



City of San Carlos

Nexus Study and Fee Analysis

February 8, 2010

# Nexus Study

- Analysis founded on economic premise that new housing demand linked to population and job growth.
- New housing units create increased demand for retail goods and services.
- Job growth supported in part by increased spending of household disposable income for retail goods and services.

# Nexus Study

- Presents the economics related to the generation of new housing units and the need generated for affordable housing.
- New market rate units create spending, which creates jobs, some of which are low paying.
- Nexus Study findings support the proposed changes to the BMR Ordinance.

# Nexus Study Methodology

- Price of market rate units
- Household income need to purchase or rent those units
- New disposable income generates spending and jobs
- IMPLAN Model estimates the number of jobs produced
- Jobs generated are matched with State income data
- Number of jobs converted into the number of households
- Number of affordable households generated is estimated based on household size, income, and County affordability limits

# Nexus Study Results

## Affordable Housing Impacts Generated by Market Rate Development

### San Carlos Nexus Study & Fee Analysis

#### *Per 100 Market Rate Units*

#### 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%
<b>Total Affordable Need Generated</b>	<b>17%</b>	<b>17%</b>	<b>24%</b>	<b>31%</b>

# Nexus Supported Impact Fee

- The Nexus Study supports a fee equal to that of the affordability gap
- The affordability gap is the difference between the market rate price and the affordable price
- The supportable fees are shown in the following table

# Nexus Supported Impact Fee

## Nexus Supported Square Foot Impact Fee

### San Carlos Nexus Study

	<b>Rental</b>	<b>Condo</b>
<b><i>Unit Square Feet</i></b>	952	1,025
<b><u>Income Category</u></b>		
Very Low (50% of AMI)	\$30.58	\$44.64
Low (80% of AMI)	\$9.45	\$13.65
Moderate (120% of AMI)	\$5.25	\$2.23
<b>Total Supported Fee</b>	<b>\$45.28</b>	<b>\$60.52</b>

# Fee Recommendations

- Base fee on development funding gap, not affordability gap.
- Development funding gap is the difference between the cost to develop the affordable unit and its value
- The development funding gap is used because it reflects the actual cost to construct the unit, and lessens the impact on developers
- The per square foot cost is phased for projects of less than 7-units to lesson the impact on small projects
- The proposed fees for smaller projects are show in the following tables



# Fee Recommendations

## Recommended Housing In-Lieu Fee Increments

Fractional Unit	Applicable Percentage	Per Square Foot Fee
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

## Recommended Affordable Housing Impact Fee Increments

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