

Affordable Housing Commercial Linkage Fee

KEYSER MARSTON ASSOCIATES, INC.

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Topics

Objective: Provide overview of draft analyses

Draft Nexus Analysis and Context Materials:

- 1) Nexus Analysis
- 2) Market Context
- 3) Non-residential development cost context
- 4) Linkage fees in other communities

Nexus Analysis Example: Retail / Restaurant / Service

Retail Example. Figures are Per 20,000 SF of Building Area

Number of Employees (20,000 SF Bldg Area X 2.51 per 1,000 SF)	50.2
No. of Employees after Adjust for Changing Industries (21%)	39.7
Number of Worker Households (@1.62 workers per worker HH)	24.5
Worker Households by Income Category	
Extremely Low (0% - 30% AMI)	6.4
Low Income (31% - 60% AMI)	12.0
Low to Moderate (61% to 76% AMI)	2.8
Middle Income (77% to 120% AMI)	2.4
Above Middle Income (> 120% AMI)	0.9
	<u>24.5</u>

Worker Compensation Level Examples

Selected Retail / Restaurant / Service Occupations

<u>Occupation Category</u>	<u>Average Annual Compensation</u>
General and Operations Managers	\$130,500
Food Service Managers	\$64,400
Cooks	\$24,100
Food Preparation and Serving Workers	\$20,900
Waiters and Waitresses	\$22,900
Hairdressers, Hairstylists, and Cosmetologists	\$33,000
Manicurists and Pedicurists	\$28,700
Cashiers	\$23,200
Retail Salespersons	\$30,600
Automotive Service Technicians and Mechanics	\$42,900
Bakers	\$24,700
Butchers and Meat Cutters	\$33,600
Laundry and Dry-Cleaning Workers	\$22,200

Mitigation Cost Summary: Retail Example

<i>Retail / Restaurant / Service</i>	Worker Housing Need by Income (20,000 SF)	Net Subsidy Per Affordable Unit	Mitigation Cost Per Square Foot
Extremely Low (0% - 30% AMI)	6.4	\$173,300	\$55.80
Low Income (31% - 60% AMI)	12.0	\$99,800	\$60.00
Low to Moderate (61% to 76% AMI)	2.8	\$219,900	\$31.20
Middle Income (77% to 120% AMI)	2.4	\$101,700	\$12.00
Above Middle Income (> 120% AMI)	0.9	N/A	<u>N/A</u>
	24.5		\$159.00
Less: Credit for Existing Excise Tax			-\$0.51
Affordable Housing Mitigation Cost Per Square Foot (Maximum supported fee/SF)			\$158.49
(before optional commute adjustment)			

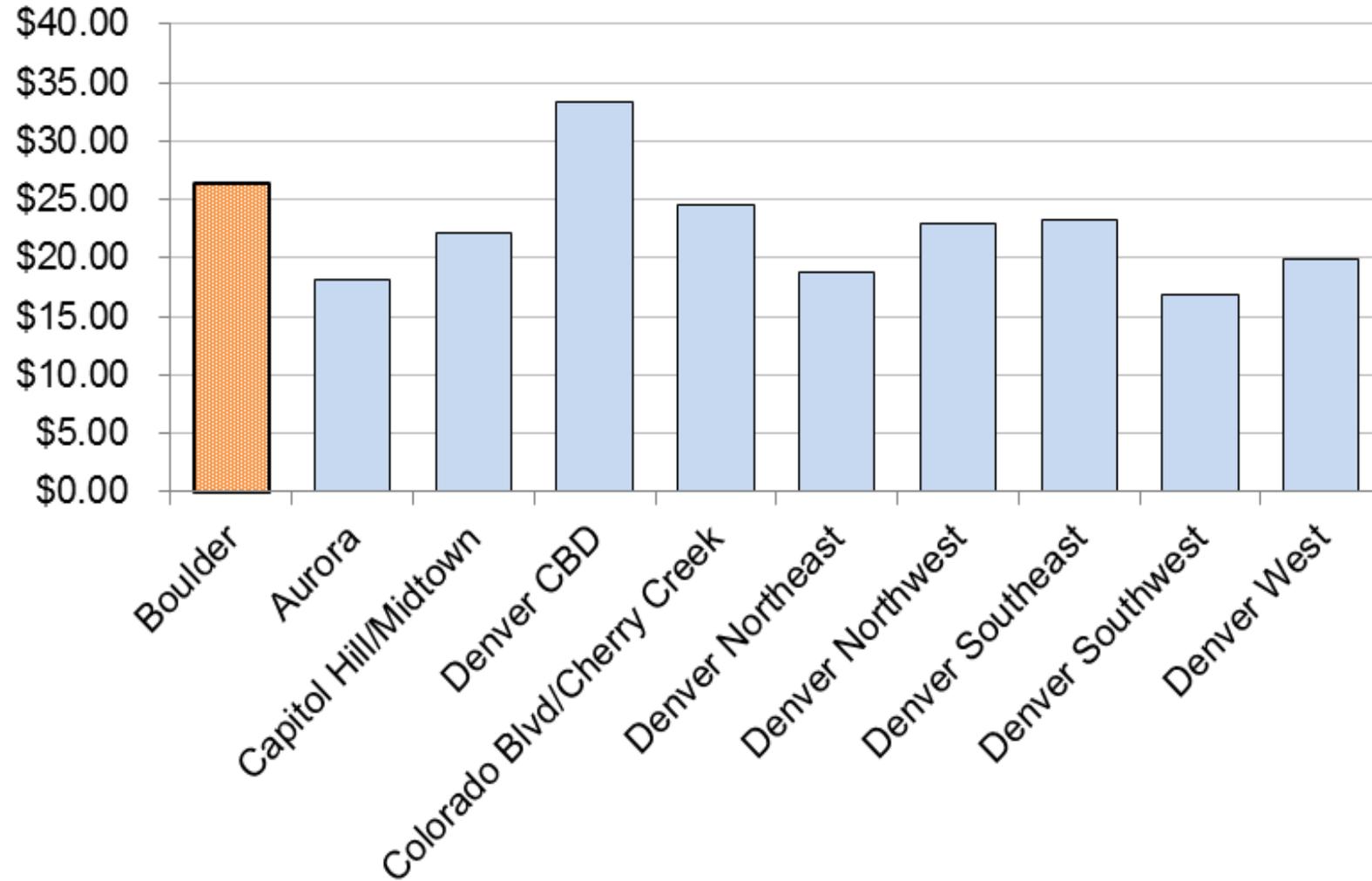
DRAFT NEXUS RESULTS: All Building Types

MAXIMUM FEES PER SQUARE FOOT (not Recommended Fees)

Building Type	Maximum Supported Affordable Housing Fee [Reflects housing needs of all workers]	Nexus Results after Making Optional 39% Commute Adjustment [Reflects assumption that approximately 39% of the workforce continues to be housed within the City]
	<i>per square foot</i>	<i>per square foot</i>
Office	\$129.49	\$50.50
Light Industrial	\$95.79	\$37.40
Retail	\$158.49	\$61.80
Hospital	\$129.39	\$50.50
Lodging	\$59.89	\$23.40
Warehouse	\$54.19	\$21.10
Institutional	\$44.79	\$17.50
Assisted Living	\$127.19	\$49.60

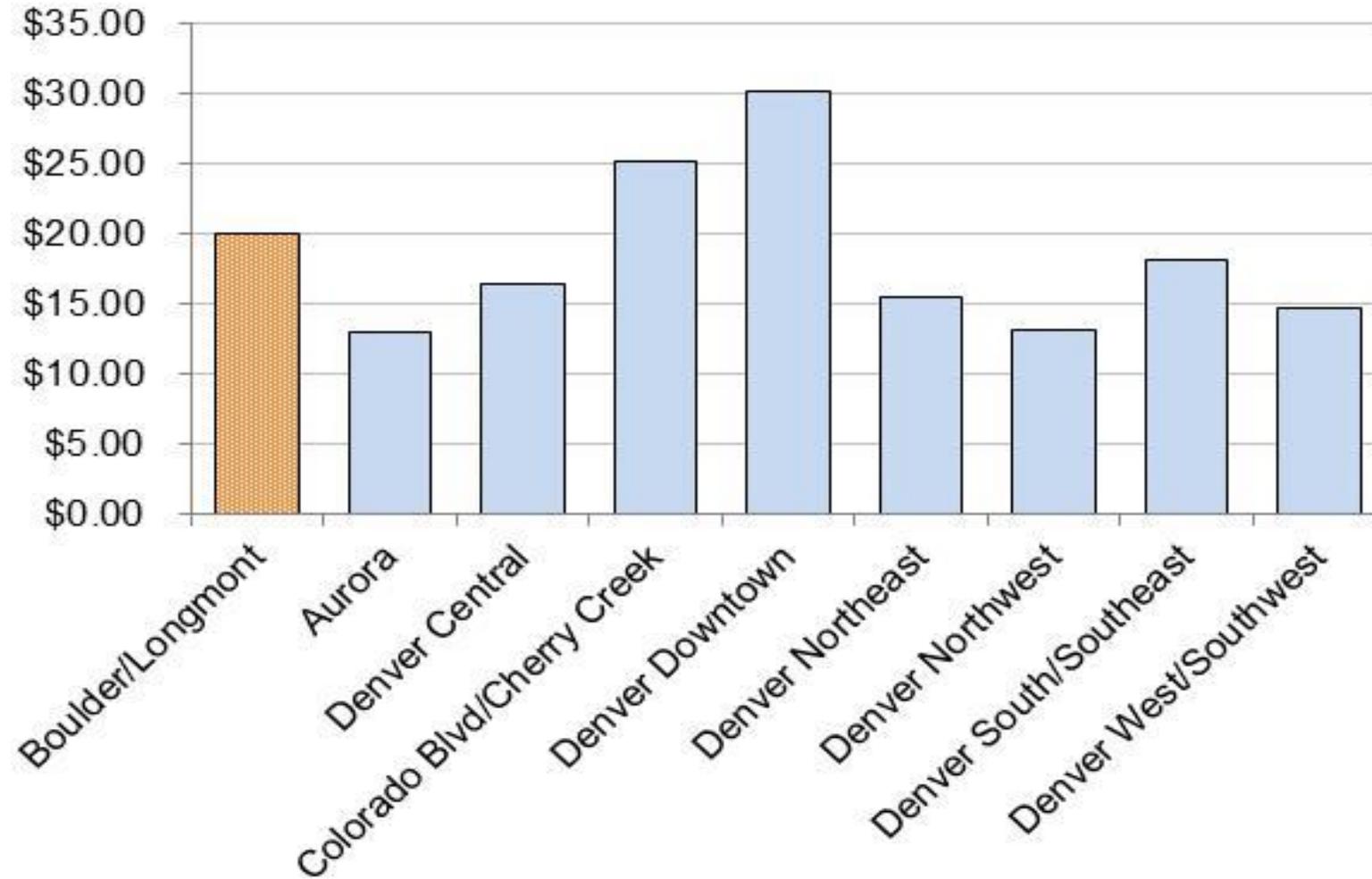
Office Rents

Cushman & Wakefield (Q3 2015)



Retail Rents

Cushman & Wakefield (Q3 2015)



NON-RESIDENTIAL DEVELOPMENT COSTS

for Five Prototypical Project Types

	Flex Commercial (R&D/Lt Industrial)		Hotel		Retail		Lower Density Office		High Density Office (DT & Vicinity)	
<u>Program</u>										
Building Area	50,000 GSF		65,000 [▲] GSF		50,000 GSF		50,000 GSF		50,000 GSF	
Stories	1 story		2-3 stories		1 story		3 stories		3-4 stories	
FAR	0.50 FAR		0.75 [▲] FAR		0.30 FAR		0.50 [▲] FAR		2.00 [▲] FAR	
Acres	2.3 acres		2.0 acres		3.8 acres		2.3 acres		0.6 acres	
<u>Development Costs</u>	<u>\$/GSF</u>	<u>Total</u>	<u>\$/GSF</u>	<u>Total</u>	<u>\$/GSF</u>	<u>Total</u>	<u>\$/GSF</u>	<u>Total</u>	<u>\$/GSF</u>	<u>Total</u>
Land Acquisition	\$24	\$1,200,000	\$34	\$2,180,000	\$60	\$3,000,000	\$50	\$2,500,000	\$75 [▲]	\$3,750,000
Directs (incl. TI's)	\$165	\$8,250,000	\$189	\$12,260,000	\$184	\$9,200,000	\$227	\$11,350,000	\$364	\$18,200,000
Indirects	\$10	\$500,000	\$15	\$980,000	\$15	\$740,000	\$14 [▲]	\$680,000	\$29 [▲]	\$1,460,000
Financing	\$7	\$340,000	\$10	\$680,000	\$9	\$440,000	\$10 [▲]	\$500,000	\$21	\$1,060,000
Total	\$206	\$10,290,000	\$248	\$16,100,000	\$268	\$13,380,000	\$301 [▲]	\$15,030,000	\$489	\$24,470,000

Note: Except for High Density Office, all the prototypes assume surface parking.

GSF = gross building square feet; FAR = floor area ratio.

ILLUSTRATIVE FEE LEVELS RELATIVE TO NON-RESIDENTIAL DEVELOPMENT COSTS

<i>(Fee amounts are rounded)</i>	Flex Commercial (R&D/Lt Industrial)	Hotel	Retail	Lower Density Office	High Density Office (DT & Vicinity)
<u>Total Development Cost</u>	\$206 /SF	\$248 /SF	\$268 /SF	\$301 /SF	\$489 /SF
<u>Illustrative Fee Scenarios</u>					
2% of Development Cost	\$4.10 /SF	\$5.00 /SF	\$5.40 /SF	\$6.00 /SF	\$9.80 /SF
3% of Development Cost	\$6.20 /SF	\$7.40 /SF	\$8.00 /SF	\$9.00 /SF	\$14.70 /SF
4% of Development Cost	\$8.20 /SF	\$9.90 /SF	\$10.70 /SF	\$12.00 /SF	\$19.60 /SF
<u>Current Fees</u>					
Current Fees	\$5.62 /SF	\$1.78 /SF*	\$6.96 /SF	\$9.53 /SF	\$9.53 /SF
% of Development Cost	2.7%	0.7%	2.6%	3.2%	1.9%

* The current fee is \$1,072/hotel room. The fee per square foot above is illustrative and assumes 600 square feet per hotel room.

POTENTIAL MARKET ADJUSTMENTS THAT COULD ABSORB \$1 / SF FEE INCREASE

Potential Market Adjustments to Absorb Every \$1/SF Fee

<i>All figures are approximate</i>	Flex Commercial (R&D/Lt Industrial)	Hotel	Retail	Lower Density Office	High Density Office (DT & Vicinity)
Increase in Rents/Income	0.4%	0.4%	0.3%	0.3%	0.2%
Decrease in Land Values	4.2%	3.0%	1.7%	2.0%	1.3%

FEE LEVEL EXAMPLES

City	Office \$/SF	Retail \$/SF	Hotel \$/SF
Boulder (@full phase-in)	\$9.53	\$6.96	\$1.79*
High Fee Examples			
Aspen, CO	\$629**	\$629**	\$134**
Vail, CO	\$48**	\$36 - \$101**	\$17**
Mountain View, CA	\$25	\$3	\$3
Palo Alto, CA	\$19	\$19	\$19
Cambridge, MA	\$12	\$12	\$12
<i>(increases to \$15 over next 3 years)</i>			
Medium Fee Examples [SF East Bay]			
Berkeley, CA	\$5	\$5	\$5
Walnut Creek, CA	\$5	\$5	\$5
Emeryville, CA	\$4	\$4	\$4
Low Fee Examples			
Sacramento, CA	\$2	\$2	\$2
San Diego, CA	\$2	\$1	\$1

Note: fee levels are rounded and the presentation is simplified as some have minimum thresholds for fees or reduced fee levels below a certain threshold.

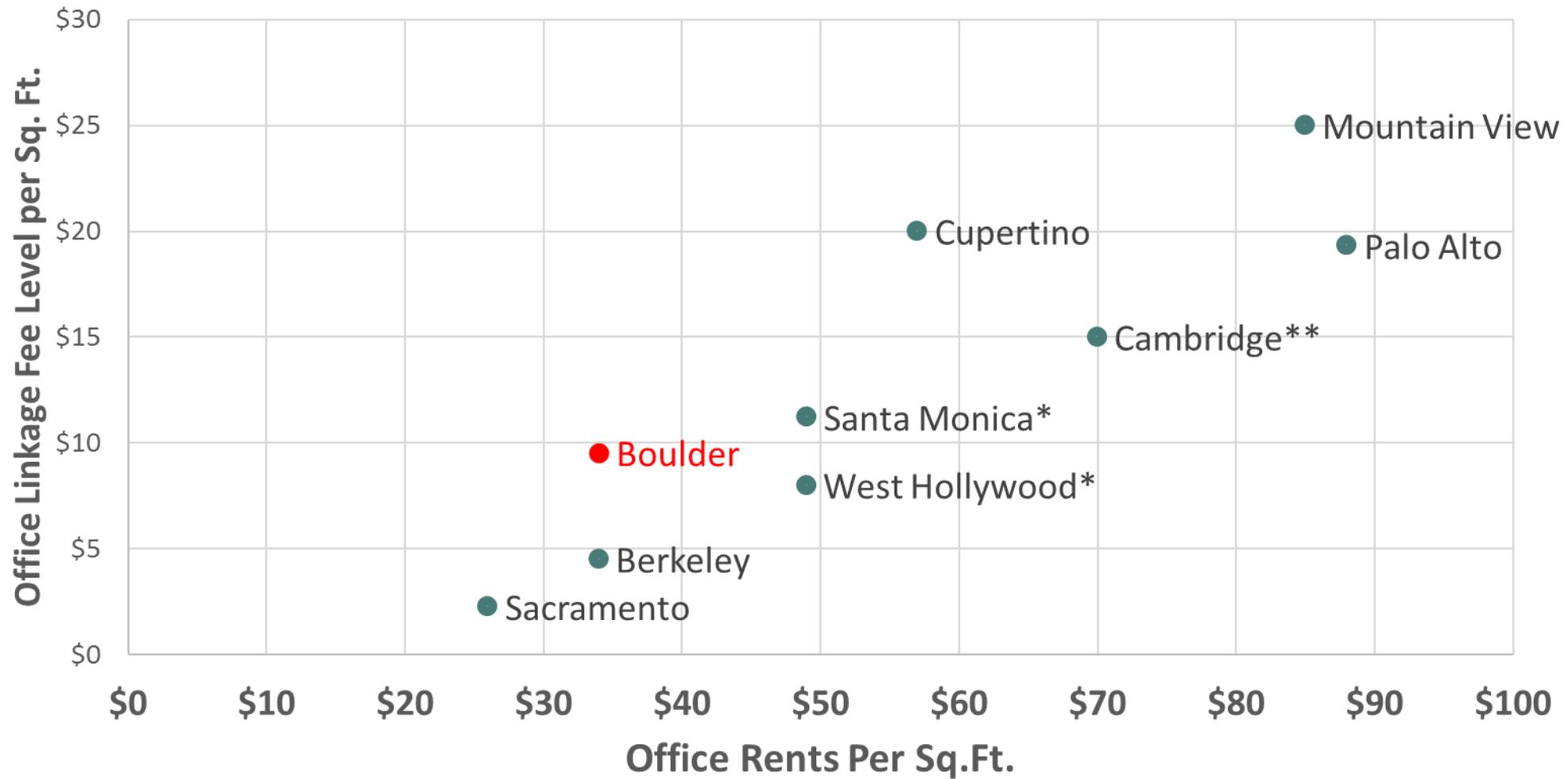
*to simplify comparisons, Boulder's \$1,072 fee per room fee was adjusted to a per square foot basis using an assumed average room size of 600 SF and rounded

**Fees in-lieu of on-site construction of units converted to estimated per square foot equivalent by KMA.

Information on other programs:

- 33 programs in California
- Aspen and Vail, Colorado examples although as resort communities not comparable to Boulder. Programs require provision of employee housing as part of their growth management programs with very substantial in-lieu fees as alternative to providing units.
- Will add Denver as information is available on proposed program
- Cambridge, MA included as another university community

Office Linkage Fee in Selected Communities vs. Average Office Rents (as market strength indicator)



average annual full service asking rents for Class A space as of Q4 2015

*Office rents are for "West. L.A." West Hollywood Fee will increase from \$4 to \$8 in FY 16-17 per staff. Shown in chart at \$8.

**currently \$12, increases to \$15 (+CPI) over next 3 years. Shown in chart at \$15.

Sources: Office rents from research reports prepared by Colliers International and Cushman and Wakefield

Questions or Comments?
