

**Outline for Discussion: Work Scope, Analysis Inputs, Data Sources**  
Affordable Housing Commercial Linkage Fee Nexus Study  
Working Group Meeting #1  
February 2, 2016

**Purpose:** Provide a brief re-cap of KMA’s work scope and Boulder’s existing affordable housing requirements. Provide an understanding of the affordable housing nexus analysis and the key inputs and data sources used.

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## I. **KMA Work Scope Overview – Housing Related Tasks**

1. **Nexus Analysis** – KMA is in the process of preparing a nexus analysis to support the City’s affordable housing impact fees (also called “linkage fee” or “housing impact fee”). The nexus analysis will:
  - a. Document affordable housing impacts of non-residential development
  - b. Provide nexus support for the City’s adopted fees in compliance with State law
  - c. Allow consideration of modified fee levels.

The nexus establishes a ceiling or maximum for fees which is typically very high. The high results provide significant discretion to consider other policy objectives in setting fees. Types of considerations used in program design / fee setting:

- Policy goals of the City
- Commute patterns and a share of worker housing needs to be met locally
- Fees for other priorities such as parks and transportation
- Place in overall affordable housing strategy / other tools such as inclusionary
- Strength of the commercial market
- Incentives for desired uses (i.e. mixed use, grocery stores, revenue generating uses)

## 2. **Analyses to Provide Context Information**

- a. **Non-residential Development Cost Context:** KMA is preparing a summary of development costs for five non-residential development types:
  - light industrial,
  - retail,
  - hotel,
  - lower density office and
  - higher density office.

This analysis will permit existing and potential modified fee levels to be understood in the context of their effect on the development costs of various building types.

We will also use the information to illustrate the change in land values or rent levels that would be needed to absorb various fee levels.

- b. **Market Context:** KMA is preparing a summary to provide some general context on the market for non-residential development in Boulder.
- c. **Survey of Programs in other communities** - KMA is assembling information on non-residential affordable housing mitigation programs in other communities including
  - Comprehensive database of California linkage fee programs (33 programs)
  - Non-California programs selected in consultation with the City (four programs): Cambridge, Aspen, Vail, plus one additional TBD.

**II. Adopted City of Boulder Affordable Housing Requirements**

**1. Non-Residential Affordable Housing Impact Fees (at full phase in as of June 2016)**

Nonresidential (Floor Area)

	<i>Fee per sq. ft.</i>
Retail/Restaurant	\$6.96
Business Park	\$7.70
Office	\$9.53
Hospital	\$8.23
School	\$2.24
Mini-Warehouse	\$0.09
Warehousing	\$3.11
Light Industrial	\$5.62

Other Nonresidential

	<i>Fee per Demand Indicator</i>
Nursing Home (per bed)	\$877.64
Day Care (per student)	\$389.60
Lodging (per room)	\$1,072.44

**2. Housing Excise Taxes (credited toward payment of above impact fees)**

	Excise Tax Rate (Per Square Foot)
Non-Residential	\$0.51/SF
Residential	\$0.23/SF

**3. Residential Inclusionary Housing Program**

**Basic Requirement:** 20% of new units must be affordable.

**Alternatives:** on-site construction, off-site construction, land dedication, cash in lieu. For sale projects must provide at least 50% of units on site or pay a premium as cash in-lieu.

Cash In-Lieu Illustration	Amt Per Market Rate Unit**		Amt Per Square Foot of Market Rate Units**	
	Rental	Ownership*	Rental	Ownership*
Attached Units	\$28,000	\$35,000	\$23.33	\$25.00
Detached Units	N/A	\$45,000	N/A	\$22.50

\*Includes 50% premium to buy out of all on-site units.

\*\* illustration assumes project with 5+ units, rental units @1,200 SF, attached ownership unit @1,400 SF, detached ownership unit @2,000 SF

AFFORDABLE HOUSING LINKAGE FEE

## NEXUS CONCEPT

New Workplace Buildings Mean:

- New jobs, a share of which are lower paying
- New low, low to moderate, middle income households
- New demand for affordable housing

Analysis documents incremental affordable housing needs of new lower-income workers and establishes maximum fees based on the subsidy required to produce the new affordable units.

### III. Decisions That Frame the Nexus Analysis

#### 1) Building Types / Categories

Objectives:

- Demonstrate nexus for the range of building types subject to the fee capturing major distinctions in employment density and worker compensations (which drive housing impacts);
- Keep it simple at the permit counter – make categories consistent with other fees;
- Tenancies will change over time – the impact fee is a one-time charge addressing impacts over the life of the building. Categories should not be too narrow or tenant-specific.

Building Types identified: The following building types were identified in coordination with Tischler Bise and City staff (8 categories down from 11 under existing fee program):

<i>Nonresidential Building Type</i>	<i>Employment Density*</i>
Retail / Restaurant / Service	2.51 /1,000 Sq.Ft.
Office	3.59 /1,000 Sq.Ft.
Light Industrial	2.31 /1,000 Sq.Ft.
Warehouse	0.92 /1,000 Sq.Ft.
Institutional	0.81 /1,000 Sq.Ft.
Hospital	2.94 /1,000 Sq.Ft.
Nursing Home/Assisted Living	0.84 /Bed
Lodging	0.57 /Room

\*per Tischler Bise and sourced to Institute of Transportation Engineers and local data for retail and office.

Notes on employment density

- Based on gross building area (includes corridors, etc.) except parking
- already accounts for vacancy
- Includes both full time and part time workers

#### 2) **Affordable Income Categories** – should reflect the affordable income categories for which linkage fees monies will be spent to increase the supply of affordable housing.

Affordable categories identified

Extremely Low (0%-30% AMI)

Low Income (30% - 60% AMI)

Low to Moderate (60% to 76% AMI)

Middle (76% to 120% AMI)

AMI = Area Median Income. The income limits for each category are included on page 8 for reference.

#### IV. Nexus Methodology – Analysis Steps and Data Sources

##### 1) Number of workers by building type

- Apply employment density assumptions from prior page to prototypical building sizes  
Office Example: 20,000 sf x 3.59 employees / 1,000 sf = 72 employees.

##### 2) Adjustment for Net New Jobs / Declining Industries – This is an adjustment to account for changes in the local economy over time and the fact that a share of the new jobs “replace” jobs in sectors of the local economy that are experiencing long term declines.

Analysis Adjustment– For Boulder, examples of declining sectors over the past 10 years from 2004 to 2014 include manufacturing and publishing industries based on data from the Colorado Department of Labor and Employment. KMA is proposing a 21% adjustment to the analysis based on the historic data:

Job losses in declining sectors	(4,494)
Job gains in growing / stable sectors	21,713
Job losses as a percent of job gains	-20.7%
<b>Declining industries adjustment (rounded)</b>	<b>(21%)</b>

Example of Adjustment for Office: 72 estimated employees are reduced to 57 after the 21% adjustment.

##### 3) Adjustment from Number of Workers to Number of Households – Many households have more than one worker. The analysis adjusts from no. of workers down to the no. of households based on the average of 1.62 workers per working household in Boulder. This figure is derived from the Census.

##### 4) Worker Occupations - A distribution of worker occupations within each building type is developed by combining two data sources:

- Bureau of Labor Statistics data on occupations within specific industries categories; and
- Quarterly Census of Employment and Wages – provides the number of employees by industry category within the City of Boulder. This is used to adjust the Bureau of Labor Statistics data to reflect the City’s employment base.

##### 5) Worker Compensations – Worker compensations are based on data from the Bureau of Labor Statistics Occupational Employment Survey and are specific to Boulder County.

- Compensation levels are attached to each worker occupation category from the prior step.
- Data on the percentile distribution of pay levels within individual occupation categories is also used.

- 6) **Comparison of Compensation Levels to Affordable Income Criteria** –For each occupational category, the compensation distribution is used to calculate the percent of worker households that would fall into each affordable income category.
- The calculation is performed for each possible combination of household size and number of workers in the household.
  - For households with more than one worker, individual employee income data is used to estimate household income by assuming multiple earner households are, on average, formed of individuals with similar incomes. While it is recognized there will be significant variance from this assumption in many cases, the analysis is designed to reflect an average condition and there is no data available that would permit a more fine-grained analysis.
- 7) **Household Sizes and Number of Workers Per Household**- Census data for Boulder is used to determine the percentage distribution of household sizes and number of workers. Application of this demographic data accounts for the following:
- Households have a range in size and a range in the number of workers.
  - Large households generally have more workers than smaller households.
- 8) **Compute Number of Households that Meet Size and Income Criteria** –this is a computation combining the factors from the three prior steps:
- **Step 6** – the percentage of worker households that would qualify within the affordable income tiers for every possible worker household size / no. of workers combination.  
X
  - **Step 7** –percentage of worker households with each household size / number of workers combination.  
X
  - **Step 3** – multiple by the total number of worker households
- = number of worker households by income level.**
- 9) **Cost to Produce Affordable Units / Mitigation Cost** – The number of households at each income level is multiplied by the cost to produce affordable units for these households. The result is the full cost of mitigating the affordable housing impacts and establishes the maximum or ceilings on the affordable housing fees that may be imposed.
- Rental affordable units are assumed for households earning up to 60% of AMI; and
  - Ownership affordable units are assumed for the Low to Moderate and Middle income households from 60% to 120% AMI.
- 10) **Commute Adjustment (Optional)** – Analysis findings are sometimes adjusted downward on the basis of the percentage of workers expected to live locally. Because existing commute patterns are already impacted by a lack of affordable housing, some communities choose to reflect policy objectives to house a greater percentage of their workforce locally. For reference, Boulder currently houses approximately 39% of its workforce.

**V. Household Income Limits**

	<b>Household Size</b>					
	<b>1-person</b>	<b>2-person</b>	<b>3-person</b>	<b>4-person</b>	<b>5-person</b>	<b>6- person</b>
Extremely Low (0%-30% AMI)	\$20,900	\$23,850	\$26,850	\$29,800	\$32,200	\$34,600
Low Income (30% - 60% AMI)	\$41,760	\$47,760	\$53,700	\$59,640	\$64,440	\$69,240
Low to Moderate (60% to 76% AMI)	\$53,040	\$60,660	\$68,200	\$75,740	\$81,840	\$87,890
Median (100% of AMI)	\$69,600	\$79,600	\$89,500	\$99,400	\$107,400	\$115,400
Middle (76% to 120% AMI)	\$83,520	\$95,520	\$107,400	\$119,280	\$128,880	\$138,480

Source: 2015 income limits from the Colorado Housing Finance Agency (CHFA)