housing units in the City.

AFFORDABLE HOUSING VALUES

Affordable Housing Cost Overview

Sale prices and monthly rents for affordable housing units are usually established in accordance with the State Density Bonus Law and CRL. Affordable housing costs are a function of the Qualifying Income Limits and Area Median Incomes (AMI) adjusted for family size appropriate to the unit, with the

calculations made pursuant to Health and Safety Code Section 50052.5(b) for owner-occupied housing and Section 50053(b) for rental housing. For purposes of calculating affordable housing costs, adjustments for family size appropriate to the unit reflects one person in a studio unit, two persons in a one bedroom unit, three persons in a two bedroom unit, four persons in a three bedroom unit, five persons in a four bedroom unit, and six persons in a five bedroom unit.

The Qualifying Income Limits for very low-, low- and moderate-income categories and the applicable AMIs adjusted for family size for each county in the State are established annually by HCD in accordance data provided by the Department of Housing and Urban Development (HUD). For the County the 2009 median income is \$96,800 for a family of four. A summary of the AMIs and Qualifying Income Limits for the County is provided in Table 1.

2009 Annual Qualifying Income Limits **Table 1**
Residential Values - Market Rate and Affordable

Household Size	Area Median Income (AMI)	Very-Low Income Households	Low Income Households	Moderate Income Households
1	\$67,750	\$39,600	\$63,350	\$81,300
2	\$77,450	\$45,250	\$72,400	\$92,900
3	\$87,100	\$50,900	\$81,450	\$104,550
4	\$96,800	\$56,550	\$90,500	\$116,150
5	\$104,550	\$61,050	\$97,700	\$125,450
6	\$112,300	\$65,600	\$104,950	\$134,750

Source: California Department of Housing and Community Development

This analysis uses the data in Table 1 to first identify the income category of a household based on the applicable Qualifying Income Limits established by HCD. The calculation of affordable housing prices or rents is then made based on the income category of the household adjusted for family times the area median income adjusted for that household size. The calculations in the following sections of this analysis use a number of different affordability levels and adjusted household sizes to generally reflect the median market data, which will be identified as they are used.

Affordable Sale Prices

The maximum affordable sale prices are calculated per Section 50052.5(b) to reflect the affordable housing cost per income category adjusted for household size as a percentage of the gross AMI allowing for the deduction of related housing expenses (insurance, real estate taxes, and allowance for utilities, HOA fees and related ownership obligations). The calculation of affordable housing cost may not exceed the following:

- For very low-income households, the product of 30% times 50% of the AMI adjusted for family size appropriate for the unit.
- For low-income households, the product of 30% times 70% of the AMI adjusted for family size appropriate for the unit.
- For moderate-income households, not less than 28% of the household's gross income, nor more than the product of 35% times 110% of the AMI adjusted for family size appropriate for the unit.

Table 2 identifies the monthly affordable housing cost for each income category by unit size, as calculated in accordance with the above formulas.

2009 Maximum Monthly Affordable Housing Costs (Ownership) Table 2
Residential Values - Market Rate and Affordable

Unit Type	Very-Low Income Households	Low Income Households	Moderate Income Households
Studio	\$831	\$1,164	\$2,134
1 BR	\$950	\$1,330	\$2,438
2 BR	\$1,069	\$1,496	\$2,743
3 BR	\$1,187	\$1,662	\$3,048
4 BR	\$1,282	\$1,795	\$3,292

Note: Monthly affordable housing cost includes an allowance for utilities, real estate taxes, insurance, and HOA fees.

Source: California Department of Housing and Community Development

For this analysis affordable sale prices were calculated for single family homes and condominiums reflecting the same homeowner expense categories with the imputed condominium HOA fees serving as homeowner maintenance cost for the detached homes. Assuming a 5% down payment and a 30-year amortized loan at a 6.25% interest rate, the maximum affordable sale prices for each income category by unit size are summarized in Table 3. A detailed calculation of the affordable prices by income category and unit size is provided in the attached as Exhibit 3.

2009 Affordable Housing Prices (Ownership) **Table 3**
Residential Values - Market Rate and Affordable

Unit Type	Very-Low Income Households	Low Income Households	Moderate Income Households
Studio	\$60,495	\$110,470	\$256,215
1 BR	\$74,575	\$131,700	\$298,340
2 BR	\$87,480	\$151,725	\$339,080
3 BR	\$100,295	\$171,690	\$379,930
4 BR	\$109,310	\$186,430	\$411,360

Source: California Department of Housing and Community Development

Affordable Rental Values

Affordable housing cost for rental units are calculated per Section 50053(b) to reflect the affordable housing cost per income category adjusted for household size as a percentage of the gross AMI allowing for the deduction of an allowance for utilities. The calculation of affordable housing cost may not exceed the following:

- For very low-income households, the product of 30% times 50% of the AMI adjusted for family size appropriate for the unit.
- For low-income households, the product of 30% times 60% of the AMI adjusted for family size appropriate for the unit.
- For moderate-income households, the product of 30% times 110% of the AMI adjusted for family size appropriate for the unit.

The maximum affordable monthly rent, after deducting an allowance for utilities, for each income category by unit size are summarized in Table 4.

2009 Maximum Monthly Affordable Rents **Table 4**
Residential Values - Market Rate and Affordable

Unit Type	Very-Low Income Households	Low Income Households	Moderate Income Households
Studio	\$813	\$982	\$1,829
1 BR	\$919	\$1,113	\$2,089
2 BR	\$1,026	\$1,243	\$2,332
3 BR	\$1,132	\$1,374	\$2,584
4 BR	\$1,210	\$1,471	\$2,778

Source: California Department of Housing and Community Development

It should be noted that the monthly affordable rents for moderate income studio, one and two income households are greater than the current median market rents in the City; utility allowances are established by the County Housing Authority.

The value of the affordable rental units is a function of the annual gross income of a unit reduced by vacancies and operating expenses to determine the net operating income (“NOI”). The industry practice in establishing the value of rental units is to apply a reasonable market capitalization rate to the NOI to identify the value based on the ability to achieve a comparable investment rate to other similar properties. Since vacancies and operating costs are generally spread evenly across all units in a project it is fairly easy to determine the net operating income potential of a unit based on market comparable vacancy factors and operating costs. While current vacancy factors have generally increased during the past 12 to 18-month period, the City’s housing market has held to a fairly consistent 2%, due to the limited supply. Nonetheless, a lender’s underwriting standards would generally use a 5% vacancy factor. Comparable annual operating expenses (excluding real estate taxes) for affordable rental units run about \$4,500 per unit. The exclusion of real estate taxes for affordable apartments is deemed reasonable under the assumption that most affordable apartments are constructed in conjunction with non-profit housing developers and receive exemptions from property taxes.

In estimating the value of affordable rental apartments, it is useful to use a weighted average basis reflecting the blended rents, mix of bedrooms and unit sizes in a project based on similar affordable rental apartments in the area. For purposes of this analysis, a mix of 5% studio units, 40% one-bedroom, 45% two-bedroom and 10% three-bedroom units of 650, 750, 1,100, and 1,240 square feet respectively is used, with the weighted average unit size of about 952 square feet. The affordable monthly rent for each unit size and income category is used to determine the weighted average rent for each income category, as follows:

- For very low-income units the weighted monthly rent is \$983 (\$1.03 /s.f.).
- For low-income units the weighted monthly rent is \$1,191 (\$1.25 /s.f.).
- For moderate-income units the weighted monthly rent is \$1,709 (\$1.80 /s.f.).

Calculation of the estimated values of affordable rental units is summarized in Table 5.

Affordable Rental Values Calculation**Table 5****Residential Values - Market Rate and Affordable**

	Very-Low Income	Low Income	Moderate Income
Gross Income	\$11,790	\$14,292	\$20,508
Less 5% Vacancy	(\$598)	(\$715)	(\$1,025)
Less Operating Costs	(\$4,500)	(\$4,500)	(\$4,500)
Net Operating Income	\$6,692	\$9,077	\$14,983
Capitalized Value @ 6% Rate	\$111,533	\$151,283	\$249,716

AFFORDABLE HOUSING FUNDING GAP

The affordable housing development funding gap reflects the difference between the value of the affordable unit and estimated cost to develop the unit which will generally closely approximate the costs of constructing market rate units in the area. A key distinction between the market affordability gap and the development funding gap is that the value of the market rate unit may exceed the actual development cost of the unit due to the market forces of supply and demand which may serve to increase prices above the cost to produce or replace the unit. The development funding gap, therefore, more accurately reflects the subsidy or assistance amounts needed to create affordable housing units, particularly for owner-occupied residential units.

The major cost components for affordable housing units are similar to those for market rate units in terms of unit-cost, with the exception perhaps for somewhat smaller unit sizes, slightly lower quality materials and finishes, and a lower developer fee (profit). For this analysis, the estimated development costs are based on independent construction cost data obtained from Marshall and Swift Valuation Services, which is a national comprehensive database that is updated monthly and serves the development and insurance industries. Additional construction cost corroboration was obtained from local residential builders. Since a residential housing nexus analysis should address the lower end of the housing market to reflect affordability, this analysis focuses on owner-occupied condominiums and rental apartments, as identified in the BMR Ordinance.

For ownership condominium units, the estimated construction cost for a weighted average 1,025 square feet unit is \$382,134 (\$372.81 per square foot) exclusive of land cost. The estimated construction cost for a weighted average 952 square feet rental apartment unit is \$236,756 (\$248.82 per square foot) exclusive of land cost. Land cost is a function of market demand and permitted land use and density and, as such, is a significant variable in residential development particularly in high cost area like the City. Therefore the potential impact of land cost is added after the calculation of construction cost. In the case of onsite development under the BMR Ordinance, land cost would contribute to increasing the development funding gap, while if developed under a density bonus the land would not contribute any additional development cost.

The construction funding gap for an ownership condominium unit is reflected by the difference between the construction cost of the unit and the value of the affordable unit. The construction funding gap amount is increased for the allocated land cost to reflect the development funding gap associated with producing the affordable units. The weighted average development funding gaps for affordable ownership condominium units under the BMR Ordinance are summarized in Table 6.

Ownership Condominium Development Funding Gap **Table 6**
Residential Values - Market Rate and Affordable

	Moderate Income Unit	Low Income Unit
Unit Value	\$330,942	\$147,715
Construction Cost	(\$382,134)	(\$368,957)
Allocated Land Cost	(\$110,746)	(\$110,746)
Development Funding Gap	(\$161,938)	(\$331,988)

Note: Allocated land cost based on \$150 per square feet divided by assumed 59 units per acre density.

For rental apartments, the construction funding gap is also reflected by the difference between the construction cost of the unit and the value of the affordable unit with the value of an affordable unit being a function of the capitalization of the projected net operating income of the unit. The construction funding gap amount is increased for the allocated land cost to reflect the development funding gap associated with producing the affordable units. The weighted average development funding gaps for affordable rental apartments under the BMR Ordinance are summarized in Table 7.

Rental Apartment Development Funding Gap **Table 7**
Residential Values - Market Rate and Affordable

	Low Income Unit	Very Low Income Unit
Capitalized Value	\$151,326	\$111,785
Construction Cost	(\$236,756)	(\$236,658)
Allocated Land Cost	(\$110,746)	(\$110,746)
Development Funding Gap	(\$196,176)	(\$235,618)

Note: Allocated land cost based on \$150 per square feet divided by assumed 59 units per acre density.

ATTACHMENTS

Exhibit 1 - Single Family Detached Market Summary

2009 SFR Sales

City of San Carlos

Bed	Baths	Doc Date	Price	Site Address	Unit Sq Ft	\$/SqFt
1.0	1.0	03/17/2009	662,000	2716 San Carlos Ave	780	848.72
1 Bdrm 1 Bath Total		Low	\$662,000	Average Sq Ft	780	
		High	\$662,000	Average Price Per Sq Ft	\$848.72	
		Average	\$662,000			
		Median	\$662,000			
2.0	1.0	11/04/2009	742,000	73 Cedar St	1,400	530.00
2.0	1.0	07/07/2009	905,000	124 Acacia Ct	1,550	583.87
2.0	1.0	05/05/2009	665,000	118 Acacia Ct	1,550	429.03
2.0	1.0	04/30/2009	400,000	1008 Inverness Dr	820	487.80
2.0	1.0	03/03/2009	259,000	992 Sylvan Dr	1,090	237.61
2.0	1.0	10/09/2009	550,000	1056 Sylvan Dr	820	670.73
2.0	1.0	06/08/2009	325,000	1070 Hall St	910	357.14
2.0	1.0	07/24/2009	760,000	2108 Carmelita Dr	1,310	580.15
2.0	1.0	09/16/2009	1,405,000	445 Hillcrest Rd	1,110	1265.77
2.0	1.0	09/22/2009	330,000	2064 Birch Ave	990	333.33
2.0	1.0	12/02/2009	791,500	1971 Belle Ave	900	879.44
2.0	1.0	05/29/2009	665,000	1969 Eucalyptus Ave	1,340	496.27
2.0	1.0	03/12/2009	648,000	25 Wildwood Ave	920	704.35
2.0	1.0	03/04/2009	820,000	1115 Dayton Ave	1,140	719.30
2.0	1.0	09/30/2009	284,500	2008 Greenwood Ave	1,020	278.92
2.0	1.0	09/15/2009	459,000	1100 Cedar St	880	521.59
2.0	1.0	03/25/2009	649,000	1723 Alameda	1,030	630.10
2.0	1.0	02/20/2009	725,000	1979 Saint Francis Way	1,220	594.26
2.0	1.0	11/17/2009	380,000	1631 Walnut St	1,160	327.59
2.0	1.0	07/28/2009	252,500	1007 Riverton Dr	820	307.93
2.0	1.0	10/22/2009	380,000	1051 Springfield Dr	820	463.41
2.0	1.0	04/13/2009	400,000	516 Prospect St	1,400	285.71
2.0	1.0	07/24/2009	445,000	1009 Holly St	840	529.76
2.0	1.0	03/16/2009	489,000	977 Holly St	910	537.36
2.0	1.0	03/20/2009	505,000	347 Fairfield Dr	820	615.85
2.0	1.0	07/07/2009	512,500	1040 Northwood Dr	820	625.00
2.0	1.0	06/04/2009	539,000	1035 Springfield Dr	820	657.32
2.0	1.0	09/02/2009	548,000	1004 Inverness Dr	820	668.29
2.0	1.0	05/07/2009	575,000	903 Cherry St	970	592.78
2.0	1.0	04/24/2009	585,000	1039 Springfield Dr	1,150	508.70
2.0	1.0	04/03/2009	595,000	979 Mccue Ave	920	646.74
2.0	1.0	07/09/2009	610,000	1047 Mccue Ave	920	663.04
2.0	1.0	09/18/2009	648,000	148 Manzanita Ave	940	689.36
2.0	1.0	04/30/2009	675,000	436 Laurel St	1,200	562.50
2.0	1.0	02/03/2009	680,000	500 Pearl Ave	1,000	680.00
2.0	1.0	08/31/2009	685,000	2425 San Carlos Ave	1,020	671.57
2.0	1.0	03/05/2009	695,000	762 Cedar St	1,020	681.37
2.0	1.0	05/08/2009	700,000	1761 Walnut St	1,210	578.51
2.0	1.0	06/12/2009	705,000	29 Plymouth Ave	990	712.12
2.0	1.0	04/28/2009	705,000	2373 Howard Ave	1,060	665.09
2.0	1.0	08/18/2009	706,500	1015 Walnut St	1,190	593.70
2.0	1.0	10/07/2009	710,000	1333 Elm St	1,390	510.79
2.0	1.0	09/01/2009	720,000	2806 San Carlos Ave	1,210	595.04
2.0	1.0	11/05/2009	720,000	1951 Arroyo Ave	1,020	705.88

APPENDIX 2: RESIDENTIAL VALUES – MARKET RATE & AFFORDABLE

City of San Carlos

2.0	1.0	05/22/2009	730,000	2239 Carmelita Dr	960	760.42
2.0	1.0	09/17/2009	747,000	275 Vine St	1,000	747.00
2.0	1.0	04/07/2009	750,000	259 Vine St	1,230	609.76
2.0	1.0	07/17/2009	775,000	212 Park Ave	1,090	711.01
2.0	1.0	03/26/2009	775,000	117 Belvedere Ave	1,260	615.08
2.0	1.0	04/30/2009	780,000	1160 Walnut St	1,060	735.85
2.0	1.0	08/13/2009	808,000	584 Phelps Rd	1,180	684.75
2.0	1.0	06/16/2009	814,500	735 Orange Ave	1,100	740.45
2.0	1.0	12/10/2009	830,000	143 Ruby Ave	1,080	768.52
2.0	1.0	08/19/2009	883,000	385 Ridge Rd	1,400	630.71
2.0	1.0	10/07/2009	1,300,000	1521 Cedar St	1,080	1203.70
2.0	1.0	05/07/2009	1,347,500	20 Cambridge St	1,020	1321.08
2 Bdrm 1 Bath Total		Low	\$252,500	Average Sq Ft	1,070	
		High	\$1,405,000	Average Price Per Sq Ft	\$619.17	
		Average	\$662,295			
		Median	\$682,500			
2.0	1.5	09/15/2009	825,000	1144 Walnut St	1,310	629.77
2.0	1.5	07/09/2009	912,000	1925 Howard Ave	1,140	800.00
2.0	1.5	09/23/2009	985,000	1630 Hull Dr	1,590	619.50
2 Bdrm 1.5 Bath Total		Low	\$825,000	Average Sq Ft	1,347	
		High	\$985,000	Average Price Per Sq Ft	\$673.76	
		Average	\$907,333			
		Median	\$912,000			
2.0	2.0	01/14/2009	549,000	333 Old County Rd	1,320	415.91
2.0	2.0	10/30/2009	675,000	1341 Magnolia Ave	1,300	519.23
2.0	2.0	05/19/2009	740,000	122 Wellington Dr	1,470	503.40
2.0	2.0	11/17/2009	745,000	1112 Dayton Ave	1,520	490.13
2.0	2.0	11/20/2009	760,000	31 Tulip Ln	1,990	381.91
2.0	2.0	01/16/2009	808,000	166 Oakview Dr	1,330	607.52
2.0	2.0	09/29/2009	820,000	827 Sunset Dr	1,230	666.67
2.0	2.0	07/21/2009	860,000	1337 Cedar St	1,730	497.11
2.0	2.0	12/02/2009	885,000	2120 Eaton Ave	1,610	549.69
2.0	2.0	01/20/2009	1,050,000	115 Aster Rd	1,700	617.65
2.0	2.0	04/29/2009	900,000	245 Pearl Ave	1,640	548.78
2 Bdrm 2 Bath Total		Low	\$549,000	Average Sq Ft	1,531	
		High	\$1,050,000	Average Price Per Sq Ft	\$522.09	
		Average	\$799,273			
		Median	\$808,000			
2.0	2.5	07/02/2009	467,500	1701 Elm St	1,920	243.49
2.0	2.5	08/18/2009	607,500	5 Torino Ln	1,600	379.69
2 Bdrm 2.5 Bath Total		Low	\$467,500	Average Sq Ft	1,760	
		High	\$607,500	Average Price Per Sq Ft	\$305.40	
		Average	\$537,500			
		Median	\$537,500			
2 Bdrm Total		Low	\$252,500	Average Sq Ft	1,171	
		High	\$1,405,000	Average Price Per Sq Ft	\$589.29	
# sold =	72	Average	\$689,965			
		Median	\$705,000			

APPENDIX 2: RESIDENTIAL VALUES – MARKET RATE & AFFORDABLE

City of San Carlos

3.0	1.0	12/02/2009	752,000		1,330	565.41
3.0	1.0	05/28/2009	420,000	1029 Montgomery St	1,160	362.07
3.0	1.0	06/08/2009	315,000	1059 Cherry St	940	335.11
3.0	1.0	10/28/2009	599,000	668 Alameda	1,530	391.50
3.0	1.0	03/24/2009	650,000	104 Palm Ave	1,210	537.19
3.0	1.0	10/28/2009	941,000	928 Tamarack Ave	1,290	729.46
3.0	1.0	07/28/2009	290,000	1375 Geneva Ave	1,230	235.77
3.0	1.0	05/29/2009	498,000	1176 Walnut St	1,360	366.18
3.0	1.0	11/09/2009	250,000	1015 Sylvan Dr	1,030	242.72
3.0	1.0	03/30/2009	420,000	365 Old County Rd	1,090	385.32
3.0	1.0	11/06/2009	486,000	1055 Sylvan Dr	1,090	445.87
3.0	1.0	09/01/2009	651,500	170 Sunnydale Ave	1,450	449.31
3.0	1.0	08/28/2009	653,000	304 Cedar St	1,240	526.61
3.0	1.0	06/05/2009	699,000	1317 Walnut St	1,210	577.69
3.0	1.0	11/12/2009	725,000	327 Chestnut St	1,260	575.40
3.0	1.0	05/22/2009	750,000	121 Colton Ave	1,550	483.87
3.0	1.0	06/24/2009	760,000	2048 Brittan Ave	1,520	500.00
3.0	1.0	04/10/2009	800,000	1348 Walnut St	1,330	601.50
3.0	1.0	11/25/2009	840,000	131 Ruby Ave	1,270	661.42
3.0	1.0	11/02/2009	855,000	2662 Thornhill Dr	1,660	515.06
3.0	1.0	09/16/2009	865,000	635 Park Ave	1,300	665.38
3.0	1.0	08/31/2009	895,000	145 Beverly Dr	1,450	617.24
3.0	1.0	07/16/2009	950,000	112 Park Ave	1,710	555.56

3 Bdrm 1 Bath Total	Low	\$250,000	Average Sq Ft	1,313
	High	\$950,000	Average Price Per Sq Ft	\$498.66
	Average	\$654,978		
	Median	\$699,000		

3.0	1.5	12/03/2009	787,500	100 Wildwood Ave	1,290	610.47
3.0	1.5	05/14/2009	750,000	48 Stanford Ln	1,290	581.40
3.0	1.5	03/11/2009	738,500	2071 Cedar St	1,620	455.86
3.0	1.5	07/02/2009	625,000	849 Elm St	1,580	395.57
3.0	1.5	06/26/2009	810,000	984 Alameda	1,480	547.30
3.0	1.5	06/30/2009	835,000	1201 Dayton Ave	1,270	657.48
3.0	1.5	10/09/2009	835,000	191 Fairmont Ave	1,660	503.01
3.0	1.5	06/30/2009	840,000	2025 Greenwood Ave	1,420	591.55
3.0	1.5	04/07/2009	885,000	2210 Saint Francis Way	1,370	645.99
3.0	1.5	05/01/2009	1,178,000	6 Madrona St	1,780	661.80

3 Bdrm 1.5 Bath Total	Low	\$625,000	Average Sq Ft	1,476
	High	\$1,178,000	Average Price Per Sq Ft	\$561.25
	Average	\$828,400		
	Median	\$822,500		

3.0	2.0	10/19/2009	901,000	35 Hartford Ave	2,240	402.23
3.0	2.0	10/19/2009	1,069,000	89 Ensenada Rd	1,690	632.54
3.0	2.0	09/15/2009	227,000	1029 Mccue Ave	1,630	139.26
3.0	2.0	06/26/2009	950,000	236 Bay View Dr	1,660	572.29
3.0	2.0	10/22/2009	315,000	730 Dartmouth Ave	1,620	194.44
3.0	2.0	06/16/2009	980,000	2540 San Carlos Ave	1,167	839.76
3.0	2.0	07/06/2009	1,105,000	23 Williams Ln	1,750	631.43
3.0	2.0	01/30/2009	360,000	722 Cordilleras Ave	1,930	186.53
3.0	2.0	07/22/2009	912,000	2724 Brittan Ave	1,360	670.59
3.0	2.0	03/17/2009	880,000	2740 Milano Way	1,560	564.10
3.0	2.0	10/22/2009	800,000	159 Rockridge Rd	1,150	695.65
3.0	2.0	10/19/2009	760,000	159 Rogers Ave	1,710	444.44

APPENDIX 2: RESIDENTIAL VALUES – MARKET RATE & AFFORDABLE

City of San Carlos

3.0	2.0	05/14/2009	567,500	204 Rockridge Rd	2,520	225.20
3.0	2.0	12/02/2009	925,000	2056 Eucalyptus Ave	1,390	665.47
3.0	2.0	12/04/2009	844,000	2064 Eucalyptus Ave	1,370	616.06
3.0	2.0	10/01/2009	1,330,000	1938 Birch Ave	1,820	730.77
3.0	2.0	03/13/2009	1,530,000	1006 Orange Ave	2,230	686.10
3.0	2.0	02/19/2009	1,175,000	1040 Hewitt Dr	2,330	504.29
3.0	2.0	03/04/2009	960,000	3131 Brittan Ave	2,050	468.29
3.0	2.0	06/26/2009	850,000	987 Crestview Dr	1,990	427.14
3.0	2.0	07/24/2009	470,000	890 Regent Ct	1,780	264.04
3.0	2.0	06/04/2009	780,000	53 Maple Way	1,430	545.45
3.0	2.0	09/22/2009	275,000	2681 Thornhill Dr	1,902	144.58
3.0	2.0	06/17/2009	880,000	2673 Thornhill Dr	1,480	594.59
3.0	2.0	06/23/2009	858,000	1101 Cordilleras Ave	1,370	626.28
3.0	2.0	03/25/2009	255,000	2009 Howard Ave	1,730	147.40
3.0	2.0	05/21/2009	929,000	142 Oakview Dr	1,500	619.33
3.0	2.0	05/22/2009	830,000	148 Oakview Dr	1,530	542.48
3.0	2.0	03/03/2009	425,000	2020 Belmont Ave	1,962	216.62
3.0	2.0	09/15/2009	1,145,000	2025 Belmont Ave	1,780	643.26
3.0	2.0	08/18/2009	1,075,000	1960 Saint Francis Way	1,280	839.84
3.0	2.0	08/20/2009	779,000	1488 Cordilleras Ave	1,470	529.93
3.0	2.0	09/28/2009	1,325,000	232 Oakview Dr	1,550	854.84
3.0	2.0	06/02/2009	170,000	261 Kelton Ave	1,390	122.30
3.0	2.0	01/13/2009	829,000	1537 Howard Ave	1,310	632.82
3.0	2.0	10/14/2009	715,000	1149 Elm St	1,720	415.70
3.0	2.0	07/13/2009	862,000	1341 Saint Francis Way	1,620	532.10
3.0	2.0	06/16/2009	838,000		1,850	452.97
3.0	2.0	08/12/2009	1,050,000	1825 Cedar St	2,140	490.65
3.0	2.0	10/19/2009	1,037,000	147 Sunnysdale Ave	1,520	682.24
3.0	2.0	02/26/2009	208,500	2678 San Carlos Ave	2,100	99.29
3.0	2.0	05/07/2009	625,000	820 Sunset Dr	1,220	512.30
3.0	2.0	09/01/2009	650,000	352 Clifton Ave	1,440	451.39
3.0	2.0	04/16/2009	725,000	3291 Brittan Ave	2,260	320.80
3.0	2.0	07/29/2009	731,000	643 Dartmouth Ave	1,510	484.11
3.0	2.0	08/13/2009	740,000	2110 Belmont Ave	1,550	477.42
3.0	2.0	10/14/2009	745,000	355 Phelps Rd	2,190	340.18
3.0	2.0	09/09/2009	747,500	1047 Hall St	1,430	522.73
3.0	2.0	11/17/2009	749,000	27 Exeter Ave	1,750	428.00
3.0	2.0	08/28/2009	750,000	1616 Chestnut St	1,640	457.32
3.0	2.0	11/09/2009	765,100	419 De Anza Ave	1,540	496.82
3.0	2.0	06/04/2009	788,000	166 Barford Ave	1,360	579.41
3.0	2.0	03/17/2009	799,000	524 Prospect St	1,270	629.13
3.0	2.0	12/11/2009	800,000	1358 Geneva Ave	1,360	588.24
3.0	2.0	09/10/2009	803,000	256 Highland Ave	1,380	581.88
3.0	2.0	07/10/2009	810,000	92 Hillcrest Rd	2,040	397.06
3.0	2.0	07/10/2009	818,500	15 Gaylord Ct	1,230	665.45
3.0	2.0	08/07/2009	840,000	811 Chestnut St	1,440	583.33
3.0	2.0	04/24/2009	845,000	977 Lupin Way	1,590	531.45
3.0	2.0	02/27/2009	845,000	1333 Woodland Ave	1,270	665.35
3.0	2.0	11/04/2009	849,000	88 Hilltop Dr	1,270	668.50
3.0	2.0	09/30/2009	871,000	1175 Walnut St	1,450	600.69
3.0	2.0	09/16/2009	875,000	665 Cordilleras Ave	1,310	667.94
3.0	2.0	07/15/2009	875,000	11 Gaylord Ct	1,240	705.65
3.0	2.0	10/20/2009	880,000	278 Vine St	1,510	582.78
3.0	2.0	10/26/2009	899,000	121 Sunnysdale Ave	1,400	642.14
3.0	2.0	06/05/2009	900,000	399 Ashford Ave	1,600	562.50

APPENDIX 2: RESIDENTIAL VALUES – MARKET RATE & AFFORDABLE

City of San Carlos

3.0	2.0	08/27/2009	900,000	201 Molton Ave	1,600	562.50
3.0	2.0	07/02/2009	900,000	925 Bauer Dr	1,430	629.37
3.0	2.0	08/11/2009	910,000	300 Pearl Ave	1,730	526.01
3.0	2.0	06/26/2009	920,000		1,550	593.55
3.0	2.0	11/25/2009	936,000	18 Coleman Ct	1,710	547.37
3.0	2.0	02/26/2009	950,000	1969 Arroyo Ave	1,770	536.72
3.0	2.0	05/14/2009	955,000	73 Wessex Way	1,600	596.88
3.0	2.0	03/25/2009	957,000	2724 Clifford Ave	1,750	546.86
3.0	2.0	05/12/2009	975,000	2258 Carmelita Dr	1,600	609.38
3.0	2.0	11/06/2009	975,000	2720 Eaton Ave	1,790	544.69
3.0	2.0	11/20/2009	975,000	2036 Eaton Ave	1,480	658.78
3.0	2.0	03/03/2009	985,000	2753 Bromley Dr	1,710	576.02
3.0	2.0	08/21/2009	1,015,000	132 Colton Ave	1,540	659.09
3.0	2.0	06/11/2009	1,025,000	36 Vista Del Grande	2,610	392.72
3.0	2.0	03/26/2009	1,025,000	1643 Saint Francis Way	1,610	636.65
3.0	2.0	04/30/2009	1,050,000	1345 Arroyo Ave	1,400	750.00
3.0	2.0	08/10/2009	1,051,000	155 Kelton Ave	1,990	528.14
3.0	2.0	08/14/2009	1,058,000	2424 Melendy Dr	1,870	565.78
3.0	2.0	10/15/2009	1,059,000	108 Glasgow Ln	1,850	572.43
3.0	2.0	11/12/2009	1,063,000	1618 Saint Francis Way	1,830	580.87
3.0	2.0	09/23/2009	1,097,000	1425 Greenbrier Rd	1,890	580.42
3.0	2.0	01/16/2009	1,100,000	152 Leslie Dr	2,520	436.51
3.0	2.0	01/09/2009	1,150,000	923 Elm St	1,740	660.92
3.0	2.0	03/30/2009	1,245,000	3141 La Mesa Dr	2,040	610.29
3.0	2.0	04/30/2009	1,259,000	156 Normandy Ct	2,440	515.98
3 Bdrm 2 Bath Total			Low \$170,000	Average Sq Ft	1,673	
			High \$1,530,000	Average Price Per Sq Ft	\$516.22	
			Average \$863,436			
			Median \$880,000			
3.0	2.5	09/09/2009	305,000	58 Walton St	1,880	162.23
3.0	2.5	07/28/2009	1,200,000	53 Fay Ave	2,327	515.69
3.0	2.5	11/09/2009	1,333,000	1733 Elizabeth St	2,330	572.10
3.0	2.5	01/23/2009	1,475,000		1,880	784.57
3.0	2.5	06/18/2009	355,000	964 Sunset Dr	1,500	236.67
3.0	2.5	09/03/2009	1,070,000	875 Sunset Dr	1,730	618.50
3.0	2.5	03/17/2009	375,000	2368 Brittan Ave	1,900	197.37
3.0	2.5	06/16/2009	1,015,000	3130 Melendy Dr	2,570	394.94
3.0	2.5	03/26/2009	1,150,000	1331 Crestview Dr	2,390	481.17
3.0	2.5	07/07/2009	1,095,000	2760 Clifford Ave	1,890	579.37
3.0	2.5	04/22/2009	395,000	1335 Eaton Ave	1,880	210.11
3.0	2.5	10/22/2009	730,000	205 Highland Ave	1,680	434.52
3.0	2.5	03/04/2009	810,000	20 Vista Del Grande	2,190	369.86
3.0	2.5	06/19/2009	825,000	177 Barford Ave	2,470	334.01
3.0	2.5	08/24/2009	845,000	1 Daffodil Ln	2,510	336.65
3.0	2.5	05/28/2009	890,000	418 De Anza Ave	1,660	536.14
3.0	2.5	10/30/2009	900,000	1148 Royal Ln	2,590	347.49
3.0	2.5	02/05/2009	900,000	1648 Eaton Ave	1,993	451.58
3.0	2.5	11/25/2009	929,000	2806 Roland Ave	1,830	507.65
3.0	2.5	06/30/2009	965,000	2107 Cedar St	2,170	444.70
3.0	2.5	06/30/2009	970,000	65 Maple Way	2,040	475.49
3.0	2.5	07/20/2009	980,000	2917 Sherwood Dr	1,920	510.42
3.0	2.5	11/04/2009	985,000	1653 Gover Ln	1,820	541.21
3.0	2.5	12/04/2009	1,075,000	6 Clover Ln	2,510	428.29
3.0	2.5	12/09/2009	1,139,500	3481 La Mesa Dr	2,300	495.43

APPENDIX 2: RESIDENTIAL VALUES – MARKET RATE & AFFORDABLE

City of San Carlos

3.0	2.5	02/20/2009	1,150,000	208 Timothy Dr	2,390	481.17
3.0	2.5	04/22/2009	1,170,000	2282 Carmelita Dr	2,470	473.68
3.0	2.5	12/01/2009	1,199,000	2725 Clifford Ave	2,040	587.75
3.0	2.5	03/27/2009	1,260,000	1461 Crestview Dr	2,860	440.56
3.0	2.5	08/12/2009	1,288,500	143 Mesa Verde Way	2,470	521.66
3.0	2.5	08/27/2009	1,290,000	2261 Howard Ave	2,840	454.23
3 Bdrm 2.5 Bath Total			Low \$305,000	Average Sq Ft	2,162	
			High \$1,475,000	Average Price Per Sq Ft	\$448.59	
			Average \$969,968			
			Median \$985,000			
3.0	3.0	07/14/2009	825,000	228 Bay View Dr	1,850	445.95
3.0	3.0	07/02/2009	909,000	804 Bauer Dr	1,690	537.87
3.0	3.0	08/31/2009	440,000	168 Ruby Ave	2,430	181.07
3.0	3.0	08/21/2009	1,000,000	280 Oakview Dr	2,450	408.16
3.0	3.0	07/24/2009	804,000	3025 Brittan Ave	2,020	398.02
3.0	3.0	06/12/2009	875,000	140 Devonshire Blvd	1,560	560.90
3.0	3.0	11/20/2009	1,100,000	55 Hartford Ave	2,160	509.26
3.0	3.0	11/24/2009	1,185,000	2801 Eaton Ave	1,910	620.42
3.0	3.0	06/19/2009	1,265,000	2172 Elizabeth St	2,100	602.38
3 Bdrm 3 Bath Total			Low \$440,000	Average Sq Ft	2,019	
			High \$1,265,000	Average Price Per Sq Ft	\$462.47	
			Average \$933,667			
			Median \$909,000			
3.0	3.5	12/02/2009	1,040,000	547 Exeter Way	2,790	372.76
3.0	3.5	06/26/2009	1,739,500	2048 Alma St	2,900	599.83
3 Bdrm 3.5 Bath Total			Low \$1,040,000	Average Sq Ft	2,845	
			High \$1,739,500	Average Price Per Sq Ft	\$488.49	
			Average \$1,389,750			
			Median \$1,389,750			
3.0	4.0	12/09/2009	790,000		3,670	215.26
3 Bdrm 4 Bath Total			Low \$790,000	Average Sq Ft	3,670	
			High \$790,000	Average Price Per Sq Ft	\$215.26	
			Average \$790,000			
			Median \$790,000			
3 Bdrm Total			Low \$170,000	Average Sq Ft	1,746	
			High \$1,739,500	Average Price Per Sq Ft	\$493.59	
# sold =	168		Average \$862,060			
			Median \$875,000			
4.0	1.0	09/29/2009	735,000	2815 Clifford Ave	1,380	532.61
4 Bdrm 1 Bath Total			Low \$735,000	Average Sq Ft	1,380	
			High \$735,000	Average Price Per Sq Ft	\$532.61	
			Average \$735,000			
			Median \$735,000			
4.0	1.5	10/30/2009	835,000	1613 Greenwood Ave	1,670	500.00
4.0	1.5	03/03/2009	950,000	133 Garnet Ave	2,570	369.65
2 Bdrm 2 Bath Total			Low \$835,000	Average Sq Ft	2,120	
			High \$950,000	Average Price Per Sq Ft	\$420.99	
			Average \$892,500			
			Median \$892,500			

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4.0	2.0	10/15/2009	749,000	2208 San Carlos Ave	1,670	448.50
4.0	2.0	12/03/2009	910,000		1,940	469.07
4.0	2.0	10/08/2009	864,000	340 Chestnut St	2,120	407.55
4.0	2.0	12/09/2009	1,500,000	2647 Eaton Ave	2,000	750.00
4.0	2.0	07/02/2009	540,000	2743 San Carlos Ave	1,420	380.28
4.0	2.0	07/30/2009	800,000	241 Oakview Dr	2,270	352.42
4.0	2.0	05/19/2009	811,000	91 Kenton Ave	1,610	503.73
4.0	2.0	03/25/2009	816,500		1,520	537.17
4.0	2.0	11/20/2009	840,000	21 Alta Ln	2,200	381.82
4.0	2.0	11/16/2009	875,000	347 Elm St	2,040	428.92
4.0	2.0	10/29/2009	878,000	112 Arundel Rd	2,150	408.37
4.0	2.0	07/30/2009	925,000	136 Windsor Ct	2,150	430.23
4.0	2.0	04/23/2009	975,000	10 Del Rey Ct	1,890	515.87
4.0	2.0	11/20/2009	1,325,000	928 Walnut St	1,880	704.79
4 Bdrm 2 Bath Total			Low \$540,000	Average Sq Ft	1,919	
			High \$1,500,000	Average Price Per Sq Ft	\$476.86	
			Average \$914,893			
			Median \$869,500			
4.0	2.5	04/13/2009	1,290,000	221 Coronado Ave	2,820	457.45
4.0	2.5	01/21/2009	1,025,000	523 Hillcrest Rd	2,010	509.95
4.0	2.5	04/13/2009	460,000		2,300	200.00
4.0	2.5	06/16/2009	820,000	2713 Debbie Ct	2,120	386.79
4.0	2.5	01/09/2009	611,000	1657 Belmont Ave	2,260	270.35
4.0	2.5	07/29/2009	1,075,000	158 Fleetwood Dr	2,650	405.66
4.0	2.5	11/18/2009	835,000	1667 Alameda	1,910	437.17
4.0	2.5	09/22/2009	890,000	3184 Brittan Ave	2,600	342.31
4.0	2.5	05/13/2009	939,000	84 Club Dr	2,450	383.27
4.0	2.5	04/08/2009	1,025,000	4 Camborne Ave	2,130	481.22
4.0	2.5	02/11/2009	1,210,000		2,670	453.18
4.0	2.5	08/21/2009	1,235,000	19 Camborne Ave	2,880	428.82
4.0	2.5	10/29/2009	1,239,000	3261 Melendy Dr	3,070	403.58
4.0	2.5	09/17/2009	1,610,000	1950 Eucalyptus Ave	2,770	581.23
4 Bdrm 2.5 Bath Total			Low \$460,000	Average Sq Ft	2,474	
			High \$1,610,000	Average Price Per Sq Ft	\$411.78	
			Average \$1,018,857			
			Median \$1,025,000			
4.0	3.0	06/18/2009	1,300,000	240 Club Dr	2,601	499.81
4.0	3.0	06/01/2009	730,000	72 Madera Ave	2,400	304.17
4.0	3.0	07/14/2009	573,000	333 Clifton Ave	2,550	224.71
4.0	3.0	02/19/2009	1,303,000	258 Vine St	2,160	603.24
4.0	3.0	06/03/2009	1,030,000	1431 Magnolia Ave	2,020	509.90
4.0	3.0	06/30/2009	1,760,000	772 Knoll Dr	1,860	946.24
4.0	3.0	05/14/2009	760,000	909 Bauer Dr	2,600	292.31
4.0	3.0	12/02/2009	678,000	851 Orange Ave	2,369	286.20
4.0	3.0	11/17/2009	670,000	3012 Melendy Dr	2,750	243.64
4.0	3.0	02/09/2009	1,325,000		2,380	556.72
4.0	3.0	11/09/2009	1,970,000	64 Belvedere Ave	2,900	679.31
4.0	3.0	08/21/2009	860,000	39 Coronado Ave	2,490	345.38
4.0	3.0	01/27/2009	930,000	119 Exbourne Ave	2,080	447.12
4.0	3.0	08/20/2009	1,022,500	565 Emerald Ave	2,090	489.23
4.0	3.0	04/13/2009	1,089,000	117 Crestview Dr	2,490	437.35
4.0	3.0	11/19/2009	1,200,000		2,450	489.80

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4.0	3.0	05/14/2009	1,300,000	1048 San Remo Way	2,290	567.69
4.0	3.0	08/26/2009	1,330,000	290 Oakview Dr	2,590	513.51
4.0	3.0	06/30/2009	1,360,000	3464 Brittan Ave	3,420	397.66
4.0	3.0	06/26/2009	1,360,000	260 Oakview Dr	2,570	529.18
4.0	3.0	01/08/2009	1,368,000		2,400	570.00
4.0	3.0	09/24/2009	1,380,000	1797 Elizabeth St	2,520	547.62
4.0	3.0	03/25/2009	1,395,000	774 Knoll Dr	2,310	603.90
4.0	3.0	09/29/2009	1,395,000	205 Aberdeen Dr	2,400	581.25
4.0	3.0	04/10/2009	1,400,000	270 Oakview Dr	2,590	540.54
4.0	3.0	10/30/2009	1,414,000	227 Rockridge Rd	2,630	537.64
4.0	3.0	07/07/2009	1,450,000	1805 Cedar St	2,430	596.71
4 Bdrm 3 Bath Total			Low \$573,000	Average Sq Ft	2,457	
			High \$1,970,000	Average Price Per Sq Ft	\$487.68	
			Average \$1,198,241			
			Median \$1,303,000			
4.0	3.5	01/13/2009	1,731,000	248 Bay View Dr	3,700	467.84
4.0	3.5	08/19/2009	1,270,000		2,270	559.47
4.0	3.5	02/27/2009	1,115,000	1040 Drake Ct	3,000	371.67
4.0	3.5	06/02/2009	1,175,000	42 Club Dr	4,090	287.29
4.0	3.5	04/16/2009	1,175,000		2,470	475.71
4 Bdrm 3.5 Bath Total			Low \$1,115,000	Average Sq Ft	3,106	
			High \$1,731,000	Average Price Per Sq Ft	\$416.36	
			Average \$1,293,200			
			Median \$1,175,000			
4.0	4.0	10/20/2009	595,000	12 Raymond Ct	2,790	213.26
4 Bdrm 4 Bath Total			Low \$595,000	Average Sq Ft	2,790	
			High \$595,000	Average Price Per Sq Ft	\$213.26	
			Average \$595,000			
			Median \$595,000			
4.0	4.5	09/24/2009	1,406,000	400 Alameda	2,491	564.432
4 Bdrm 4.5 Bath Total			Low \$1,406,000	Average Sq Ft	2,491	
			High \$1,406,000	Average Price Per Sq Ft	\$564.43	
			Average \$1,406,000			
			Median \$1,406,000			
4 Bdrm Total			Low \$460,000	Average Sq Ft	2,373	
			High \$1,970,000	Average Price Per Sq Ft	\$456.42	
# sold =	65		Average \$1,083,262			
			Median \$1,030,000			
5.0	2.5	06/22/2009	985,000	268 Park Ave	2,260	435.84
5.0	2.5	06/17/2009	1,135,000	1339 Pebble Dr	3,060	370.92
5.0	2.5	01/15/2009	1,185,000	3015 Brittan Ave	2,890	410.03
5 Bdrm 2.5 Bath Total			Low \$985,000	Average Sq Ft	2,737	
			High \$1,185,000	Average Price Per Sq Ft	\$402.56	
			Average \$1,101,667			
			Median \$1,135,000			

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5.0	3.0	01/08/2009	1,570,000	3437 Brittan Ave	2,890	543.25
5.0	3.0	05/15/2009	1,600,000	2895 Eaton Ave	2,563	624.27
5.0	3.0	04/14/2009	797,000		2,940	271.09
5.0	3.0	08/25/2009	1,085,000	147 Leslie Dr	2,660	407.89
5 Bdrm 3 Bath Total		Low	\$797,000	Average Sq Ft	2,763	
		High	\$1,600,000	Average Price Per Sq Ft	\$457.07	
		Average	\$1,263,000			
		Median	\$1,327,500			
5.0	3.5	09/25/2009	1,718,000	840 Crestview Dr	3,990	430.58
5.0	3.5	05/26/2009	1,350,000	108 Wildwood Ave	3,000	450.00
5 Bdrm 3.5 Bath Total		Low	\$1,350,000	Average Sq Ft	3,495	
		High	\$1,718,000	Average Price Per Sq Ft	\$438.91	
		Average	\$1,534,000			
		Median	\$1,534,000			
5.0	4.0	02/12/2009	1,700,000	119 Northam Ave	3,190	532.92
5 Bdrm 4 Bath Total		Low	\$1,700,000	Average Sq Ft	3,190	
		High	\$1,700,000	Average Price Per Sq Ft	\$532.92	
		Average	\$1,700,000			
		Median	\$1,700,000			
5 Bdrm Total		Low	\$797,000	Average Sq Ft	2,944	
		High	\$1,718,000	Average Price Per Sq Ft	\$445.78	
		Average	\$1,312,500			
		Median	\$1,267,500			
6.0	3.5	05/28/2009	1,202,000	1095 Porto Marino Dr	2,880	417.36
6 Bdrm Total		Low	\$1,202,000	Average Sq Ft	2,880	
		High	\$1,202,000	Average Price Per Sq Ft	\$417.36	
		Average	\$1,202,000			
		Median	\$1,202,000			
TOTAL		Low	\$170,000	Average Sq Ft	1,783	
		High	\$1,970,000	Average Price Per Sq Ft	\$495.33	
		Average	\$882,980			
		Median	\$850,000			

Exhibit 2 - Single Family Attached (Condominiums) Market Summary

2009 Condo Sales
City of San Carlos

Bed	Baths	Doc Date	Price	Site Address	Unit Sq Ft	\$/SqFt
1.0	1.0	02/11/2009	190,000	775 Chestnut St #4	903	210
1.0	1.0	05/15/2009	260,000	222 Laurel St	702	370
1.0	1.0	04/03/2009	265,000	633 Elm St #307	774	342
1.0	1.0	10/08/2009	344,000	633 Elm St #305	774	444
1.0	1.0	09/18/2009	425,000	3311 La Mesa Dr #11	741	574
1.0	1.0	7/25/2009	419,930	1001 Laurel Sreet	715	587.31
1.0	1.0	8/24/2009	415,000	1001 Laurel Sreet	695	597.12
1.0	1.0	8/27/2009	470,000	1001 Laurel Sreet	641	733.23
1.0	1.0	9/14/2009	418,460	1001 Laurel Sreet	700	597.80
1.0	1.0	7/23/2009	457,000	1001 Laurel Sreet	715	639.16
1.0	1.0	9/2/2009	448,800	1001 Laurel Sreet	700	641.14
1.0	1.0	7/26/2009	492,265	1001 Laurel Sreet	700	703.24
1.0	1.0	9/21/2009	462,250	1001 Laurel Sreet	715	646.50
1 Bdrm 1 Bath Total		Low	\$190,000	Average Sq Ft	729	
		High	\$492,265	Average Price Per Sq Ft	\$534.85	
		Average	\$389,823			
		Median	\$419,930			
1.0	1.5	09/04/2009	438,000	731 Chestnut St #105	751	583
1 Bdrm 1.5 Bath Total		Low	\$438,000	Average Sq Ft	751	
		High	\$438,000	Average Price Per Sq Ft	\$583.22	
		Average	\$438,000			
		Median	\$438,000			
1 Bdrm Total		Low	\$190,000	Average Sq Ft	730	
		High	\$492,265	Average Price Per Sq Ft	\$538.40	
#sold =	14	Average	\$393,265			
		Median	\$422,465			

2.0	2.0	09/01/2009	633,000	3316 Brittan Ave #11	1,040	609
2.0	2.0	04/06/2009	307,000	3311 La Mesa Dr #8	1,040	295
2.0	2.0	11/16/2009	515,000	602 Cedar St #5	1,320	390
2.0	2.0	08/17/2009	197,500	1456 San Carlos Ave #205	1,200	165
2.0	2.0	12/03/2009	425,000	222 Laurel St	1,361	312
2.0	2.0	12/10/2009	575,000	18 Sorrel Ln	1,350	426
2.0	2.0	10/19/2009	471,500	2 Elm St #201	1,050	449
2.0	2.0	01/28/2009	675,000	633 Elm St #418	1,096	616
2.0	2.0	08/28/2009	240,000	1 Laurel St #201	1,030	233
2.0	2.0	11/16/2009	400,000	757 Elm St #12	1,000	400
2.0	2.0	08/14/2009	410,000	222 Laurel St	940	436
2.0	2.0	11/13/2009	430,000	3392 Brittan Ave #7	1,040	413
2.0	2.0	09/30/2009	455,000	1701 San Carlos Ave #5	1,010	450
2.0	2.0	06/30/2009	479,000	3388 Brittan Ave #10	1,040	461
2.0	2.0	04/10/2009	480,000	757 Elm St #11	1,000	480
2.0	2.0	05/04/2009	485,000	406 Portofino Dr #4	1,570	309
2.0	2.0	05/11/2009	485,000	3323 La Mesa Dr #1	1,040	466

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2.0	2.0	09/30/2009	485,000	3319 La Mesa Dr #4	1,040	466
2.0	2.0	09/17/2009	485,500	1 Elm St #301	1,180	411
2.0	2.0	09/10/2009	490,000	3318 Brittan Ave #16	1,040	471
2.0	2.0	06/12/2009	500,000	1 Elm St #202	1,180	424
2.0	2.0	07/17/2009	510,000	3347 Brittan Ave #10	1,040	490
2.0	2.0	08/26/2009	527,500	3375 Brittan Ave #7	1,040	507
2.0	2.0	06/30/2009	610,000	7 Pyxie Ln	1,350	452
2.0	2.0	03/02/2009	535,000	3332 Brittan Ave #11	1,040	514
2.0	2.0	07/31/2009	675,000	633 Elm St #303	1,096	616
2.0	2.0	8/16/2009	650,265	1001 Lural Street	1,064	611.15
2.0	2.0	9/24/2009	570,000	1001 Lural Street	1,097	519.60
2.0	2.0	8/17/2009	605,000	1001 Lural Street	1,034	585.11
2.0	2.0	8/31/2009	627,225	1001 Lural Street	1,034	606.60
2.0	2.0	8/27/2009	710,000	1001 Lural Street	1,064	667.29
2.0	2.0	8/4/2009	660,000	1001 Lural Street	1,034	638.30
2 Bdrm 2 Bath Total			Low \$197,500	Average Sq Ft	1,108	
			High \$710,000	Average Price Per Sq Ft	\$459.77	
			Average \$509,484			
			Median \$495,000			
2.0	2.5	04/22/2009	287,000	19 Chicory Ln	1,793	160
2.0	2.5	08/28/2009	327,500	13 Azalea Ln	1,709	192
2.0	2.5	09/03/2009	315,000	27 Buttercup Ln	1,709	184
2.0	2.5	01/16/2009	975,000	1 Poppy Ln	1,800	542
2.0	2.5	06/10/2009	1,040,000	4 Bellflower Ln	2,200	473
2.0	2.5	06/03/2009	670,000	416 Portofino Dr #1	1,320	508
2.0	2.5	06/09/2009	410,000	1432 San Carlos Ave #3	1,080	380
2.0	2.5	06/18/2009	510,000	731 Chestnut St #106	1,061	481
2.0	2.5	07/30/2009	530,000	416 Portofino Dr #15	1,250	424
2.0	2.5	04/15/2009	550,000	1555 Cherry St #2	1,300	423
2.0	2.5	05/21/2009	665,000	28 Trillium Ln #326	1,709	389
2.0	2.5	02/24/2009	700,000	3 Buttercup Ln	1,709	410
2.0	2.5	05/15/2009	705,000	19 Buttercup Ln	1,793	393
2.0	2.5	06/17/2009	772,000	15 Violet Ln	2,200	351
2.0	2.5	09/10/2009	772,000	436 Portofino Dr #202	2,067	373
2 Bdrm 2.5 Bath Total			Low \$287,000	Average Sq Ft	1,647	
			High \$1,040,000	Average Price Per Sq Ft	\$373.62	
			Average \$615,233			
			Median \$665,000			
2 Bdrm Total			Low \$197,500	Average Sq Ft	1,280	
			High \$1,040,000	Average Price Per Sq Ft	\$424.40	
# sold =	47		Average \$543,234			
			Median \$515,000			
3.0	2.0	08/25/2009	240,000	3358 La Mesa Dr #4	1,239	194
3.0	2.0	03/23/2009	223,000	3329 Brittan Ave #5	1,239	180
3.0	2.0	07/09/2009	550,000	3314 Brittan Ave #1	1,239	444
3.0	2.0	10/27/2009	430,000	3337 Brittan Ave #4	1,239	347
3.0	2.0	03/31/2009	490,000	3322 Brittan Ave #4	1,239	395
3.0	2.0	11/23/2009	490,000	3320 Brittan Ave #1	1,239	395

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3.0	2.0	06/26/2009	502,500	3330 Brittan Ave #1	1,239	406
3.0	2.0	06/10/2009	545,000	3362 Brittan Ave #13	1,239	440
3.0	2.0	01/20/2009	610,000		1,239	492
3.0	2.0	04/02/2009	800,000	656 Walnut St	1,628	491
3.0	2.0	n.a.	735,000	1001 Laural Street	1,241	592
3 Bdrm 2 Bath Total		Low	\$223,000	Average Sq Ft	1,275	
		High	\$800,000	Average Price Per Sq Ft	\$400.53	
		Average	\$510,500			
		Median	\$502,500			
3.0	2.5	02/10/2009	800,000	26 Chicory Ln	2,031	394
3.0	2.5	10/21/2009	700,000	9 Lilly Ln	2,031	345
3.0	2.5	09/23/2009	790,000	432 Portofino Dr #401	2,317	341
3.0	2.5	04/30/2009	626,000	436 Portofino Dr #201	2,113	296
3.0	2.5	06/11/2009	660,000	6 Sorrel Ln	1,709	386
3.0	2.5	07/23/2009	705,000	3 Azalea Ln	2,031	347
3.0	2.5	03/06/2009	725,000	6 Meadowsweet Ln	2,031	357
3.0	2.5	07/31/2009	800,000	2 Pyrola Ln	2,031	394
3.0	2.5	10/07/2009	835,000	9 Violet Ln	2,100	398
3 Bdrm 2.5 Bath Total		Low	\$626,000	Average Sq Ft	2,044	
		High	\$835,000	Average Price Per Sq Ft	\$361.04	
		Average	\$612,825			
		Median	\$643,000			
3 Bdrm Total		Low	\$223,000	Average Sq Ft	1,621	
		High	\$835,000	Average Price Per Sq Ft	\$378.12	
# sold =	21	Average	\$534,625			
		Median	\$800,000			
TOTAL		Low	\$190,000	Average Sq Ft	1,269	
		High	\$1,040,000	Average Price Per Sq Ft	\$416.89	
		Average	\$535,702			
		Median	\$506,250			

APPENDIX 2: RESIDENTIAL VALUES – MARKET RATE & AFFORDABLE

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Exhibit 3 – Owner Occupied Affordable Price Calculation

San Mateo County 2009 Affordable Ownership Price Calculation Table

SUMMARY	Very Low-Income (50% of median income)					Low-Income (80% of median income)					Moderate-Income (120% of median income)				
Household Income Limits	\$39,600	\$45,250	\$50,900	\$56,550	\$61,050	\$63,350	\$72,400	\$81,450	\$90,500	\$97,700	\$81,300	\$92,900	\$104,550	\$116,150	\$125,450
Households Size	1 person	2 person	3 person	4 person	5 person	1 person	2 person	3 person	4 person	5 person	1 person	2 person	3 person	4 person	5 person
Dwelling Unit Size	Studio	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms	Studio	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms	Studio	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Max. Monthly Housing Cost	\$846.88	\$968.13	\$1,088.75	\$1,210.00	\$1,306.88	\$1,185.63	\$1,355.38	\$1,524.25	\$1,694.00	\$1,829.63	\$2,173.65	\$2,484.85	\$2,794.46	\$3,105.67	\$3,354.31
Less: Taxes (1.15%)	90.71	103.31	115.96	128.42	135.99	137.14	156.40	175.66	194.78	207.62	272.65	311.17	349.98	388.41	416.64
Insurance (0.3%)	21.33	24.61	36.09	45.94	52.50	21.33	24.61	36.09	45.94	52.50	21.33	24.61	36.09	45.94	52.50
HOA Fees & Other	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00
Utilities	81.00	104.00	125.00	149.00	179.00	81.00	104.00	125.00	149.00	179.00	81.00	104.00	125.00	149.00	179.00
Other Fees & Assmts.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Available For Debt Service	\$353.84	\$436.21	\$511.70	\$586.65	\$639.39	\$646.16	\$770.37	\$887.49	\$1,004.28	\$1,090.50	\$1,498.67	\$1,745.07	\$1,983.38	\$2,222.32	\$2,406.18

* Max. Very Low-Income Reflects 30% X 50% AMI

* Max. Low-Income Reflects 30% X 70% AMI

* Max. Moderate-Income Reflects 35% X 110% AMI

Max. Loan Amount	\$57,468	\$70,845	\$83,106	\$95,278	\$103,844	\$104,944	\$125,117	\$144,140	\$163,108	\$177,111	\$243,403	\$283,421	\$322,125	\$360,931	\$390,793
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@ Interest Rate: 6.25%

Amortized Yrs: 30

Affordable Housing Price	\$60,493	\$74,574	\$87,480	\$100,293	\$109,310	\$110,468	\$131,702	\$151,726	\$171,692	\$186,432	\$256,213	\$298,338	\$339,079	\$379,928	\$411,361
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Reflects 5% Down Payment Requirement

Note: Real Estate Taxes calculated on approximate Affordable Housing Prices; Insurance calculated on estimated replacement costs.



Appendix 3: Fee Selection Materials



**Appendix 3:
Fee Selection Materials**

CITY OF SAN CARLOS

Residential Below Market
Rate Ordinance Revisions

February 2, 2010

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INTRODUCTION

The Affordable Housing Impact Fee reflects the financial equivalent needed to produce the proportional requirement for mitigating the costs associated with developing housing units affordable to very low, low and moderate income persons and families in accordance with the quantified housing needs generated by the development of market rate housing units, as shown in the Nexus Study. For multifamily rental apartments, the financial equivalent is reflected by payment of an impact fee commensurate with the total costs associated with the development of units equal to need generated by the development of market rate rental units reflects. For ownership units, the financial equivalent includes the construction of the required affordable housing units as part of the market rate housing development. The estimated funding deficit or “gap” amount reflects the cost associated with developing housing units affordable to very low, low, and moderate income households. The estimated funding gap is determined based on the difference between the total allowable housing cost for each income category and estimated cost to develop the affordable housing unit.

Two key components in identifying the costs associated with developing affordable housing units are the developer profit component and land prices or values. While not a cost per se, the developer profit is generally tied more directly to what the market will bear. Nonetheless, for purposes of fulfilling the BMR unit requirements a nominal developer fee of eight percent may be included in the development cost for affordable units to reflect the fee commonly found in affordable housing projects. As discussed in Appendix 2, land cost is the single biggest cost variable in developing affordable housing units. Land values, however, should adjust over time to reflect the inclusionary requirements and impact fees when it is understood by both buyers and sellers of land that the affordable units or the financial equivalency are required and cannot support the land value at a level comparable to market rate units. With adoption of the revised BMR Ordinance, as the current down market conditions improve the cost of land will not likely return to previous levels without consideration of the BMR unit requirements by buyers and sellers of land.

PROPOSED ON-SITE REQUIREMENTS AND EQUIVALENCY CALCULATIONS

The BMR Ordinance revisions include a number of substantive changes that. The revisions modify the qualifying income categories and the calculation of affordable housing cost to reflect those identified in California Health and Safety Code Sections 33000 et. seq. (“California Redevelopment Law” (“CRL”)) and Government Code Section 65915 (“State Density Bonus Law” (“SDBL”)), while the percentage distribution requirements of the affordable units for ownership projects reflects the current affordable needs of the City and the nexus analysis summarized in Section 1 of this report. Changes to the BMR Ordinance require either on-site compliance or the financial equivalent for rental projects as follows:

- Ownership Projects - Single Family Detached & Attached – 15% of all ownership units must be affordable in all projects, of which 10% must be for moderate income households and 5% for low income households.

To comply with the Palmer/Sixth Street Properties v. City of Los Angeles court decision, multifamily rental apartments are not required to provide affordable units, but rather to pay an affordable housing impact fee. Should the developer choose to provide affordable housing, 10% must be for very-low income households and 5% for low income households.

Changes to the BMR Ordinance also provide for the development of the affordable units off-site, for the payment of an impact fee equivalent to the cost associated with the development of the ownership BMR

units, and a variety of other alternatives. In addition, while affordable units are to be generally comparable to the market rate units, they may be somewhat smaller in size and of a lower but good overall quality to reflect the level of affordability in order to increase the development feasibility associated with developing the BMR unit. To enhance the feasibility of producing the affordable units this analysis calculates the financial equivalency for developing either single family attached condominiums or multifamily apartments, since development of single family detached homes would be economically prohibitive.

The following describes the approach and methodology used for identifying an impact fee amount.

Approach and Methodology

The methodology for identifying the full financial equivalent of producing affordable housing units reflects the assumption that the impact is reflected by the total cost of producing the required affordable housing unit(s).

An evaluation of the financial impacts of the affordable housing requirements based on the housing needs was first made by identifying the difference between market rate rents and housing prices in the City and the costs to develop the corresponding units as affordable to income levels of 120% of median income or less. The market-based approach evaluated local market conditions using information obtained from First American Title MetroScan Information Database, Zillow.com rental database, City staff, local developers, and independent field investigations. The median market rate unit data was compared to the weighted average affordable housing costs as defined under the CRL.

The following summarizes the methodology used for identifying the development funding gap and the corresponding impact fee amounts.

1. Identification of the current affordable housing costs in accordance with the requirements under the CRL, which provides the methodologies for calculating affordable housing costs for ownership units (Section 50052.5(b)), and for rental units (Section 50053(b)).
2. Preparation of development financial pro formas for prototypical ownership condominium units and rental apartments on a weighted unit basis using comparable market building prototypes and unit sizes to estimate direct and indirect construction costs, financing costs, a base developer fee, and estimated land costs, to identify the total estimated development costs. A detailed pro forma for the prototypical ownership condominiums and rental apartment units is attached as Exhibit 1.
3. Identification of the total rents or sales revenue based on the maximum affordable sales price or rent limits per each income category, as defined under the affordability standards imposed by the BMR Ordinance pursuant to the CRL.
4. For ownership condominium units the difference between the total estimated development cost per unit and the affordable sale price per unit represents the affordable development funding gap associated with each income category's affordable sale price.
5. For rental units, the difference between the total estimated development cost and the estimated capitalized value of the net operating income per unit based on the supporting debt service derived from the unit's affordable rent and net operating income represents the affordable

development funding gap associated with each income category’s affordable rent is considered the maximum supportable nexus fee.

6. The weighted average of each income category comprising the BMR unit requirement is then calculated based on the income category’s proportion of the total affordable units as reflected in the BMR Ordinance.

The weighted average development funding gap for the ownership BMR unit(s) is multiplied by the total (and/or fractional) number of units that must be income restricted. This represents the cost to a developer associated with fulfilling the BMR ownership housing requirements off-site based on the development funding gap associated with the BMR Ordinance requirements. The affordable unit rental requirements are based on a weighted average development funding gap to the City, for producing the units.

Ownership Condominium Projects

Based on condominium sales within the City over the past year (2009), the estimated median market rate sales price for an ownership condominium unit is \$506,250, while the corresponding weighted affordable housing price is \$330,942 for a moderate-income unit and \$147,715 for a low-income unit. To determine the estimated replacement cost for the affordable ownership condominium units, the projected development costs for the market rate units are used to identify the total cost to develop the affordable units with the development funding deficit (the difference between the unit sale price and the total development cost) resulting in the estimated cost or assistance needed to develop the affordable units at an off site location. This methodology reflects the assumption of all things being equal such as unit size, construction costs, and land costs. As identified in Appendix 2, the current market conditions and construction cost estimates result in development funding deficits for affordable condominium units as follows:

Moderate-Income Unit	\$161,938
Low-Income Unit	\$331,988

The indicated development funding deficits reflect the financial impacts associated with producing the affordable ownership condominium units, which would also reflect the 100% impact fee amount necessary to produce the comparable affordable units at an off site location.

Rental Apartments Projects

The median market rental rates for apartments within the City were reviewed to identify the market rental rate based on unit sizes and median rents. The data was used to identify the median market rent as \$2,150 per month, while the corresponding weighted affordable housing rent is \$1,191 for a low-income unit and \$993 for a very low-income unit. To determine the estimated replacement cost for the affordable apartment units, the estimated development costs for the market rate units are used to identify the total cost to develop the affordable units with the development funding deficit (the difference between the unit capitalized value and the total development cost) resulting in the estimated cost or assistance needed to develop the affordable units at an off site location. Again, this methodology reflects the assumption of all things being equal such as unit size, construction costs, and land costs. Current market conditions and construction cost estimates result in development funding deficits for affordable apartment units as follows:

Low Income Unit	\$196,176
Very-Low Income Unit	\$235,618

The indicated development funding deficits reflect the financial impacts associated with producing the affordable rental units, which would also reflect the 100% impact fee amount necessary for the City to produce a comparable affordable unit.

Impact Fee Considerations

As indicated above, the recommended methodology for identifying a reasonable impact fee amount reflects the assumption that the fee should reflect 100% of the cost to develop the required unit(s); that is the full production cost of the affordable unit. The financial impacts associated with the affordable housing units are determined by multiplying the estimated development funding gap by the 15% which reflects the affordability associated with market rate residential units, per the Nexus Study. In addition, the BMR Ordinance identifies that 10% of the total ownership units be restricted to moderate income households and 5% for low income units; which reflects two moderate income units and one low income unit to be required for every twenty-one units developed.

Calculation of the financial impact of the affordable ownership condominium unit requirements is as follows:

Moderate Income gap:	$\$161,938 \times 15\% = \$24,294 \times 2 \text{ units} = \$48,580$ (\$20.59 /Sq.Ft.)
Low Income gap:	$\$331,988 \times 15\% = \$49,798 \times 1 \text{ unit} = \$49,798$ (\$42.20 /Sq.Ft.)
The sum of $\$48,580 + \$49,798 = \$98,378$ divided by 3 = \$32,790 (rounded)	

For market rate ownership condominium units the blended financial impact is \$32,790 per unit or \$27.79 per square foot (\$32,790 divided by the 1,180 square feet, median market rate unit size) based on a distribution of 10% moderate income ownership units and 5% low income ownership units under the proposed revisions to the BMR Ordinance. Based on the BMR Ordinance requirement that the first two units required are for moderate income households and the third unit is for low income households the applicable per square foot fee would be \$20.59 for the moderate income units and \$42.20 for the low income unit.

The Nexus Study indicates an affordable housing need generated which is equal to 15% of the market rate apartment unit, of which 11% are for very low income units and 4% for low income units. Calculation of the financial impact of the Nexus Study results in an affordable rental apartment impact fee as follows:

Low Income Unit gap: $\$196,176 \times 15\% = \$29,426 \times 1 \text{ unit} = \$29,426 (\$23.54/\text{Sq.Ft.})$

Very Low Income Unit gap: $\$235,618 \times 15\% = \$35,342 \times 2 \text{ units} = \$70,684 (\$28.27/\text{Sq.Ft.})$

The sum of $\$29,426 + \$70,684 = \$100,110$ divided by 3 = $\$33,370$

For rental apartment units the indicated blended financial impact is \$33,270 per market rate unit reflecting about \$26.70 per square foot (\$33,370 divided by 1,250 square feet, median market rate unit size). Based on the Nexus Study findings there is a greater need generated for very-low income units, thus the BMR Ordinance requires that the first fourteen market rate units pay an impact fee of \$28.27 square foot, which is correlated to the need for very low income housing units, the Nexus Study also demonstrates the need to low income rental housing, based on this need the next seven units are to pay an affordable housing impact fee equal to \$23.54 which correlated to the need for low income housing units.

The full financial equivalency for providing affordable housing units is reflected by the calculations above. Implementation of the fractional fee on an incremental basis, however, may be more equitable particularly for small projects if the requirement is increased exponentially as opposed to evenly for each fractional affordable unit required. For example, if seven market rate ownership housing units result in a requirement for one affordable unit, the requirement for the first fractional unit would not be weighted as heavily as the sixth fractional unit. This would more closely reflect a rounding of the factors up or down based on the project's propensity to require a full affordable housing unit. Accordingly, while a seven unit ownership condominium project might have a requirement for one moderate income ownership unit reflecting an impact of \$24,294, the first fractional unit would reflect a fee of say \$2,431 (10%) and the sixth fractional unit would reflect a fee of \$23,081 (95%).

Fee Structure Options

There are a number of different ways that the City may structure the impact fee component of the BMR Ordinance, which include the following:

Percent of Building Valuation – as used in the original BMR Ordinance, which is regarded as easily understood, easy to administer and generally yields higher fees for larger size units.

Percent of Sales Price of the Market Rate Units – as used in Palo Alto and Mountain View, which is regarded as easily understood with both higher value units and larger unit sizes yielding higher fees.

Actual Development Gap for Each Project – as used in Sunnyvale, which is more difficult to explain and predict, but captures full gap with higher value units and larger unit sizes yielding higher fees.

Gap Established for Each Affordable Unit Required – as used in San Jose, which is easy to administer and apply to fractional units, but has no ability to capture a higher fee for larger of more valuable units.

Gap Established per Square Foot on Market Rate Units – variation of number four, as used in Walnut Creek and Santa Rosa, which is easily understood, easy to administer, and captures

more for larger units, but may not fully capture the gap for higher end units which contribute most heavily to the need for affordable housing units.

Option five, gap per square foot of market rate units, is recommended for the BMR Ordinance due to its ease for understanding, administering, and its ability for capturing fees that are scaled for larger and smaller unit sizes. The calculations of the financial impacts for ownership condominiums and rental apartments detailed above would serve as the basis for the per square foot impact fee associated with developing affordable housing units. The income category distribution is reasonable and justifiable in that it is lower than the distribution indicated by the residential nexus analysis. Moreover, the incremental implementation on a fractional unit basis for the first six units will ensure that smaller projects are not unduly impacted.

The incremental fee for fractional units under seven units may be applied as follows:

<u>Unit 1</u>	<u>Unit 2</u>	<u>Unit 3</u>	<u>Unit 4</u>	<u>Unit 5</u>	<u>Unit 6</u>	<u>Unit 7</u>
10%	28%	46%	64%	82%	95%	100%

Tables 1 and 2 illustrate the application of the proposed incremental impact fee for each housing product type.

Recommended Ownership Unit Fee Increments **Table 1**
Fee Selection Materials

<u>Fractional Unit</u>	<u>Applicable Percentage</u>	<u>Per Square Foot Fee</u>
Unit 1	10%	\$2.06
Unit 2	28%	\$5.76
Unit 3	46%	\$9.47
Unit 4	64%	\$13.18
Unit 5	82%	\$16.88
Unit 6	95%	\$19.56
Unit 7	100%	\$20.59

Based on the incremental fee identified in Table 1, development of one single family home of 2,500 square feet would be required to pay an impact fee of \$5,150, which would reflect about 0.5% of the comparable \$1.1 million market value. This would be about 0.8% of the estimated construct cost of \$255 per square foot, which is comparable to the current fee of 1% of construction cost.

As shown in Exhibit 2 an ownership project of six units would be required to pay an in-lieu fee of \$138,476 and a twenty unit project could pay an in-lieu fee of \$605,696 if the developer could demonstrate the required units could not be constructed on site.

Recommended Rental Apartment Unit Fee Increments **Table 2**
Fee Selection Materials

Fractional Unit	Applicable Percentage	Per Square Foot Fee
Unit 1	10%	\$2.83
Unit 2	28%	\$7.92
Unit 3	46%	\$13.00
Unit 4	64%	\$18.09
Unit 5	82%	\$23.18
Unit 6	95%	\$26.86
Unit 7	100%	\$28.27

Based on the incremental fee identified in Table 2, development of one median market rate rental apartment of 1,250 square feet would pay an impact fee of \$3,537, which would reflect about 1% of the comparable \$368,100 market value for the unit. This would be about 1.1% of the estimated construct cost of \$249 per square foot, which is comparable to the current fee of 1% of construction cost.

As shown in Exhibit 3 a rental apartment project of 6 units would be required to pay an affordable housing impact fee of \$201,450 and a twenty unit project would be required to pay an affordable housing impact fee of \$667,019.

Schedules of the estimated in-lieu fees for ownership condominium units from two to 50 units and the estimated affordable housing impact fees for multifamily rental apartment projects from one to fifty units pursuant to the BMR Ordinance requirements and Nexus Study findings are identified in Appendix 3 – Exhibits 2 and 3.

ATTACHMENTS

Exhibit 1 - Affordable Housing Prototypes Pro Forma

Condominium Unit Gap Summary

	Mod-Income Unit	Low-Income Unit
Construction Funding Gap : <i>(excludes land cost allocation)</i>	(\$51,192)	(\$221,242)
Development Funding Gap : <i>(includes land cost allocation)</i>	(\$161,938)	(\$331,988)

Note: Condo development assumption based on 59 du/ac density with market mix reflecting 30% 1 BR units, 60% 2 BR units, and 10% 3 BR units.

Apartment Unit Gap Summary

	Low-Income Unit	VL-Income Unit
Construction Funding Gap : <i>(excludes land cost allocation)</i>	(\$106,213)	(\$140,225)
Development Funding Gap : <i>(includes land cost allocation)</i>	(\$196,176)	(\$235,618)

Note: Apartment development assumption based on 59 du/ac density with market mix reflecting 2% studio units, 41.5% 1 BR units, 36.5% 2 BR units, and 20% 3 BR units.

APPENDIX 3: FEE SELECTION MATERIALS

City of San Carlos

FINANCIAL SUMMARY FOR OWNERSHIP UNITS 59 DU/AC MAX DENSITY SAN CARLOS DEVELOPMENT SITE

Project Programming Summary	Market Rate Units		Moderate-Income Units		Low-Income Units		
Acres	0.02		0.02		0.02		
Est. Density (d.u./acre)	59.0		59.0		59.0		
Wt. Avg. Unit Size	1,025		1,025		1,025		
Total Units	1		1		1		
I. Revenue							
Avg. Base Sale Price	\$499,910	487.72	\$330,942	322.87	\$147,715	144.11	
Location Premium	\$0	0.00	\$0	0.00	\$0	0.00	
Options/Upgrades	\$0	0.00	\$0	0.00	\$0	0.00	
Wt. Avg. Home Price	<u>\$499,910</u>		<u>\$330,942</u>		<u>\$147,715</u>		
Est. Total Sales Revenue	<u>\$499,910</u>		<u>\$330,942</u>		<u>\$147,715</u>		
II. Costs							
		\$ Per		\$ Per		\$ Per	
<u>Directs</u>		<u>Bldg SF</u>		<u>Bldg SF</u>		<u>Bldg SF</u>	
Site Work	\$12,000	11.71	\$12,000	11.71	\$12,000	11.71	
Residential Building	\$173,874	163.01	\$173,874	163.01	\$173,874	163.01	
Garage/Parking Structure	\$26,821	52.85	\$26,821	52.85	\$26,821	52.85	
Construction Contingency	6.0%	\$12,762	12.45	\$12,762	12.45	\$12,762	12.45
General Conditions	4.0%	\$8,508	8.30	\$8,508	8.30	\$8,508	8.30
Insurance & Bonds	2.0%	\$4,254	4.15	\$4,254	4.15	\$4,254	4.15
Contractor Fee	6.0%	\$12,762	12.45	\$12,762	12.45	\$12,762	12.45
Total Directs		<u>\$250,979</u>	244.86	50.1%	<u>\$250,979</u>	244.86	50.9%
<u>Indirects</u>							
A&E Fees	Allow	\$15,000	14.63	\$15,000	14.63	\$15,000	14.63
City Fees & Permits	Allow	\$22,000	21.46	\$22,000	21.46	\$22,000	21.46
Misc. & Dev Impact Fees	0.0%	\$0	0.00	\$0	0.00	\$0	0.00
Taxes	1.2%	\$4,160	4.06	\$4,160	4.06	\$4,160	4.06
A&D Loan Fees	2.0%	\$7,235	7.06	\$7,235	7.06	\$7,235	7.06
Construction Interest (20 mos.)	6.5%	\$23,512	22.94	\$23,512	22.94	\$23,512	22.94
Condo Insurance (10 yrs)	0.3%	\$7,529	7.35	\$7,529	7.35	\$7,529	7.35
Legal	Allow	\$800	0.78	\$800	0.78	\$800	0.78
Sales & Marketing	4.5%	\$22,496	21.95	\$14,892	14.53	\$6,647	6.49
Builder G&A / Mgmt.	1.5%	\$3,765	3.67	\$3,765	3.67	\$3,765	3.67
Soft Contingency	4.0%	\$4,260	4.16	\$3,956	3.86	\$3,626	3.54
Total Indirects		<u>\$110,756</u>	108.05	22.1%	<u>\$102,849</u>	100.34	20.9%
Subtotal Costs		\$361,736	352.91	\$353,828	345.20	\$341,627	333.29
Builder Profit	8.0%	\$28,939	28.23	\$28,306	27.62	\$27,330	26.66
Total Construction Costs		<u>\$390,675</u>	381.15	<u>\$382,134</u>	372.81	<u>\$368,957</u>	359.96
Construction Funding Surplus (Deficit)		\$109,235	\$109,235	(\$51,192)	(\$51,192)	(\$221,242)	(\$221,242)
Allocated Land Value	\$150	\$110,746	108.04	\$110,746	108.04	\$110,746	108.04
Total Development Costs		<u>\$501,420</u>	489.19	100%	<u>\$492,880</u>	480.86	100%
Development Funding Surplus (Deficit/Gap)		(\$1,510)	(\$1,510)	(\$161,938)	(\$161,938)	(\$331,988)	(\$331,988)
(Deficits reflect funding gap)		Per Sq. Ft. (\$1.47)		Per Sq. Ft. (\$157.99)		Per Sq. Ft. (\$323.89)	

APPENDIX 3: FEE SELECTION MATERIALS

City of San Carlos

FINANCIAL SUMMARY FOR RENTAL UNITS 59 DU/AC MAX DENSITY SAN CARLOS DEVELOPMENT SITE

Project Programming Summary	Market Rate Units		Low-Income Units		Very Low-Income Units	
Acres	0.02		0.02		0.02	
Est. Density (d.u./acre)	59		59		59	
Wt. Avg. Unit Size	952		952		952	
Total Units	1		1		1	
I. Revenue						
Wt. Avg. Annual Rent	\$1,709		\$1,191		\$983	
Est. Gross Rent Revenue	\$20,503		\$14,294		\$11,797	
Vacancy Loss	5% (\$1,025)		(\$715)		(\$590)	
Real Estate Taxes	1.16% (\$2,802)		\$0		\$0	
Operating Expenses	(\$4,500)		(\$4,500)		(\$4,500)	
Net Operating Income	\$12,176		\$9,080		\$6,707	
Available for Debt Service	1.15 \$10,588		\$7,895		\$5,832	
Monthly Debt Service	\$882		\$658		\$486	
Max. Loan Amount	6.25% \$143,296		\$106,857		\$78,936	
	30					
Capitalized Project Value	6.0% \$202,928		\$151,326		\$111,785	
II. Costs						
			\$ Per		\$ Per	
<u>Directs</u>			<u>Bldg SF</u>		<u>Bldg SF</u>	
Site Work		\$12,000	12.61	\$12,000	12.61	\$12,000 12.61
Residential Building		\$122,638	121.76	\$122,638	121.76	\$122,638 121.76
Garage/Parking Structure		\$26,821	52.85	\$26,821	52.85	\$26,821 52.85
Construction Contingency	8.0%	\$12,917	13.58	\$12,917	13.58	\$12,917 13.58
General Conditions	3.0%	\$4,844	5.09	\$4,844	5.09	\$4,844 5.09
Insurance & Bonds	2.0%	\$3,229	3.39	\$3,229	3.39	\$3,229 3.39
Contractor Fee	6.0%	\$9,688	10.18	\$9,688	10.18	\$9,688 10.18
Total Directs		\$192,136	201.93	\$192,136	201.93	\$192,136 201.93 55.3%
<u>Indirects</u>						
A&E Fees	5.0%	\$8,073	8.48	\$8,073	8.48	\$8,073 8.48
City Fees & Permits	Allow	\$0	0.00	\$0	0.00	\$0 0.00
Misc. & Dev Impact Fees		\$0	0.00	\$0	0.00	\$0 0.00
Taxes	1.2%	\$1,713	1.80	\$1,713	1.80	\$1,713 1.80
A&D Loan Fees	2.0%	\$3,843	4.04	\$3,843	4.04	\$3,843 4.04
Construction Interest (16 mos.)	6.5%	\$9,991	10.50	\$9,991	10.50	\$9,991 10.50
Sales & Marketing	3.5%	\$718	0.75	\$500	0.53	\$413 0.43
Builder G&A / Mgmt.	1.0%	\$1,921	2.02	\$1,921	2.02	\$1,921 2.02
Soft Contingency	4.0%	\$1,050	1.10	\$1,042	1.09	\$1,038 1.09
Total Indirects		\$27,309	28.70	\$27,083	28.46	\$26,992 28.37 7.8%
Subtotal Costs		\$219,445	230.63	\$219,219	230.39	\$219,128 230.30
Builder Profit	8.0%	\$17,556	18.45	\$17,537	18.43	\$17,530 18.42
Total Construction Costs		\$237,000	249.08	\$236,756	248.82	\$236,658 248.72
* Construction Funding Surplus (Deficit)		(\$61,942)	(\$61,942)	Per Unit (\$106,213)	(\$106,213)	Per Unit (\$140,225) (\$140,225) Per Unit
<i>* Includes cap value of net cash flow.</i>						
Allocated Land Cost	\$150	\$110,746	116.39	\$110,746	116.39	\$110,746 116.39
Total Development Costs		\$347,746	365.47	\$347,502	365.21	\$347,404 365.11 100%
Development Cost Surplus (Deficit/Gap)		(\$144,818)	(\$144,818)	(\$196,176)	(\$196,176)	(\$235,618) (\$235,618)
Capitalized Excess Cash Flow	5.0%	\$31,763		\$23,686		\$17,497

APPENDIX 3: FEE SELECTION MATERIALS

City of San Carlos

Market Rate Apartments	Market Unit Mix	Average Unit Size	Median Market Rent	VL Income Rent	Low Income Rent
Studios	5.0%	650	\$975	\$813	\$982
1 Bedroom	40.0%	750	\$1,299	\$919	\$1,113
2 Bedrooms	45.0%	1,100	\$1,875	\$1,026	\$1,244
3 Bedrooms	10.0%	1,240	\$2,965	\$1,132	\$1,374
	Wt. Avg.	952	\$1,709	\$983	\$1,191
		\$/Sq.Ft.	\$1.80	\$1.03	\$1.25

APPENDIX 3: FEE SELECTION MATERIALS

City of San Carlos

Multiple Residential Dwelling Units

2 - 3 Stories Tuck-Under Parking On-Grade Construction

Scenario A 0.17ac 8 d.u. Scenario

Building Quality	Bldg. Class	Base	Sprinklers	Elevators	Cost/SF	Adjusted	47 d.u./ac. Effective	
							Cost Adjustments	
Excellent	D	\$114.49	\$2.53	\$0.00	\$117.02	\$137.37	1.270	Local Multiplier
* Good	D	\$84.40	\$2.53	\$0.00	\$86.93	\$102.04	0.950	Current Cost Multiplier
Average	D	\$61.90	\$2.53	\$0.00	\$64.43	\$75.63	0.973	Flr. Area Multiplier
Fair	D	\$53.56	\$2.53	\$0.00	\$56.09	\$65.84		

* Base costs assumes 9' and under ceilings, buildings with fire sprinklers; no elevators.

Multiple Residential Dwelling Units

3 - 4 Stories Podium Construction w/ elevators and fire sprinklers

Apartment Units

Building Quality	Bldg. Class	Base	Sprinklers	Elevators	Cost/SF	Adjusted	57 d.u./ac. Effective	
							Cost Adjustments	
Excellent	D	\$137.39	\$2.53	\$2.76	\$142.67	\$163.01	1.270	Local Multiplier
* Good	D	\$101.28	\$2.53	\$2.76	\$106.57	\$121.76	0.950	Current Cost Multiplier
Average	D	\$74.28	\$2.53	\$2.76	\$79.57	\$90.91	0.947	Flr. Area Multiplier
Fair	D	\$64.27	\$2.53	\$2.76	\$69.56	\$79.47		

* Base costs assumes 9' and under ceilings, buildings with elevators and fire sprinklers.

Multiple Residential Dwelling Units

3 - 4 Stories Podium Construction Above Underground Parking Structure

Condominium Units

Building Quality	Bldg. Class	Base	Sprinklers	Elevators	Cost/SF	Adjusted	59 d.u./ac. Effective	
							Cost Adjustments	
Excellent	D	\$137.39	\$2.53	\$2.76	\$142.67	\$163.01	1.270	Local Multiplier
* Good	D	\$101.28	\$2.53	\$2.76	\$106.57	\$121.76	0.950	Current Cost Multiplier
Average	D	\$74.28	\$2.53	\$2.76	\$79.57	\$90.91	0.947	Flr. Area Multiplier
Fair	D	\$64.27	\$2.53	\$2.76	\$69.56	\$79.47		

Base costs assumes 9' and under ceilings, buildings with elevators and fire sprinklers.

Appliance Allowance	Low	Average	Good	Excellent
Per Unit	\$1,629	\$3,710	\$6,787	\$11,401

Notes: Class "D" Construction reflects wood or steel studs in bearing walls, full or partial open wood or steel frame, primarily combustible construction; wood or steel floor joists or concrete slab on grade; wood or steel deck; and, almost any material except bearing or curtain walls of solid masonry or concrete. Generally combustible construction.
"Good" Type Class D Building Quality reflects good stucco or siding, some brick or stone trim, good roof; good plaster or drywall, painted, hardwood, vinyl composition, carpet; good lighting, one bath per bedroom; package A.C. bedroom; and, package A.C.

Source: Marshall & Swift Valuation Service - Calculator Method / Multiple Residences

1a.

Tuck-Under Garages

Sect. 401

Building Quality	Bldg. Class	Base	Sprinklers	Cost/SF	Adjusted	Cost Adjustments
* Good	D	\$19.40	\$2.53	\$21.93	\$27.29	1.270 Local Multiplier
* Average	D	\$19.40	\$2.53	\$21.93	\$27.29	0.980 Current Cost Multiplier

Est. +/- 800s.f. ganged garages good stucco or siding, reinforced slab, good overhead doors, good lighting.

1b.

Parking Basement

Sect. 14

w/ 3 - 5 Story Podium Development Over

Building Quality	Bldg. Class	Base	Sprinklers	Cost/SF	Adjusted	Cost Adjustments
Average	A-B	\$59.58	\$2.53	\$62.11	\$71.42	1.270 Local Multiplier
Average	CDS	43.43	\$2.53	\$45.96	\$52.85	0.980 Current Cost Multiplier
Low Cost	CDS	\$38.97	\$2.53	\$41.50	\$47.72	0.924 Flr. Area Multiplier

APPENDIX 3: FEE SELECTION MATERIALS

City of San Carlos

CLASS OF CONSTRUCTION INDICATORS				
Class	Frame	Floor	Roof	Walls
A	Structural Steel Columns and beams, fireproofed with masonry, concrete, plaster, or other noncombustible material.	Concrete or concrete on steel deck, fireproofed.	Formed concrete, precast slabs, concrete or gypsum on steel deck, fireproofed.	Nonbearing curtain walls, masonry, concrete, metal and glass panels, stone, steel studs and masonry, tile or stucco, etc.
B	Reinforced concrete columns and beams. Fire-resistant construction.	Concrete or concrete on steel deck, fireproofed.	Formed concrete, precast slabs, concrete or gypsum on steel deck, fireproofed.	Nonbearing curtain walls, masonry, concrete, metals and glass panels, stone, steel studs and masonry, tile or stucco, etc.
C	Masonry or concrete load-bearing walls with or without pilasters. Masonry, concrete or curtain walls with full or partial open steel, wood or concrete frame.	Wood or concrete plank on wood or steel floor joists, or concrete slab on grade.	Wood or steel joists with wood or steel deck. Concrete plank.	Brick, concrete block, or tile masonry, tilt-up, formed concrete, nonbearing curtain walls.
D	Wood or steel studs in bearing wall, full or partial open wood or steel frame, primarily combustible construction.	Wood or steel floor joists or concrete slab on grade.	Wood or steel joists with wood or steel deck.	Almost any material except bearing or curtain walls of solid masonry or concrete. Generally combustible construction.
S	Metal bents, columns, girders, purlins, and girts without fireproofing, incombustible construction.	Wood or steel deck on steel floor joists, or concrete slab on grade.	Steel or wood deck on steel joists.	Metal skin or sandwich panels. Generally incombustible.

Exhibit 2 – Ownership Projects, Estimated In-Lieu Fees

APPENDIX 3: FEE SELECTION MATERIALS

City of San Carlos

Ownership Projects - In-Lieu Fee Table

Exhibit 2

Fee Selection Materials

In-Lieu Percent	Moderate Income			Low Income			Total In-Lieu Fee	Total Units Required
	10%			5%				
In-Lieu, Full Unit	\$24,294			\$49,798				
Median SF	1,180			1,180				
Per SF	\$20.59			\$42.20				
	Units	Per SF In-Lieu Fee ²	Median SF Unit In-Lieu Fee	Units	Per SF In-Lieu Fee	Median SF Unit In-Lieu Fee		
Units in Project ¹	Required			Required				
2	0.30	\$5.76	\$6,802				\$13,605	0.30
3	0.45	\$9.47	\$11,175				\$33,526	0.45
4	0.60	\$13.18	\$15,548				\$62,193	0.60
5	0.75	\$16.88	\$19,921				\$99,605	0.75
6	0.90	\$19.56	\$23,079				\$138,476	0.90
7	1.05	\$20.59	\$24,294				\$170,058	1.05
8	1.20	\$20.59	\$24,294				\$194,352	1.20
9	1.35	\$20.59	\$24,294				\$218,646	1.35
10	1.50	\$20.59	\$24,294				\$242,940	1.50
11	1.65	\$20.59	\$24,294				\$267,234	1.65
12	1.80	\$20.59	\$24,294				\$291,528	1.80
13	1.95	\$20.59	\$24,294				\$315,822	1.95
14	2.00	\$20.59	\$8,017	0.10	\$42.20	\$32,867	\$356,706	2.10
15				0.25	\$42.20	\$49,798	\$406,504	2.25
16				0.40	\$42.20	\$49,798	\$456,302	2.40
17				0.55	\$42.20	\$49,798	\$506,100	2.55
18				0.70	\$42.20	\$49,798	\$555,898	2.70
19				0.85	\$42.20	\$49,798	\$605,696	2.85
20				1.00	\$42.20	\$49,798	\$655,494	3.00
21	0.15	\$20.59	\$24,294				\$679,788	3.15
22	0.30	\$20.59	\$24,294				\$704,082	3.30
23	0.45	\$20.59	\$24,294				\$728,376	3.45
24	0.60	\$20.59	\$24,294				\$752,670	3.60
25	0.75	\$20.59	\$24,294				\$776,964	3.75
26	0.90	\$20.59	\$24,294				\$801,258	3.90
27	1.05	\$20.59	\$24,294				\$825,552	4.05
28	1.20	\$20.59	\$24,294				\$849,846	4.20
29	1.35	\$20.59	\$24,294				\$874,140	4.35
30	1.50	\$20.59	\$24,294				\$898,434	4.50
31	1.65	\$20.59	\$24,294				\$922,728	4.65
32	1.80	\$20.59	\$24,294				\$947,022	4.80
33	1.95	\$20.59	\$24,294				\$971,316	4.95
34	2.00	\$20.59	\$8,017	0.10	\$42.20	\$32,867	\$1,012,199	5.10
35				0.25	\$42.20	\$49,798	\$1,061,997	5.25
36				0.40	\$42.20	\$49,798	\$1,111,795	5.40
37				0.55	\$42.20	\$49,798	\$1,161,593	5.55
38				0.70	\$42.20	\$49,798	\$1,211,391	5.70
39				0.85	\$42.20	\$49,798	\$1,261,189	5.85
40				1.00	\$42.20	\$49,798	\$1,310,987	6.00
41	0.15	\$20.59	\$24,294				\$1,385,079	6.15
42	0.30	\$20.59	\$24,294				\$1,409,373	6.30
43	0.45	\$20.59	\$24,294				\$1,433,667	6.45
44	0.60	\$20.59	\$24,294				\$1,457,961	6.60
45	0.75	\$20.59	\$24,294				\$1,482,255	6.75
46	0.90	\$20.59	\$24,294				\$1,506,549	6.90
47	1.05	\$20.59	\$24,294				\$1,530,843	7.05
48	1.20	\$20.59	\$24,294				\$1,555,137	7.20
49	1.35	\$20.59	\$24,294				\$1,579,431	7.35
50	1.50	\$20.59	\$24,294				\$1,603,725	7.50

Note: Incremental and aggregate fees are provided as an example and are based on median square foot units. Actual fees are calculated based on each development's actual residential square feet multiplied by the applicable fee per square foot.

1/ Developments of more than 50 units will follow the above sequence.

2/ Per Square Foot Fee for projects with 6 or less units based on Table 1 of Appendix 3.



Exhibit 3 – Rental Projects, Estimated Affordable Housing Impact Fees

APPENDIX 3: FEE SELECTION MATERIALS

City of San Carlos

Rental Projects - Affordable Housing Impact Fee Table

Exhibit 3

Fee Selection Materials

In-Lieu Percent	Very-Low Income			Low Income			Total Impact Fee	Total Unit Need Generated
	In-Lieu, Full Unit	Per SF Impact	Median SF Unit Impact Fee	5%	Per SF Impact Fee	Median SF Unit Impact Fee		
Median SF	\$35,342			\$29,426				
Per SF	1,250			1,250				
	\$28.27			\$23.54				
Units in Project ¹	Unit Need Generated	Per SF Impact Fee ²	Median SF Unit Impact Fee	Unit Need Generated	Per SF Impact Fee	Median SF Unit Impact Fee		
1	0.15	\$2.83	\$3,538				\$3,538	0.15
2	0.30	\$7.92	\$9,900				\$19,800	0.30
3	0.45	\$13.00	\$16,250				\$48,750	0.45
4	0.60	\$18.09	\$22,613				\$90,450	0.60
5	0.75	\$23.18	\$28,975				\$144,875	0.75
6	0.90	\$26.86	\$33,575				\$201,450	0.90
7	1.05	\$28.27	\$35,338				\$247,363	1.05
8	1.20	\$28.27	\$35,338				\$282,700	1.20
9	1.35	\$28.27	\$35,338				\$318,038	1.35
10	1.50	\$28.27	\$35,338				\$353,375	1.50
11	1.65	\$28.27	\$35,338				\$388,713	1.65
12	1.80	\$28.27	\$35,338				\$424,050	1.80
13	1.95	\$28.27	\$35,338				\$459,388	1.95
14	2.00	\$28.27	\$11,661	0.10	\$23.54	\$19,421	\$490,469	2.10
15				0.25	\$23.54	\$29,425	\$519,894	2.25
16				0.40	\$23.54	\$29,425	\$549,319	2.40
17				0.55	\$23.54	\$29,425	\$578,744	2.55
18				0.70	\$23.54	\$29,425	\$608,169	2.70
19				0.85	\$23.54	\$29,425	\$637,594	2.85
20				1.00	\$23.54	\$29,425	\$667,019	3.00
21	0.15	\$28.27	\$35,338				\$702,357	3.15
22	0.30	\$28.27	\$35,338				\$737,694	3.30
23	0.45	\$28.27	\$35,338				\$773,032	3.45
24	0.60	\$28.27	\$35,338				\$808,369	3.60
25	0.75	\$28.27	\$35,338				\$843,707	3.75
26	0.90	\$28.27	\$35,338				\$879,044	3.90
27	1.05	\$28.27	\$35,338				\$914,382	4.05
28	1.20	\$28.27	\$35,338				\$949,719	4.20
29	1.35	\$28.27	\$35,338				\$985,057	4.35
30	1.50	\$28.27	\$35,338				\$1,020,394	4.50
31	1.65	\$28.27	\$35,338				\$1,055,732	4.65
32	1.80	\$28.27	\$35,338				\$1,091,069	4.80
33	1.95	\$28.27	\$35,338				\$1,126,407	4.95
34	2.00	\$28.27	\$11,661	0.10	\$23.54	\$19,421	\$1,157,489	5.10
35				0.25	\$23.54	\$29,425	\$1,186,914	5.25
36				0.40	\$23.54	\$29,425	\$1,216,339	5.40
37				0.55	\$23.54	\$29,425	\$1,245,764	5.55
38				0.70	\$23.54	\$29,425	\$1,275,189	5.70
39				0.85	\$23.54	\$29,425	\$1,304,614	5.85
40				1.00	\$23.54	\$29,425	\$1,334,039	6.00
41	0.15	\$28.27	\$35,338				\$1,398,801	6.15
42	0.30	\$28.27	\$35,338				\$1,434,139	6.30
43	0.45	\$28.27	\$35,338				\$1,469,476	6.45
44	0.60	\$28.27	\$35,338				\$1,504,814	6.60
45	0.75	\$28.27	\$35,338				\$1,540,151	6.75
46	0.90	\$28.27	\$35,338				\$1,575,489	6.90
47	1.05	\$28.27	\$35,338				\$1,610,826	7.05
48	1.20	\$28.27	\$35,338				\$1,646,164	7.20
49	1.35	\$28.27	\$35,338				\$1,681,501	7.35
50	1.50	\$28.27	\$35,338				\$1,716,839	7.50

Note: Incremental and aggregate fees are provided as an example and are based on median square foot units. Actual fees are calculated based on each development's actual residential square feet multiplied by the applicable fee per square foot.

1/ Developments of more than 50 units will follow the above sequence.

2/ Per Square Foot Fee for projects with 6 or less units based on Table 1 of Appendix 3.

