

DATE: June 29, 2010
TO: Mayor and City Council
FROM: Redevelopment Director
SUBJECT: Review of Hayward Inclusionary Housing Ordinance and In-Lieu Fee

RECOMMENDATION

That the City Council reviews and comments on this report.

SUMMARY

At the City Council’s direction, staff initiated a process to review the City’s Inclusionary Housing Ordinance and in-lieu fee, and to consider potential developer relief measures. As part of the review, Keyser Marston Associates prepared a Residential Nexus Analysis and reviewed the current financial feasibility of various housing development types. The Nexus Analysis showed that Hayward’s existing 15% affordable housing requirement can be justified for single-family developments, but that a lower affordable housing requirement is warranted for other residential products due to the current economic climate. Also, the Nexus Analysis generally supports inclusionary in-lieu fees that are higher than Hayward’s existing in-lieu fee amount. However, due to the current housing market, in-lieu fee amounts at existing or higher levels are not currently financially feasible for most residential development types.

It is proposed that the City Council consider adopting an Inclusionary Housing Relief Ordinance. Proposed measures include the following: 1) downward adjustment of the inclusionary housing percentages required for some residential development types; 2) reduction of the inclusionary housing in-lieu fees for all housing types, and a change in how the fee is calculated to a “fee per square foot” basis; 3) allow an inclusionary fee “by right” with respect to for-sale housing development; 4) adopt an inclusionary housing impact fee for market-rate rental housing development; and 5) allow in-lieu fee payments to be deferred in a manner consistent with other deferred fees that the Council recently adopted. It is proposed that the inclusionary “fee by right” be allowed for rental housing developments as a permanent modification of the Ordinance, but that all other measures be approved until December 31, 2012, at which time Council could reconsider the fee levels and relief measures.

BACKGROUND

The City of Hayward adopted an Inclusionary Housing Ordinance, and an inclusionary housing in-lieu fee by separate resolution, in June 2003. In general, the Ordinance requires that new “for-sale” residential developments of twenty or more units must set aside 15% of the total number of units for purchase by households of moderate-income (incomes up to 120% of area median income). New rental developments of twenty units or more also have a 15% set aside requirement, which is to be split 50/50 between very-low and low-income households at 50% to 80% of area median income. The Ordinance requires forty-five years of re-sale controls on for-sale units, and fifty-five years of rent restrictions on rental units, in order to obtain needed credits for the production of affordable housing units pursuant to State redevelopment law.

To date, the City has entered into four Inclusionary Housing Agreements. Two of these agreements, associated with The Crossings development at Eden Shores, and the Garden Walk development in the Harder-Tennyson neighborhood, involved the designation of on-site units for sale to moderate-income households. The other two agreements, including one for the Cannery Place development and another with the DeSilva Group and KB Homes, encompassing the La Vista, Garin Vista, and Eden Point developments, follow the “development incentives and alternatives” sections of the Ordinance, which allows for the provision of off-site affordable units. To date, the City has not collected any inclusionary housing in-lieu fees, although the City Council did approve amendments to the Cannery Place Inclusionary Housing Agreement with Citation Homes Central and Integral Communities in December 2009, which allow for a combination of on-site affordable units, land dedication for future affordable housing development, and fee payments in-lieu of providing seven affordable housing units on the site.

Due to the downturn in the new housing construction market, the City Council held a work session on June 23, 2009 to discuss a number of temporary economic stimulus measures, including the potential timing and/or amount of payment of developer fees. At that time, Council requested staff to return with specific relief measures regarding the Inclusionary Housing Ordinance.

Recent Court Cases:

Over the past year, certain court decisions regarding inclusionary housing in-lieu fees and rent-restricted affordable housing units (the “Patterson” and “Palmer” cases), make it prudent to consider other changes to the Inclusionary Housing Ordinance and to conduct a nexus study analyzing the City’s fees and policies in the context of its Inclusionary Housing Ordinance.

In *Building Industry Ass’n v. City of Patterson*¹ the City of Patterson entered into a development agreement with Morrison Homes, which agreed to either build affordable housing or pay an in-lieu fee. While the fee was only \$734/unit at the time the development agreement was approved, Morrison Homes agreed to pay any “reasonably justified” increases in the fee. The City increased the fee to over \$20,000/unit using a very unusual methodology. The Court of Appeals found that, for the fee to be “reasonably justified,” it would need to be reasonably related to the “deleterious public impact of the development.” While many cities believe that *Patterson* doesn’t apply to

¹ Building Industry Ass’n v. City of Patterson <http://www.hayward-ca.gov/news/pdf/2010/BIA v. City of Patterson.pdf>

typical inclusionary in-lieu fees, a number have determined that it is prudent to undertake a nexus study in order to show how market-rate projects create a need for affordable housing. Such studies can provide an “upper range” to the inclusionary housing in-lieu fees that may be charged.

In the more recent case of *Palmer v. City of Los Angeles*², the Court of Appeals determined that requiring market-rate rental housing developers, who did not receive any City assistance, to restrict rent levels in order to provide affordable housing units is a violation of the rent-control provisions, included in the Costa-Hawkins Act. The Costa Hawkins Act allows developers of rental housing to set the initial rent for their apartments and to set the rent when the unit is vacated (so-called “vacancy decontrol”). As a result, cities cannot impose affordable housing requirements within market-rate rental developments that do not receive City assistance. Hayward’s Inclusionary Housing Ordinance currently has such requirements. Cities may require affordable rentals if projects receive either city or redevelopment agency financial assistance or regulatory incentives (such as density bonuses). Cities may also charge rentals an impact fee based on a nexus study.

With the Council’s direction, as well as the recent court cases in mind, staff issued a request for consultant proposals (RFP), and on November 17, 2009 obtained City Council/Agency Board authorization to enter into a contract with Keyser Marston Associates (KMA) to review Hayward’s Inclusionary Housing Ordinance, and to prepare a nexus study and other analyses to determine an inclusionary housing in-lieu fee amount that is appropriate and sustainable in Hayward’s current housing market.

DISCUSSION

Inclusionary Housing Nexus Analysis: Keyser Marston was asked to undertake two different analyses to assist in determining appropriate affordable housing requirements and in-lieu fees. The first analysis was a “Residential Nexus Analysis”, to determine the impact that market rate housing development has on the demand for affordable housing. Nexus studies can be undertaken for a variety of development impact fees, and are based on the legal premise that there should be a “nexus” or reasonable relationship between the fee that is charged and the economic impact that is created by the proposed development. In this case, the Nexus Analysis is based on the concept that the development of new market-rate housing units brings new households into the community, and that the new households consume goods and services; and that the consumption of these goods and services result in new jobs. To the extent that the jobs associated with the consumption of goods and services are held by persons with low to moderate incomes, those job-holders create a demand for affordable housing.

The Nexus Analysis is attached to this report as Attachment I . The Analysis looked at five housing prototypes typically developed in Hayward, including the pricing of the prototypes and the expected income levels of their occupants. The five types of housing units analyzed were: 1) larger single-family developments, such as Stonebrae; 2) small-lot single-family developments such as Bridgeport at Eden Shores; 3) townhome developments, such as City Walk; 4) condominium developments such as the proposed development at C and Main Street or South Hayward BART;

² *Palmer v. City of Los Angeles* <http://www.courtinfo.ca.gov/opinions/archive/B206102.PDF>

and 5) higher density apartment development, again similar to that proposed at South Hayward BART.

Using a model called IMPLAN (which is short for impact planning) plus a Keyser Marston jobs-housing model, the analysis determined the demand for affordable housing units associated with the different market rate housing types. The demand for affordable housing units is expressed as a percentage of each market-rate unit, and can be compared with Hayward's Inclusionary Housing Ordinance requirement that 15% of the total number of housing units in a new development be priced at low to moderate-income affordable levels. The Nexus Analysis shows that the 15% requirement can be justified for both large and small-lot single-family developments. However, the price structure of townhome and condominium developments in Hayward at this time support a lower inclusionary requirement in the range of 13% to 14%. For market-rate rental housing development, the Nexus Analysis supports a 12% to 13% requirement for very-low and low-income affordable units. The reason for the difference is because the larger, higher-priced single family units cost more than the smaller townhomes and condominiums, and higher-income households generally live in the larger units. Higher-income households are considered to have higher disposable incomes and generate greater demand for goods and services, thereby creating a higher demand for affordable housing.

For the Nexus Analysis, the consultants also surveyed development costs of affordable housing development, and the price or rent levels that households ranging from very-low to moderate incomes can afford to pay, and assigned a value to the difference, or "affordability gap". An important policy assumption of the Analysis was that low-income households would live in rental units, and moderate-income households would live in for-sale townhomes. The "affordability gap" was then applied to the units generated by the Nexus Analysis to determine a mitigation cost associated with the demand for affordable housing units created by the production of market units. The results suggest that supportable inclusionary housing in-lieu fees per market rate unit would range from \$28,000 for condominium units to a high of \$52,000 for large-lot single family homes. In contrast, Hayward's current in-lieu fee amount (which is currently set at \$80,000 per affordable unit required), is equivalent to \$12,000 per market rate unit.¹

The percentages and the range of fee amounts supported by the Nexus Analysis correlate to the difference in size and in pricing of the different housing prototypes analyzed. For example, condominium units were estimated to be sold at a price of \$340,000 to households with an annual income of \$72,000, whereas, larger lot single family units were estimated to be sold at a price of \$650,000 to households with annual incomes of \$134,000. The higher-income households corresponding to the larger units are assumed to have a larger disposable income, and therefore generate a higher number of lower-wage jobs, which generate the demand for affordable housing.

¹ *The conversion of an inclusionary fee assessed per required affordable unit to one that is based on the number of market-rate units in a development is included in Attachment III, and can be done using a hypothetical one hundred-unit residential development. For example, under Hayward's current Ordinance, for a one hundred-unit development, the inclusionary housing requirement would be for 15%, or fifteen, of the units to be affordable. An in-lieu fee applied to the fifteen units would yield (15 X \$80,000/affordable unit =) \$1,200,000 in total fees. This amount can be converted to a fee per market-rate unit of (\$1,200,000/100 total units =) \$12,000 per market-rate unit.*

Because of this correlation between the size/price of a market-rate housing unit and its impact, a logical way to calculate an affordable housing fee would be based on the size, or square footage, of the market-rate housing unit. Fremont has recently adopted modifications to its inclusionary housing ordinance and has opted to base its fees on square footage; staff and consultants believe this approach would also work for Hayward. As illustrated in Attachment III, by expressing the inclusionary housing fee on a per square foot basis (for example, \$4.00 per square foot of market-rate housing unit), the City would be able to adopt one fee for most, if not all, residential development types, and would capture much of the nexus, or impact, between the size of different residential units and the demand that they create for affordable housing.

Financial Feasibility Analysis: In addition to providing a sound legal basis for establishing affordable housing inclusionary requirements, the Nexus Analysis is also an effective tool for setting the upper end of a proposed affordable housing requirement or fee. However, given the current market conditions, and Council's desire to provide some relief to developers, the consultants also conducted a "Financial Feasibility" analysis. The purpose of this analysis is to provide an assessment of the fee amount that developers currently can generally afford to pay toward affordable housing given current home prices and development costs and standard return on investment requirements. The consultants again analyzed the five housing prototypes referred to above, researched area land costs, construction costs, and rental and sales pricing. The results of this analysis are summarized in Attachment II, Tables 1 and 2.

The Financial Feasibility analysis indicates that currently, almost all of the housing prototypes are generally only very marginally economically feasible, and at least two of them – rental apartments and higher density condominiums – were generally not feasible as of the data collection time, which was at the beginning of 2010. The most economically viable new housing product currently selling in Hayward at this time is estimated to be the small-lot, single-family (or duet-type) unit, which appears to have a reasonable return rate (profit margin) equivalent to 8% of the price of the home. Townhomes and larger-lot home developments are estimated by the consultants to essentially be "breaking even", with little profit. It should be noted that the economic factors facing each developer vary from project to project. And, despite the sharp decline in prices, some projects have moved forward, often on very thin or non-existent profit margins, in an effort by developers to remain in business and cover operating costs.

It cannot be over-emphasized that the housing market is a dynamic one. Even now, a few months since the consultant's research was generated, the housing market is beginning to show signs of recovery. In addition, the analysis could never capture all the variables that of each housing development situation. Nevertheless, the financial feasibility analysis indicates that, overall, financial relief is warranted for most of the product types for a period of time. Staff proposes that inclusionary housing requirements, including fees and percentages, be adjusted for a period of two and one-half years, which corresponds to other recently-adopted fee relief measures. At the end of that time, the City Council could consider re-adjustments to the fees and Ordinance, as warranted. .

Developer Roundtable Review: In order to solicit comments from active Hayward developers on the Inclusionary Housing Ordinance and the draft analyses discussed above, staff organized a "developer roundtable" meeting on April 1, 2010, and invited representatives of five development

firms: Citation Homes, Matteson Realty, Braddock & Logan, KB Homes and Standard Pacific Homes. In addition, Mr. Paul Campos, from the Home Builders Association of Northern California, Mr. David Stark of the East Bay Association of Realtors, and representatives from Eden Housing and Habitat for Humanity were also invited to participate.

The developers had a number of comments as to the methodology and assumptions that went into the Nexus Analysis. Most, if not all, of these comments are addressed by the consultant in a section starting on page forty-nine of the report, entitled “Notes on Specific Assumptions & Issues Raised by Developers”. Regarding the Financial Feasibility Analysis, and the housing prototypes studied, there were minor suggestions to adjust size of units, and some suggestions regarding housing costs; and the consultants made several adjustments to the prototypes to reflect these comments.

Developers have made a number of suggestions for relief under the Inclusionary Housing Ordinance, including: provision of an in lieu fee “by right”, reduction of the fee amount, and deferral of the fee until the market-rate units sell. Mr. Campos previously sent information to the City Council regarding the benefits of in-lieu fees as a way for cities to better guide and choose the type of affordable housing that is produced. During the developer roundtable meeting, additional suggestions were made including providing a discount on the fee amount if payment were made at the time developers pull their building permits, and provision of additional density bonuses for affordable housing. Finally, it was suggested that the City should consider expanding its inclusionary housing fee to new commercial development.

Proposed Relief Measures: In an effort to provide relief to developers during the current economic recession, and in an effort to address the recent court cases pertaining to inclusionary housing, staff is proposing that the City Council consider a two and one-half year Inclusionary Housing Relief Ordinance, that would be effective until December 31, 2012, and could contain some or all of the following components:

- **Adjust Inclusionary Percentages:** The Nexus Analysis suggests that Hayward’s Inclusionary Housing Ordinance should be modified as to the percentage of affordable units required for certain residential development types. Specifically, while the 15% requirement is more than justified for single-family development types – including hybrid types such as zero-lot and duets – the percentages should be adjusted for all other types. Staff proposes that townhomes and condominium developments should have an affordable housing percentage of 13%. If the Council wishes to take a more conservative approach, the Nexus Study would support an affordable housing percentage of 14% for townhomes and condominium developments.
- **Modify and Reduce In-Lieu Fees:** As previously suggested, staff recommends that the inclusionary housing in-lieu fee be modified such that it becomes expressed as a fee per market rate unit, and based on the square footage of the market-rate unit. Attachment III to this report provides three alternative fee levels that the City Council may wish to consider, in light of the analyses that have been conducted. Staff recommends the mid-point, Option Two, which imposes a fee of \$4.00 per square foot for all for-sale products. As a point of reference, Hayward’s current fee of \$80,000 per affordable unit required translates into a fee of approximately \$6.49 per square foot of new market rate construction assuming a 1,850

square foot home. It should be noted that the three optional fee levels suggested in Attachment III are all well under the amounts that could be justified under the Nexus Analysis. Again, this is due to the current economic climate, as confirmed by the Financial Feasibility analysis. Nevertheless, the selection of fee level is to some degree approximate, and a matter of choice as to how much relief the Council wishes to consider.

- **Allow In Lieu Fee By Right:** Developers have previously noted that in the current economy, it is difficult to market and sell below-market-rate (BMR) homes as called for in the existing Inclusionary Housing Ordinance, because BMR units carry re-sale price restrictions in order to preserve their affordability, and because in the current market, the pricing of restricted BMR units is not much lower than the price of market-rate units. Also, as previously noted, by collecting fees, the City can establish an affordable housing “trust fund”, which will enable the City to subsidize affordable housing developments that it wants, and to better guide the provision of needed affordable housing. One disadvantage of allowing a fee “by right” is that it restricts the City’s ability to promote the dispersal of affordable for-sale housing throughout the City.

As a relief measure, the City Council could allow for-sale housing developers to pay the in-lieu fee-by-right for the two-and-one-half year period. At the end of that period, the City Council may wish to consider limiting the “fee-by-right” policy to certain product types, such as large-lot, single-family homes, which are generally more expensive and less efficient to produce than affordable housing. Alternatively, the City may wish to continue relying on the existing “development incentives and alternatives” provisions in the Ordinance, which have proven to be quite effective thus far (see the “Background” section of this report). The Council could also consider extending the Inclusionary Housing Ordinance requirements to housing developments under twenty units, and allow a “fee-by-right” for the smaller-sized developments.

- **Adopt an impact fee for Market-Rate Rental Housing:** Under the *Palmer* decision, the City cannot require that affordable rental units be provided (unless units receive city or redevelopment agency assistance), nor can it require an in-lieu fee in place of those units; the Court of Appeal found that an in-lieu fee was “inextricably intertwined” with the impermissible inclusionary requirement and so was also not permitted. Consequently, the staff is recommending that the Council adopt an impact fee for market-rate, rental housing to mitigate the effect of this housing on the need for affordable housing in the City. While the Nexus Analysis would justify a fee as high as \$13.33/sq. ft., staff is recommending an impact fee of \$3.50/sq. ft. - versus the \$4.00/sq. ft. recommended for the ownership housing in-lieu fee - because market-rate apartments have been the least feasible of all the residential development types for the past decade. In addition, apartments are generally considered to be a more affordable housing product by nature than ownership housing. Apart from this reasoning, and apart from the ceiling fee level supported by the Nexus Analysis, the choice of an impact fee level is a matter of policy.
- **Allow In-Lieu Fee and Impact Fee Payment Deferral:** The Council recently adopted an ordinance to allow through the end of calendar year 2012 and for projects that are built “green” that are not required to be so, the deferral of park dedication in-lieu fees and

supplemental building construction improvement taxes on residential developments until close of escrow, or a within one-year from the issuance of a certificate of occupancy, whichever occurs sooner. The Council also adopted a \$500 processing fee for such deferral requests to cover staff time associated with processing such requests. The mechanism for ensuring the payment of fees upon sale is the recordation of a trust deed against the property, which is released as the fees are paid. This process can be somewhat time consuming. The cities of Mountain View and Sunnyvale currently allow the deferral of their inclusionary housing in-lieu fees, and staff contacts in these cities have expressed a reasonable level of satisfaction with the process, while noting that it does create additional work. Staff would support deferral of the inclusionary housing in-lieu fee and rental impact fee for the proposed two-and-one-half year period, with the suggestion that the process for securing payment via trust deed and collecting the inclusionary fees at close of escrow be coordinated with the payment of deferred park dedication fees and supplemental building improvement taxes whenever possible.

FISCAL AND ECONOMIC IMPACT

The Inclusionary Housing Ordinance relief measures discussed in this report are designed to mitigate the effects of a recessionary housing market and stimulate new residential construction and new jobs. By adopting some or all of the relief measures discussed above, developers of marginally feasible residential products will gain additional confidence to move ahead. It is expected that the most immediate beneficial effects will be to projects that are approved and ready to break ground, such as development at Cannery Place, which would benefit from consideration of reduced fees, and for other small-lot single family and town home developments. Large-lot housing development in the Hayward hills and shoreline area may also be beneficially impacted. Condominium and apartment developments are not likely to be rendered immediately feasible as a result of these or other City relief measures, but may assist in stimulating such development within the two-year period, as the economy continues to improve.

Fiscal impacts to the City of Hayward would be moderately positive, depending in part on which measures are adopted. Allowing fees “by right” will likely help create additional sources of funding for affordable housing. Reducing the fee levels could in theory reduce revenues to the City, although the City has not heretofore actually collected Inclusionary Housing fees. To the extent that residential developments are encouraged to proceed, the City would gain additional fee revenue, transfer taxes, and property taxes from the new development.

PUBLIC CONTACT

As discussed above, changes to the City’s Inclusionary Housing Ordinance were generally discussed at a City Council work session held on June 23, 2009, and at a “roundtable” discussion with residential developers on April 1, 2010.

NEXT STEPS

With the Council's feedback regarding the proposed Inclusionary Housing Ordinance changes and relief measures, staff will return on July 20, 2010 to recommend introduction of an Inclusionary Housing Relief Ordinance to address the recommended changes.

Prepared by: Maret Bartlett, Redevelopment Director

Approved by:



Fran David, City Manager

Attachments:

- Attachment I -- Residential Nexus Analysis
- Attachment II -- Financial Feasibility Analysis – Tables One and Two
- Attachment III -- Inclusionary Housing In-Lieu Fee Options

Attachment I

RESIDENTIAL NEXUS ANALYSIS

Inclusionary Housing Ordinance

Hayward, California

Prepared for

City of Hayward

Keyser Marston Associates, Inc.

April 2010

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SUMMARY AND RECOMMENDATIONS

INTRODUCTION

This document is an overview of the analysis and a summary of the findings and recommendations of a residential nexus analysis conducted to support revisions to the Inclusionary Housing Ordinance of the City of Hayward. The materials have been prepared by Keyser Marston Associates for the City pursuant to a contractual agreement. The residential nexus analysis addresses market rate residential projects in Hayward and the various types of units that are subject to the City's Inclusionary Housing Ordinance; the analysis quantifies the linkages between new market rate units and the demand for affordable housing in Hayward.

The City of Hayward's existing Inclusionary Housing Ordinance requires all projects of twenty or more units to provide 15% of the units at affordable prices or rent levels. The program allows for payment of an in-lieu fee in single family attached and detached projects only with Council approval. The current in-lieu fee is \$80,000 per affordable unit owed. This analysis will demonstrate the percentage of affordable units supported and will also quantify impact fee levels supported from a nexus perspective. In response to a recent California Court of Appeals decision, this analysis will enable the City to restructure the program as it applies to rental projects so that rental projects are charged an impact fee.

The City of Hayward's program was adopted in 2005 and a number of projects have been built in compliance with the program, with some providing alternative compliance in the form of land, off-site units, or in-lieu fees. Also, there have been no rental projects, as with most of the Bay Area, due to financial feasibility limitations of rental projects in general.

The Nexus Concept

At its most simplified level, the underlying nexus concept is that the newly constructed units represent new households in the Hayward. These households represent new income in Hayward that will consume goods and services, either through purchases of goods and services or by "consuming" governmental services. New consumption translates to new jobs; a portion of the jobs are at lower compensation levels, low compensation jobs translate to lower income households that cannot afford market rate units in Hayward and therefore need affordable housing.

Impact Methodology and Models Used

The analysis is performed using two models. The IMPLAN model is a commercially available model developed over 30 years ago to quantify employment impacts from personal income added to an area as a result of a project. The IMPLAN is "inputted" with net new personal income in Hayward and moves through a series of adjustments to disposable income, a distribution of expenditures, and ultimately produces a quantification of jobs generated by industry. The KMA jobs housing nexus model, which was developed nearly 20 years ago to

analyze the income structure of job growth, is used to determine the household income of new employee households, identifying how many are at lower income and housing affordability levels.

Organization of this Document

Following this Summary and Recommendations Report is the technical nexus analysis report (Appendix I). The Summary and Recommendations Report is not intended as a stand alone document and should not be printed or distributed without the appendix explaining all of the analysis and underlying assumptions. A separate companion document provides market surveys and a more detailed discussion of market rate and affordable residential values.

This report has been prepared using the best and most recent data available. Local data and sources were used wherever possible. See Appendix I for more information.

Analysis Summary

Residential Prototype Projects

Six residential prototypes were identified for Hayward based on market surveys and consultation with City staff. Of the six, five were selected for analysis as follows:

- Single family detached unit, at an average of 6 units to the acre, four bedrooms, 2,700 square feet, selling for \$650,000, or \$241 per square foot on average.
- Small-lot or zero lot line to "duet" hybrids, at an average of 12 units to the acre, three bedrooms, 1,850 square feet, selling for \$500,000, or \$270 per square foot on average.
- Townhome unit or other higher density attached product, at an average of 18 units to the acre, three bedrooms, 1,400 square feet selling for \$385,000, or at an average of \$275 per square foot.
- Condominium unit, built at an average of 45 units per acre, two bedrooms, 1,200 square feet, selling for approximately \$340,000, or at \$283 per square foot.
- Rental apartment unit in a two story walk up at an average of 25 units per acre. Unit size is 1,000 square feet, two bedrooms, renting for about \$2,330 per month. It is noted that rental apartments are not feasible at this time since the rent required is substantially higher than current rent levels in Hayward. In our opinion, rents will have to approximate the level used in this analysis for new construction (without government assistance) to be feasible.

The prototype that is not analyzed in the nexus is a rental project built at a higher density that requires a rent level even higher than the prototype described above. The inclusionary percentages and total impact fee supported would be higher for the more expensive units. In our judgment, the program should be designed around the less expensive units. The analysis findings demonstrate the pattern that higher fee levels are supportable for more expensive units.

Household Income

From the sales price or rent level of the five prototypes, the household income of the purchaser or renter is readily estimated using standard housing policy and lending standards. Home purchasers are assumed to spend 35% of their household income on total housing expenses and renters 30%. Using somewhat conservative lending terms, household income for each prototype unit is estimated as follows:

Household Income					
	<i>SFD</i>	<i>Small Lot SFD</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Rental</i>
Gross Household Income	\$134,000	\$103,000	\$80,000	\$72,000	\$93,000

As would be expected, the higher priced units translate to higher household income. Rental units are typically affordable to households at lower income level than ownership units; however, for the purposes of the analysis the rent levels are adjusted to above the current rental rates to reflect feasible development economics. The income of the renter household is shown to be higher than the condominium and townhome purchaser in the prototypes used for a combination of reasons – the depressed prices of condominiums and townhomes and the willingness of homebuyers to pay a larger percentage of their income for housing than renters.

Jobs Generated

The next steps in the nexus analysis are conducted within the IMPLAN model. Gross household income is adjusted to disposable income, or income after state and federal taxes, Social Security and Medicare deductions, and personal savings.

To simplify the presentation of results, the analysis is run for building modules of 100 housing units. This avoids awkward fractions, especially at the detailed level of jobs by industry. The IMPLAN model output provides jobs by industry; the total numbers of jobs generated are shown in the table below.

Jobs Generated per 100 Units					
	<i>SFD</i>	<i>Small Lot SFD</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Rental</i>
Gross Household Income	\$134,000	\$103,000	\$80,000	\$72,000	\$93,000
Total Jobs Generated, 100 units	55.4	42.6	33.3	30.0	38.7

The IMPLAN model quantifies jobs generated at establishments that serve new residents directly (i.e. supermarkets, banks or schools), jobs generated by increased demand at firms which service or supply these establishments (wholesalers, janitorial contractors, accounting firms, or any jobs down the service/supply chain from direct jobs), and jobs generated when the new employees spend their wages in the local economy and generate additional jobs.

In the full nexus report, jobs generated by the larger industry categories are indicated in the tables. Jobs in Eating and Drinking establishments represent the single greatest concentration. However if all retail categories were aggregated, even without the eating and drinking, they would be the single largest group of jobs. Medical related services represent another major job category.

The jobs produced in the IMPLAN model are all jobs within Alameda County.

Compensation Levels of Jobs and Household Income

The output of the IMPLAN model - the numbers of jobs by industry - are then "input" into the Keyser Marston Associates (KMA) jobs housing nexus analysis model to quantify the compensation level of new jobs and the income of the worker households. The KMA model sorts the jobs by industry into jobs by occupation, based on national data, and then links wage distribution data to the occupations, using recent Alameda County data from the California Employment Development Department (EDD). The KMA model also converts the number of employees to the number of employee households, recognizing that there is, on average, more than one worker per household, and thus the number of housing units in demand for new workers is reduced.

The output of the model is the number of new worker households by income level (expressed in relation to the Area Median Income, or AMI) attributable to the new residential units and new households in Hayward.

<i>New Worker Households by Income Level per 100 Market Rate Units</i>					
	<i>SFD</i>	<i>Small Lot SFD</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Rental</i>
Under 50% AMI	13.0	10.0	7.8	7.0	9.0
50% to 80% AMI	8.3	6.4	5.0	4.5	5.8
80% to 120% AMI	7.5	5.7	4.5	4.0	5.2
Total, Less than 120% AMI	28.8	22.1	17.2	15.5	20.0
Greater than 120% AMI	6.4	4.9	4.0	3.6	4.6
Total, New Households	35.2	27.1	21.2	19.0	24.6

Comparison of Analysis Results to Inclusionary Percentages

The analysis findings identify how many very low, low and moderate income households are generated for every 100 market rate units. These findings are adjusted to percentages for purposes of comparison to current on-site inclusionary requirements. The percentages are calculated including both market rate and affordable units (for example, 25 affordable units per 100 market rate units translates to 125 units; 25 affordable units out of 125 units equals 20%).

The inset table below presents the nexus analysis results. Each tier is cumulative, or inclusive of the tiers above it.

Cumulative Inclusionary Percentage Supported by Nexus Analysis					
	<i>SFD</i>	<i>Small Lot SFD</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Rental</i>
Very Low Income	11.5%	9.1%	7.2%	6.5%	8.3%
Low Income	17.6%	14.1%	11.3%	10.3%	12.9%
Moderate	22.3%	18.1%	14.7%	13.4%	n/a

The conclusion of the analysis is that the market rate for-sale, or ownership, units analyzed support percentages up through Moderate Income (120% AMI) in the range of 13% to 22%. The City's current inclusionary program requires 15% of units be set aside for household earning up through Moderate Income. The nexus analysis does not support this 15% requirement for the lower priced townhome and condominium units. The higher priced units, including the small lot single family and the single family detached, produce nexus results that do support the current program.

The results for the rental units do not, however, support the current program. The City's rental program requires 15% of units be set aside as affordable units, with half affordable to households at very low and half affordable to low. The nexus analysis, however, supports a total of 12.9% of units set aside for very low and low. It is recalled that the analysis for rental units was conducted using a rent level that is above current rents in Hayward, but at a level estimated to be necessary for new development projects to proceed. Were the analysis run on prevailing rent levels in Hayward at this time, percentage results would be lower yet.

It is also recalled that the recent Court decision precludes jurisdictions from requiring affordable on-site units that limit initial rents and on-going rent levels. Instead an impact fee may be required.

Impact Fee Levels Supported by the Nexus Analysis

The last step in the analysis puts a dollar amount on the cost of mitigating the affordable housing impacts. The conclusions of the nexus analysis, expressed as the number of worker households by income affordability category, are linked to the cost of delivering housing to the households in need.

Each income or affordability tier is associated with a subsidy needed to produce and deliver a unit at the specified affordability level. These subsidies are equal to affordability gaps, or the difference between the cost of development and the sales price or unit value supported by the rent that can be paid by a household at the specified income level. In the City's Inclusionary Housing Ordinance, these affordable sales prices and rents are calculated using the methods utilized for State and local housing programs.

Development costs and market values are based on surveys of recently built residential units and projects in Hayward. (See separate report.) The affordability gaps used in the analysis incorporate a policy to match households at various income levels with types of residential units. Specifically, it is assumed that households under 50% Area Median Income (AMI) and in the 50% to 80% AMI range will be housed in rental apartments. The moderate income households, or those in the 80% to 120% tier, are assumed to be housed in townhome units. Based on the average household size of worker households in Alameda County, and the typical housing type assisted by the City, KMA selected two bedroom townhome and rental units. For the purpose of establishing the affordability gaps, household size is assumed to equal the number of bedrooms plus one, or a three-person household.

When the affordability gap conclusions for each income tier are linked to the number of affordable units required as a result of market rate development, as indicated in the inset table on page 4, and divided by 100 units, the result is a Total Nexus Cost per new market rate residential unit. The results per unit are:

Nexus Per Market Rate Unit						
<i>Income Category</i>	<i>Affordability Gap</i>	<i>SFD</i>	<i>Small Lot SFD</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Rental</i>
Very Low Income	\$232,500	\$30,000	\$23,000	\$18,000	\$16,000	\$21,000
Low Income	\$198,100	\$17,000	\$13,000	\$10,000	\$9,000	\$11,000
Moderate	\$71,000	\$5,000	\$4,000	\$3,000	\$3,000	n/a
Total Nexus Costs		\$52,000	\$40,000	\$31,000	\$28,000	\$32,000

For ownership or for-sale units, the Residential Nexus Analysis supports maximum fee levels of at least \$28,000 per market rate unit. The per unit costs indicated in the first table above result in a predictable higher cost per unit associated with the bigger or more expensive housing unit and the higher income (and expenditures) of the more affluent households. For comparison, the existing fee of \$80,000 per affordable unit owed and the 15% inclusionary requirement translate to \$12,000 per market rate unit. The nexus fees for all for-sale units are therefore higher than the existing in-lieu fee.

For rental units, the supported nexus fee level is \$32,000 per market rate unit. Payment of in-lieu fees for rental units is not permitted in the existing program.

The Total Nexus Costs, or Mitigation Costs, indicated above, may also be expressed on a per square foot level. The square foot areas of the prototype units used throughout the analysis become the basis for the calculation. The results per square foot are as follows:

Total Nexus Cost Per Sq. Ft.						
<i>Income Category</i> <i>Prototype Size (SF)</i>	<i>Affordability</i> <i>Gap</i>	<i>SFD</i> <i>2,700 SF</i>	<i>Small Lot SFD</i> <i>1,850 SF</i>	<i>Townhome</i> <i>1,400 SF</i>	<i>Condominium</i> <i>1,200 SF</i>	<i>Rental</i> <i>1,000 SF</i>
Very Low Income	\$232,500	\$11.18	\$12.54	\$12.90	\$13.55	\$21.00
Low Income	\$198,100	\$6.12	\$6.87	\$7.04	\$7.39	\$11.45
Moderate	\$71,000	\$1.96	\$2.20	\$2.27	\$2.38	n/a
Total Nexus Costs		\$19.26	\$21.61	\$22.20	\$23.32	\$32.45

The per square foot results produce a relatively consistent pattern per square foot (except for rentals, where a higher fee could be supported) and demonstrate the advantages of a per square foot approach to a fee structure.

The calculated fee levels indicated above, per unit or per square foot, are maximum fees supported by the nexus analysis. They are not recommended fee levels. The analysis has been prepared solely to demonstrate the level of support for inclusionary measures and impact fees from the nexus perspective.

Considerations in Selecting Fee Levels

There are several economic or real estate considerations that may be taken into account in recommending and enacting affordable housing requirements. The first concern is that fee levels or on-site requirements not be so onerous that they constrain the development of new units.

The Hayward inclusionary program was adopted in 2003 and during the period that followed the city experienced a robust level of construction activity, demonstrating that the inclusionary program did not substantially constrain new development in a healthy market and economic cycle. In the current recession, however, all development is constrained and the City may wish to consider modified requirements during the recovery period. With the existing program in place for a number of years now, market adjustments in land values required by the program have long been absorbed and developers who assemble sites know that the inclusionary requirements must be taken into account in their project economics. The financial feasibility of the City's inclusionary program is discussed further in a separate document. Other issues raised at public meetings are discussed at the end of this report.

APPENDIX I: RESIDENTIAL NEXUS ANALYSIS

INTRODUCTION AND OVERVIEW

Keyser Marston Associates (KMA) has prepared this residential nexus analysis for City of Hayward per a contractual agreement. This report has been prepared to assess the level of support for the City's existing Inclusionary Housing Ordinance as applied to for-sale residential development projects and to quantify impact fees supported which may be used as a base requirement for rental projects. This residential nexus analysis addresses market rate residential projects and the various types of units that are subject to the Inclusionary Housing Ordinance, and quantifies the linkages between new market rate units and the demand for affordable housing generated by the residents of new units.

The Hayward Context and Purpose of Report

The City of Hayward's existing Inclusionary Housing Ordinance requires all projects of twenty or more units to provide 15% of the units at affordable prices or rent levels. In for-sale projects, the program allows for payment of an in-lieu fee as an alternative to the on-site requirement only with Council approval. To date, all projects have complied with the requirement either through on-site or off-site units or land and some have agreed to pay a fee. The current in-lieu fee is \$80,000 per affordable unit owed.

This analysis will demonstrate the percentage of affordable units supported and will also quantify impact fee levels supported from a nexus perspective. In response to a recent California Court of Appeals decision, this analysis will enable the City to restructure the program as it applies to rental projects so that rental projects are charged an impact fee.

This work program has been undertaken by the City of Hayward, with the assistance of KMA in a period of severe economic recession. A City goal for the work program is to explore modifications to the current program to make it more flexible and to enable residential development in Hayward to commence earlier in the recovery period than would likely be the case without modifications. Another goal of the work program is to revise the affordable housing requirements, with respect to rental projects to bring the City into compliance with the recent California Court of Appeals decision.

The Nexus Concept

At its most simplified level, the underlying nexus concept is that the newly constructed units represent new households in the city of Hayward. These households represent new income in Hayward that will consume goods and services, either through purchases of goods and services or "consumption" of governmental services. New consumption translates to jobs; a portion of the jobs are at lower compensation levels, low compensation jobs relate to lower income households that cannot afford market rate units in Hayward and therefore need affordable housing.

Use of This Study

An impact analysis of this nature has been prepared for the limited purpose of demonstrating nexus support to the City of Hayward's Inclusionary Housing Ordinance affecting new residential construction. It has not been prepared as a document to guide policy design in the broader context. We caution against the use of this study, or any impact study for that matter, for purposes beyond the intended use. All impact studies are limited and imperfect, but can be helpful for understanding the externalities created by new development.

Impact Methodology and Models Used

The methodology or analysis procedure for this nexus analysis starts with the sales price (or rental rate) of a new market rate residential unit, and moves through a series of linkages to the gross income of the household that purchased or rented the unit, the disposable income of the new household, the annual expenditures on goods and services, the jobs associated with the purchases and delivery of services, the income of the workers doing those jobs, the household income of the workers and, ultimately, the affordability level of the housing needed by the worker households. The steps of the analysis from household income to jobs generated were performed using the IMPLAN model, a model widely used for the past 35 years to quantify employment impacts from personal income. From job generation by industry, KMA used its own nexus jobs housing model to quantify the income of worker households by affordability level.

To illustrate the linkages by looking at a simplified example, we can take an average household that buys a house at a certain price. From that price, we can determine the gross income of the household (from mortgage rates and lending practices) and the disposable income of the household. The disposable income, on average, will be used to "purchase" or consume a range of goods and services, such as purchases at the supermarket or services at the bank. Purchases in the local economy in turn generate employment. The jobs generated are at different compensation levels. Some of the jobs are low paying and as a result, even when there is more than one worker in the household, there are some lower and middle-income households who cannot afford market rate housing in Hayward.

The IMPLAN model quantifies jobs generated at establishments that serve new residents directly (e.g., supermarkets, banks or schools), jobs generated by increased demand at firms which service or supply these establishments, and jobs generated when the new employees spend their wages in the local economy and generate additional jobs. The IMPLAN model estimates the total impact combined.

Net New Underlying Assumption

An underlying assumption of the analysis is that households that purchase or rent new units represent net new households in Hayward. If purchasers or renters have relocated from elsewhere, vacancies have been created that will be filled. An adjustment to new construction of

units would be warranted if Hayward were experiencing demolitions or loss of existing housing inventory. However, the rate of housing unit removal is so low as to not warrant an adjustment or offset.

On an individual project basis, if existing units are removed to redevelop a site to higher density, then there could be a need for recognition of the existing households in that all new units might not represent net new households, depending on the program design and number of units removed relative to new units.

Since the analysis addresses net new households in Hayward and the impacts generated by their consumption expenditures, it quantifies net new demands for affordable units to accommodate new worker households. As such, the impact results do not address nor in any way include existing deficiencies in the supply of affordable housing.

Geographic Area of Impact

The analysis quantifies impacts occurring within Alameda County. While the majority of impacts will occur within the City of Hayward since Hayward is a large city with a broad range of retail and service outlets, hospitals and other institutions, some impacts will be experienced elsewhere in Alameda County and beyond. The IMPLAN model computes the jobs generated within the County and sorts out those that occur beyond the county boundaries. The KMA Jobs Housing Nexus Model analyzes the income structure of jobs and their worker households, without assumptions as to where the worker households live.

In summary, the KMA nexus analysis quantifies all the jobs impacts occurring within Alameda County and related workers households. Job impacts, like most types of impacts, occur irrespective of political boundaries. And like other types of impact analyses, such as traffic, impacts beyond city boundaries are experienced, are relevant, and are important. See Addendum for further discussion.

Disclaimers

This report has been prepared using the best and most recent data available at the time of the analysis. Local data and sources were used wherever possible. Major sources include the U.S. Census Bureau: 2006-2008 American Community Survey, California Employment Development Department and the IMPLAN model. While we believe all sources utilized are sufficiently sound and accurate for the purposes of this analysis, we cannot guarantee their accuracy. Keyser Marston Associates, Inc. assumes no liability for information from these and other sources.

A. MARKET RATE UNITS AND GROSS HOUSEHOLD INCOME

A major body of work in the overall work program for the City of Hayward entailed identifying residential project prototype units and analyzing their financial feasibility. This material is summarized in greater detail in a separate document. The prototype units and their sales prices/rent levels provide the starting point of the Residential Nexus Analysis. Housing prices or rent levels are translated to the household income of the purchaser or renter household. Household income is the input to the IMPLAN model and the starting point in the chain of linkages that connects a new market rate unit to incremental demand for affordable residential units.

Recent Housing Market Activity and Prototypical Units

Four for-sale prototypes and two rental prototypes were identified. These prototypes represent both projects currently being proposed and developed and projects that have potential for development in the foreseeable future.

For-Sale Project Prototypes

The for-sale prototypes are as follows:

- A single family detached home at an average of 6 units per acre. These units may average four bedrooms in size with a square foot area of at least 2,700 square feet. Sales price in today's market for a product like this is estimated at \$650,000.
- A single family detached unit that is at an average density of about 12 units to the acre, which means zero lot line or small lot configuration. The average size of this prototype is about 1,850 square feet and three bedrooms. Sales prices are estimated at \$500,000 or \$270 per square foot.
- A townhome or other form of attached unit at an average density of approximately 18 units per acre. These units are built wood frame with two- to three-stories and an attached garage. It is assumed that this prototype averages three bedrooms and 1,400 square feet. Market values for these units are estimated at about \$385,000 according to the survey, or about \$275 per square foot.
- A condominium, or stacked flats configuration developed at 45 units to the acre on average, with wood frame construction built over a structured parking garage. This represents the highest density prototype, which generally has the lowest priced units due to their smaller size. Average unit size is two bedrooms and 1,200 square feet on average. The estimated unit value is \$340,000, or approximately \$283 per square foot. While land prices and construction costs have declined due to the recession, this

prototype is still very difficult to make feasible at current sales prices. With a recovery in the housing market, we expect that prices will strengthen to the point that projects of this prototype will again become feasible, although the timing is uncertain.

The nexus analysis for the for-sale prototypes will illustrate how the analysis results are affected as the price of the unit increases.

Rental Project Prototypes

KMA, with the assistance of city staff, identified two different rental apartment project prototypes for the purposes of identifying a range of apartment densities. The two rental projects differ mainly in the density and parking solution and, as a result, the development cost and rent level required for feasibility differ between the two.

Hayward, like much of the Bay Area, has experienced little development of rental apartments in recent years. With the rapid escalation in values for all types of ownership units from the early part of the decade until 2007, land prices escalated as well. Apartment rents, on the other hand, declined significantly between 2000 and about 2004, and while rents have recovered since their 2004 lows, they are again being impacted by the current recession. As a result, rental projects have been unable to work financially. Rent levels will not likely rise significantly until the economic recovery is more advanced and until the region experiences real job growth.

Since the revisions to the Hayward Inclusionary Housing Ordinance are expected to be applicable for a number of years during which rentals may become feasible again, the analysis is conducted to analyze a possible impact.

The two prototypes that have been identified are as follows:

- An apartment building in a two story walk-up configuration, built at an average of 25 units to the acre. On average, units are two bedrooms and 1,000 square feet in size. In order for this project to be feasible, we have estimated a rent level of \$2,330 per month, or \$2.33 per square foot per month, a level that is substantially higher than current market rents. Nonetheless, this rent level approximates what is necessary for projects to become feasible with current development costs.
- An apartment building at 65 units per acre in a four-story over structured parking garage configuration. This prototype assumes an average of one and a half bedrooms and 900 square feet. A project of this configuration would require a higher rent level yet, probably in excess of \$2,520 per month, or \$2.80 per square foot.

The higher priced rental is not analyzed in the nexus analysis, since the lower rent prototype represents the more likely near-term possibility and, in our opinion, the city's inclusionary housing requirement should be designed around the lower rent unit to be conservative.

Summary

In summary, the prototypes tested in the nexus analysis are as follows:

Summary of Prototypes					
	<i>SFD</i>	<i>Small Lot SFD</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Rental</i>
Avg. Unit Size	2,700 SF	1,850 SF	1,400 SF	1,200 SF	1,000 SF
Avg. No. of Bedrooms	4 BRs	3 BRs	3 BRs	2 BRs	2 BRs
Avg. Rent/Sales Price	\$650,000	\$500,000	\$385,000	\$340,000	\$2,328
Avg. Rent/Sales Price per sf	\$241	\$270	\$275	\$283	\$2.33

Income of Housing Unit Purchasers or Renter

The next step in the analysis is to determine the income of the purchasing or renting households in the prototypical units. The gross household income of the purchasers or renters is the input to the IMPLAN model.

For Sale Units

To make the determination for ownership units, terms for the purchase of residential units used in the analysis are slightly less favorable than what can be achieved at the current time since current terms are not likely to endure. The selected terms for the analysis are: 20% down payment, 30 year fixed rate mortgage, 5.5% interest rate. The tables at the end of this section provide the details.

The single family detached units include as an expense an allowance for maintenance and insurance. The attached unit prototypes, or townhomes and condominiums, include as expenses monthly homeowners' association (HOA) dues, per industry practice, as well as property taxes. A key assumption is that housing costs run, on average, at about 35% of gross income. In recent years lending institutions have been more willing to accept higher than 35% for all debt as a share of income, but most households have other forms of debt, such as auto loans, student loans, and credit card debt. Looking ahead, most analysts see a return to more conservative lending practices than those of the last few years.

Apartment Units

The standard for relating annual rent to household income is 30%, excluding utilities. While leasing agents and landlords may permit rental payments to represent a slightly higher share of total income, 30% represents an average. This is based on that fact that renters are also likely to have other debt, and that many do not choose to spend more than 30% of their income on rent, since, unlike an ownership situation, the unit is not viewed as an investment with value enhancement potential. The resulting relationship is that annual household income is 3.3 times annual rent.

The estimated gross household incomes of the purchasers or renters of the prototype units are calculated in tables A-1 through A-5, and summarized below.

Household Income					
	<i>SFD</i>	<i>Small Lot SFD</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Rental</i>
Gross Household Income	\$134,000	\$103,000	\$80,000	\$72,000	\$93,000

Rental units are typically affordable to households at lower income level than ownership units; however, for the purposes of the analysis the rent levels are adjusted to above the current rental rates to reflect feasible development economics. The income of the renter household is higher than the condominium and townhome purchaser in the prototypes used, for a combination of reasons – the depressed price of condominiums and townhomes and the differing share of income for housing used for the two types of tenure. As can be seen in the supporting tables, purchasers can afford a unit costing more than 4.5 times their annual income while renters spend only a third of their annual income on rent.

The nexus analysis is conducted on 100-unit building modules for ease of presentation, and to avoid awkward fractions. Tables A-6 and A-7 summarize the conclusions of this section and calculate the total gross household income for the 100-unit building modules. This is the input into the IMPLAN model.

**TABLE A-1
SINGLE FAMILY DETACHED
SALES PRICE TO INCOME RATIO
RESIDENTIAL NEXUS ANALYSIS
CITY OF HAYWARD**

Single Family Detached

Sales Price	\$241 /SF	2,700 SF	\$650,000
Mortgage Payment			
Downpayment @ 20%		20%	\$130,000
Loan Amount			\$520,000
Interest Rate			5.50%
Term of Mortgage			30 years
Annual Mortgage Payment			\$35,430
Other Costs			
Maintenance & Insurance	\$350 per month		\$4,200
Property Taxes	1.11% of sales price		\$7,200
Total Annual Housing Cost			<u>\$46,830</u>
% of Income Spent on Hsg			35%
Annual Income Required			\$134,000
Sales Price to Income Ratio			4.9

**TABLE A-2
 SMALL LOT / ZERO-LOT LINE TO DUET HYBRIDS
 SALES PRICE TO INCOME RATIO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF HAYWARD**

	<u>Small Single Family</u>		
Sales Price	\$270 /SF	1,850 SF	\$500,000
Mortgage Payment			
Downpayment @ 20%		20%	\$100,000
Loan Amount			\$400,000
Interest Rate			5.50%
Term of Mortgage			30 years
Annual Mortgage Payment			\$27,254
Other Costs			
Maintenance & Insurance	\$275 per month		\$3,300
Property Taxes	1.11% of sales price		\$5,600
Total Annual Housing Cost			\$36,154
% of Income Spent on Hsg			35%
Annual Income Required			\$103,000
Sales Price to Income Ratio			4.9

**TABLE A-3
TOWNHOME
SALES PRICE TO INCOME RATIO
RESIDENTIAL NEXUS ANALYSIS
CITY OF HAYWARD**

			<u>Townhome</u>
Sales Price	\$275 /SF	1,400 SF	\$385,000
Mortgage Payment			
Downpayment @ 20%		20%	\$77,000
Loan Amount			\$308,000
Interest Rate			5.50%
Term of Mortgage			30 years
Annual Mortgage Payment			\$20,985
Other Costs			
HOA Dues / Maintenance	\$225 per month		\$2,700
Property Taxes	1.11% of sales price		\$4,300
Total Annual Housing Cost			\$27,985
% of Income Spent on Hsg			35%
Annual Income Required			\$80,000
Sales Price to Income Ratio			4.8

**TABLE A-4
 CONDOMINIUM
 SALES PRICE TO INCOME RATIO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF HAYWARD**

			<u>Condominium</u>
Sales Price	\$283 /SF	1,200 SF	\$340,000
Mortgage Payment			
Downpayment @ 20%		20%	\$68,000
Loan Amount			\$272,000
Interest Rate			5.50%
Term of Mortgage			30 years
Annual Mortgage Payment			\$18,533
Other Costs			
HOA Dues / Maintenance	\$250 per month		\$3,000
Property Taxes	1.11% of sales price		\$3,800
Total Annual Housing Cost			<u>\$25,333</u>
% of Income Spent on Hsg			35%
Annual Income Required			\$72,000
Sales Price to Income Ratio			4.7

**TABLE A-5
 RENTAL UNIT
 ANNUAL RENT TO INCOME RATIO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF HAYWARD**

			<u>Rental Unit</u>
Market Rent			
Monthly	\$2.33 /SF	1,000 SF	\$2,328
Annual			\$27,936
% of Income Spent on Rent (excludes utilities)			30%
Annual Household Income Required			\$93,000
Annual Rent to Income Ratio			3.3

**TABLE A-6
FOR SALE PROTOTYPES SUMMARY
SALES PRICE TO INCOME RATIO
RESIDENTIAL NEXUS ANALYSIS
CITY OF HAYWARD**

	<u>Per Unit</u>	<u>Per Sq.Ft.</u>	<u>100 Unit Building Module</u>
Single Family Detached			
Units			100 Units
Building Sq.Ft. (net salable area)	2,700	1	270,000
Sales Price	\$650,000	\$241	\$65,000,000
Sales Price to Income Ratio 1	4.9		4.9
Gross Household Income	\$134,001	\$72.43	\$13,400,000
Small Lot/Zero Lot Line to "Duet" Hybrids			
Units			100 Units
Building Sq.Ft. (net salable area)	1,850	1	185,000
Sales Price	\$500,000	\$270	\$50,000,000
Sales Price to Income Ratio 1	4.9		4.9
Gross Household Income	\$102,999	\$55.68	\$10,300,000
Townhome			
Units			100 Units
Building Sq.Ft. (net salable area)	1,400	1	140,000
Sales Price	\$385,000	\$275	\$38,500,000
Sales Price to Income Ratio 1	4.8		4.8
Gross Household Income	\$80,000	\$43.24	\$8,000,000
Condominium			
Units			100 Units
Building Sq.Ft. (net salable area)	1,200	1	120,000
Sales Price	\$340,000	\$283	\$34,000,000
Sales Price to Income Ratio 1	4.7		4.7
Gross Household Income	\$72,000	\$38.92	\$7,200,000

Notes:

¹ See Table I-1

**TABLE A-7
RESIDENTIAL HOUSEHOLD SUMMARY - RENTAL
RESIDENTIAL NEXUS ANALYSIS
CITY OF HAYWARD**

	<u>Per Unit</u>	<u>Per Sq.Ft.</u>	<u>100 Unit Building Module</u>
Market Apartment Prototype			
Units			100 Units
Building Sq.Ft. (net rentable area)	1,000	1	100,000
Rent			
Monthly	\$2,328	\$2.33 /SF	\$232,800
Annual	\$27,936	\$27.94 /SF	\$2,793,600
Rent to Income Ratio 1	3.3		3.3
Gross Household Income	\$93,000		\$9,300,000

B. THE IMPLAN MODEL

Consumer spending by residents of new housing units will create jobs, particularly in sectors such as restaurants, health care, and retail, which are closely connected to the expenditures of residents. 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. IMPLAN 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 and refined over time. It has become a widely used tool for analyzing economic impacts from a broad range of applications from major construction projects to natural resource programs.

IMPLAN is based on an input-output accounting of commodity flows within an economy from producers to intermediate and final consumers. The model establishes a matrix of supply chain relationships between industries and also between 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 model using data on the industrial structure of the region.

The output or result of the model is generated by tracking purchases for final use (final demand) as they filter through the supply chain. Industries that produce goods and services for final demand or consumption must purchase inputs from other producers, which in turn, purchase goods and services. The model tracks these relationships through the economy to the point where leakages from the region stop the cycle. This allows the user to identify how a change in demand for one industry will affect a list of over 400 other industry sectors. The projected response of an economy to a change in final demand can be viewed in terms of economic output, employment, or income.

Data sets are available for each county and state, so the model can be tailored to the specific economic conditions of the region being analyzed. This analysis utilizes the data set for Alameda County. As will be discussed, much of the employment impact is in local-serving sectors, such as retail, eating and drinking establishments, and medical services. A significant portion of these jobs will be located in Hayward or nearby. In addition, the employment impacts will extend throughout the County and beyond based on where jobs are located that serve Hayward residents, either directly, indirectly, or in an induced manner. In fact, the City of Hayward is part of the larger regional economy and impacts will likewise extend throughout the region, particularly into Santa Clara and San Mateo Counties. However, consistent with the conservative approach taken in quantifying the nexus, only employment impacts occurring

within Alameda County have been included. For further discussion, see the Addendum at the end of Appendix II.

Application of the IMPLAN Model to Estimate Job Growth

The IMPLAN model was applied to link gross household income to household expenditures to job growth occurring in Alameda County. Employment generated by the household income of residents. KMA designs the analysis to examine modules of 100 residential units to facilitate communication of the results and avoid awkward fractions. The IMPLAN model first converts household income to disposable income by accounting for State and Federal income taxes, Social Security and Medicare (FICA) taxes, and personal savings. The model then distributes spending among various types of goods and services (industry sectors) based on data from the Consumer Expenditure Survey and the Bureau of Economic Analysis Benchmark input-output study, to estimate employment generated.

Job creation, driven by increased demand for products and services, was projected for each of the industries that will serve the new households. The employment generated by this new household spending is summarized below.

<i>Jobs Generated per 100 Units</i>					
	<i>SFD</i>	<i>Small Lot SFD</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Rental</i>
Gross Household Income	\$134,000	\$103,000	\$80,000	\$72,000	\$93,000
Total Jobs Generated, 100 units	55.4	42.6	33.3	30.0	38.7

Table B-1 provides a detailed summary of employment generated by industry. The table shows industries sorted by projected employment. Estimated employment is shown for each IMPLAN industry sector representing 1% or more of total employment for either the ownership or the rental units. The jobs that are generated within the County are heavily retail jobs, jobs in restaurants and other eating establishments, and in services that are provided locally such as health care and real estate.

**TABLE B-1
 IMPLAN MODEL OUTPUT
 EMPLOYMENT GENERATED
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF HAYWARD**

<i>Per 100 Market Rate Units</i>	Single Family Detached	Small Lot Single Family Detached	% of Jobs	Townhome	Condominium	Rentals	% of Jobs
Gross Income of New Residents¹	\$13,400,000	\$10,300,000		\$8,000,000	\$7,200,000	\$9,300,000	
Employment Generated by Income Differential by Industry²							
Food services and drinking places	5.6	4.3	10%	3.5	3.2	4.1	11%
Offices of physicians, dentists, and other health practitioners	2.9	2.2	5%	2.0	1.8	2.3	6%
Real estate establishments	2.8	2.2	5%	2.2	1.9	2.5	6%
Private hospitals	2.7	2.0	5%	1.6	1.5	1.9	5%
Wholesale trade businesses	2.5	1.9	5%	1.6	1.5	1.9	5%
Private household operations	2.3	1.8	4%	0.9	0.8	1.1	3%
Retail Stores - Food and beverage	2.0	1.6	4%	1.2	1.1	1.4	4%
Retail Stores - General merchandise	1.8	1.4	3%	1.0	0.9	1.2	3%
Nursing and residential care facilities	1.6	1.2	3%	0.7	0.7	0.9	2%
Retail Stores - Motor vehicle and parts	1.3	1.0	2%	0.8	0.7	0.9	2%
Retail Nonstores - Direct and electronic sales	1.2	0.9	2%	0.7	0.6	0.8	2%
Retail Stores - Clothing and clothing accessories	1.2	0.9	2%	0.7	0.6	0.8	2%
Retail Stores - Miscellaneous	1.2	0.9	2%	0.7	0.6	0.8	2%
Private elementary and secondary schools	1.0	0.8	2%	0.4	0.4	0.5	1%
Insurance carriers	1.0	0.8	2%	0.6	0.5	0.7	2%
Individual and family services	1.0	0.7	2%	0.6	0.5	0.7	2%
Retail Stores - Building material and garden supply	1.0	0.7	2%	0.6	0.5	0.7	2%
Other private educational services	0.9	0.7	2%	0.5	0.4	0.5	1%
Retail Stores - Health and personal care	0.9	0.7	2%	0.5	0.5	0.6	2%
Medical and diagnostic labs and outpatient and other ambulatory care services	0.8	0.6	1%	0.6	0.5	0.7	2%
Employment services	0.8	0.6	1%	0.5	0.4	0.6	1%
Civic, social, professional, and similar organizations	0.7	0.6	1%	0.4	0.4	0.5	1%
Automotive repair and maintenance, except car washes	0.7	0.5	1%	0.4	0.4	0.5	1%
Retail Stores - Sporting goods, hobby, book and music	0.7	0.5	1%	0.4	0.4	0.5	1%
Monetary authorities and depository credit intermediation activities	0.7	0.5	1%	0.5	0.4	0.5	1%
Child day care services	0.7	0.5	1%	0.4	0.3	0.4	1%
Personal care services	0.7	0.5	1%	0.4	0.3	0.5	1%
Services to buildings and dwellings	0.6	0.5	1%	0.4	0.3	0.4	1%
Securities, commodity contracts, investments, and related activities	0.5	0.4	1%	0.4	0.3	0.4	1%
All Other	13.7	10.5	25%	8.2	7.4	9.6	25%
	55.4	42.6	100%	33.3	30.0	38.7	100%

¹ The IMPLAN model tracks how increases in consumer spending creates jobs in the local economy. See Tables A-6 and A-7 for estimates of the gross income of residents of the prototypical 100 unit buildings.

² For industries representing more than 1% of total employment for either ownership or rental units.

C. THE KMA JOBS HOUSING NEXUS MODEL

This section presents a summary of the analysis linking the employment growth associated with residential development, or the output of the IMPLAN model (see Section B), to the estimated number of lower income housing units required in each of three income categories, for each of the five residential prototype units.

Analysis Approach and Framework

The analysis approach is to examine the employment growth for industries related to consumer spending by residents in the 100-unit modules. Then, through a series of linkage steps, the number of employees is converted to households and housing units by affordability level. The findings are expressed in terms of numbers of affordable households per 100 market rate units.

The analysis addresses the affordable unit demand associated with rental, condominium, townhome and small single family detached units in Alameda County. The table below shows the Alameda County Area Median Income (AMI), as well as the income limits for the three categories that were evaluated: 50%, 80% and 120% of AMI. The income categories are consistent with those included in the City's Inclusionary Housing Ordinance.

2009 Income Limits	Household Size (Persons)					
	1	2	3	4	5	6
50% of AMI	\$31,250	\$35,700	\$40,200	\$44,650	\$48,200	\$51,800
80% of AMI	\$46,350	\$53,000	\$59,600	\$66,250	\$71,550	\$76,850
Area Median Income	\$62,500	\$71,450	\$80,350	\$89,300	\$96,450	\$103,600
120% of AMI	\$75,000	\$85,700	\$96,450	\$107,150	\$115,700	\$124,300

The analysis is conducted using a model that KMA developed and has applied to similar evaluations in many other jurisdictions. The model inputs are all local data to the extent possible, and are fully documented in the following description.

Analysis Steps

Tables C-1 and C-2 at the end of this section present a summary of the nexus analysis steps for the prototype units. Following is a description of each step of the analysis.

Step 1 – Estimate of Total New Employees

Table C-1 commences with the total number of employees associated with the new market rate units. The employees were estimated based on household expenditures of new residents using the IMPLAN model (see Section B). One hundred market rate units are associated with 38.7

new jobs in the case of apartments, 30.0 jobs for condominiums, 33.3 jobs for townhomes, 42.6 for small single family and 55.4 jobs for the single family prototype.

Step 2 – Adjustment from Employees to Employee Households

This step (Table C-1) converts the number of employees to the number of employee households, recognizing that there is, on average, more than one worker per household, and thus the number of housing units in demand for new workers is reduced. The workers-per-worker-household ratio eliminates from the equation all non-working households, such as retired persons, students, and those on public assistance. The County average of 1.57 workers per worker household (from the U. S. Census Bureau: 2006-2008 American Community Survey) is used for this step in the analysis. The number of jobs is divided by 1.57 to determine the number of worker households. (Average workers related to all households is a lower ratio because all households are counted in the denominator, not just worker households; using average workers per total households produces greater demand for housing units.) The 1.57 ratio covers all workers, full and part time.

Step 3 – Occupational Distribution of Employees

The occupational breakdown of employees is the first step to arrive at income level. The output from the IMPLAN model provides the number of employees by industry sector. The IMPLAN output is paired with data from the Department of Labor, Bureau of Labor Statistics May 2008 Occupational Employment Survey (OES) to estimate the occupational composition of employees for each industry sector.

Pairing of OES and IMPLAN data was accomplished by matching IMPLAN industry sector codes with the four-digit North American Industry Classification System Code (NAICS) used in the OES. Each IMPLAN industry sector is associated with one or more NAICS codes, with matching NAICS codes ranging from two to five digits. Employment for IMPLAN sectors with multiple matching NAICS codes was distributed among the matching codes based on the distribution of employment among those industries at the national level. Employment for IMPLAN sectors where matching NAICS codes were only at the two- or three-digit level of detail was distributed using a similar approach, among all of the corresponding four-digit NAICS codes falling under the broader two- or three-digit categories.

National-level employment totals for each industry within the OES were pro-rated to match the employment distribution projected using the IMPLAN model. Occupational composition within each industry was held constant. The result is the estimated occupational mix of employees. Tables C-3 and C-4 present a summary of the results for single family households and attached ownership or renter households, respectively.

As shown on Table C-1, new jobs will be distributed across a variety of occupational categories. The three largest occupational categories are office and administrative support (18%), sales (17%), and food preparation and serving (11%). Step 3 of Table C-1 indicates both the percentage of total employee households and the number of employee households by occupation associated with 100-unit market rate units.

Step 4 – Estimates of Employee Households Meeting the Lower Income Definitions

In this step, occupation is translated to income based on recent Alameda County wage and salary information from the California Employment Development Department. The wage and salary information summarized in Tables C-5 (single family households) and C-6 (attached ownership and renter households) provided the income inputs to the model. This step in the analysis calculates the number of employee households that fall into each income category for each household size.

Individual *employee* income data was used to calculate the number of *households* that fall into the income categories by assuming that multiple earner households are, on average, formed of individuals with similar incomes. Employee households not falling into one of the major occupation categories per Tables C-3 and C-4 are assumed to have the same income distribution as the major occupation categories.

Step 5 – Estimate of Household Size Distribution

In this step, household size distribution was input into the model in order to estimate the income and household size combinations that meet the income definitions for Alameda County. The household size distribution utilized in the analysis is that of worker households in Alameda County derived using American Community Survey (ACS) data. The model employs a distribution of the number of workers per household by household size. For example, four-person worker households can have one, two, three, or four workers in the household. The model uses ACS data to develop a distribution of the number of the workers per worker household, by household size.

Step 6 – Estimate of Households that Meet Size and Income Criteria

For this step KMA built a cross-matrix of household size and income to establish probability factors for the two criteria in combination. For each occupational group a probability factor was calculated for each income level and household size/number of workers combination, and multiplied by the number of households. Table C-2 shows the result after completing Steps 4, 5, and 6. The calculated number of households that meet size and income criteria shown are for the under 50% of AMI category generated by 100 market rate prototype units. The methodology was repeated for each income tier, resulting in a total count of worker households per 100 units.

Summary Findings

Table C-7 indicates the results of the analysis for the residential prototype units in the three lower income categories. The table presents the number of households generated in each affordability category and the total number over 120% of Area Median Income.

According to Table C-7, approximately 80% of new worker households generated by the expenditures of new residents have incomes below 120% of AMI, with most of these households earning less than 80% of AMI. The finding that the jobs associated with consumer spending tend to be low-paying jobs where the workers will require housing affordable at the lower income levels is not surprising. As noted above, direct consumer spending results in employment that is concentrated in lower paid occupations including food preparation, administrative, and retail sales.

The findings in Table C-7 are presented below. The table shows the total demand for affordable housing units associated with 100 market rate units.

New Worker Households by Income Level per 100 Market Rate Units					
	<i>SFD</i>	<i>Small Lot SFD</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Rental</i>
Under 50% AMI	13.0	10.0	7.8	7.0	9.0
50% to 80% AMI	8.3	6.4	5.0	4.5	5.8
80% to 120% AMI	7.5	5.7	4.5	4.0	5.2
Total, Less than 120% AMI	28.8	22.1	17.2	15.5	20.0
Greater than 120% AMI	6.4	4.9	4.0	3.6	4.6
Total, New Households	35.2	27.1	21.2	19.0	24.6

Comparison of Analysis Results to Inclusionary Program

The analysis findings identify how many lower income households are generated for every 100 market rate units. These findings are adjusted to percentages for purposes of comparison to inclusionary requirements. The percentages are calculated including both market rate and affordable units (for example, 25 affordable units per 100 market rate units translates to a project of 125 units; 25 affordable units out of 125 units equals 20%).

The inset table below presents the results of the analysis, drawn from Table C-8. Each tier is cumulative; inclusive of the tiers above it.

Cumulative Inclusionary Percentage Supported by Nexus Analysis					
	<i>SFD</i>	<i>Small Lot SFD</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Rental</i>
Very Low Income	11.5%	9.1%	7.2%	6.5%	8.3%
Low Income	17.6%	14.1%	11.3%	10.3%	12.9%
Moderate	22.3%	18.1%	14.7%	13.4%	n/a

The findings of the analysis with respect to for-sale units are presented for the four prototypes. The single family detached unit results in Total Impacts of 22.3% up through Moderate Income (120% AMI). The small single family results in Total Impacts of 18.1% up through Moderate Income. The nexus analysis supports an Inclusionary Program for townhome units of up to 14.7%, and for condominium units, up to 13.4%. The conclusion is therefore that the current Inclusionary Housing Ordinance at 15% up through Moderate Income is supported for the single family units but not for the attached ownership prototypes.

The conclusion for the rental prototype has total impacts generated by new residents that are cumulatively 12.9% up through Low Income (80% AMI). The current inclusionary program for rentals requires that market rate projects set aside 15% of the units for very low income and low income households, with 7.5% very low and 7.5% low. The nexus analysis supports a total of 12.9% of units set aside for very low and low. The conclusions, therefore, do not support the City's current housing inclusionary program for rental projects.

Conclusion

For ownership units, the analysis has demonstrated that the percentage requirements embodied in the current City of Hayward Inclusionary Housing Ordinance are not supported for all of the ownership prototypes. The percentage requirements are supported for the single family detached prototypes but not for the attached units. For rental units, the City's current program should be revised to reflect the conclusions of the nexus analysis and for consistency with the *Palmer* ruling regarding onsite rental units. More discussion of these conclusions can be found in the Summary and Recommendations report.

**TABLE C-1
NET NEW HOUSEHOLDS AND OCCUPATION DISTRIBUTION
EMPLOYEE HOUSEHOLDS GENERATED
RESIDENTIAL NEXUS ANALYSIS
CITY OF HAYWARD**

	Single Family Detached	Small Lot Single Family Detached	Townhome	Condominium	Rentals
Step 1 - Employees ¹	65	43	33	30	39
Step 2 - Adjustment for Number of Households (1.57)	36.2	27.1	21.2	19.0	24.6
Step 3 - Occupation Distribution ²					
Management Occupations	4.1%	4.1%	4.2%	4.2%	4.2%
Business and Financial Operations	3.5%	3.5%	3.6%	3.6%	3.6%
Computer and Mathematical	1.3%	1.3%	1.3%	1.3%	1.3%
Architecture and Engineering	0.4%	0.4%	0.4%	0.4%	0.4%
Life, Physical, and Social Science	0.4%	0.4%	0.4%	0.4%	0.4%
Community and Social Services	1.7%	1.7%	1.6%	1.6%	1.6%
Legal	0.6%	0.6%	0.6%	0.6%	0.6%
Education, Training, and Library	3.5%	3.5%	2.9%	2.9%	2.9%
Arts, Design, Entertainment, Sports, and Media	1.5%	1.5%	1.4%	1.4%	1.4%
Healthcare Practitioners and Technical	8.8%	6.8%	7.1%	7.1%	7.1%
Healthcare Support	3.8%	3.8%	3.7%	3.7%	3.7%
Protective Service	1.1%	1.1%	1.1%	1.1%	1.1%
Food Preparation and Serving Related	11.1%	11.1%	11.5%	11.5%	11.5%
Building and Grounds Cleaning and Maint.	6.2%	6.2%	5.2%	5.2%	5.2%
Personal Care and Service	3.9%	3.9%	3.7%	3.7%	3.7%
Sales and Related	16.6%	16.6%	16.6%	16.6%	16.6%
Office and Administrative Support	17.5%	17.5%	18.1%	18.1%	18.1%
Farming, Fishing, and Forestry	0.1%	0.1%	0.1%	0.1%	0.1%
Construction and Extraction	1.0%	1.0%	1.0%	1.0%	1.0%
Installation, Maintenance, and Repair	4.3%	4.3%	4.5%	4.5%	4.5%
Production	2.1%	2.1%	2.1%	2.1%	2.1%
Transportation and Material Moving	5.8%	5.8%	5.9%	5.9%	5.9%
Other / Not Identified	2.7%	2.7%	2.7%	2.7%	2.7%
Totals	100%	100%	100%	100%	100%
Management Occupations	1.4	1.1	0.9	0.8	1.0
Business and Financial Operations	1.2	1.0	0.8	0.7	0.9
Computer and Mathematical	0.5	0.3	0.3	0.3	0.3
Architecture and Engineering	0.1	0.1	0.1	0.1	0.1
Life, Physical, and Social Science	0.2	0.1	0.1	0.1	0.1
Community and Social Services	0.6	0.4	0.3	0.3	0.4
Legal	0.2	0.2	0.1	0.1	0.1
Education, Training, and Library	1.2	0.9	0.6	0.6	0.7
Arts, Design, Entertainment, Sports, and Media	0.6	0.4	0.3	0.3	0.4
Healthcare Practitioners and Technical	2.4	1.9	1.5	1.4	1.8
Healthcare Support	1.3	1.0	0.8	0.7	0.9
Protective Service	0.4	0.3	0.2	0.2	0.3
Food Preparation and Serving Related	3.9	3.0	2.4	2.2	2.8
Building and Grounds Cleaning and Maint.	2.2	1.7	1.1	1.0	1.3
Personal Care and Service	1.4	1.0	0.8	0.7	0.9
Sales and Related	5.9	4.5	3.5	3.2	4.1
Office and Administrative Support	6.2	4.7	3.8	3.5	4.5
Farming, Fishing, and Forestry	0.0	0.0	0.0	0.0	0.0
Construction and Extraction	0.4	0.3	0.2	0.2	0.3
Installation, Maintenance, and Repair	1.5	1.2	1.0	0.9	1.1
Production	0.7	0.6	0.4	0.4	0.5
Transportation and Material Moving	2.0	1.6	1.2	1.1	1.4
Other / Not Identified	0.9	0.7	0.6	0.6	0.7
Totals	36.2	27.1	21.2	19.0	24.6

Notes:

¹ Estimated employment generated by household expenditures within 100 prototypical market rate units. Employment estimates are based on the IMPLAN Group's economic model, IMPLAN, for Alameda County. Estimates vary by household income level. For this analysis, the single family units are in the IMPLAN income category \$100,000 to \$150,000, while the rest of the prototypes are in the \$75,000 - \$100,000 category. Expenditures patterns, and therefore, occupation distribution, varies by income category.

² See Table C-3 and C-4 for additional information from which the percentage distributions were derived.

TABLE C-2

VERY LOW INCOME EMPLOYEE HOUSEHOLDS¹ GENERATED
RESIDENTIAL NEXUS ANALYSIS
CITY OF HAYWARD

Per 100 Market Rate Rental Units

Single Family Detached	Small Lot Single Family Detached	Townhome	Condominium	Rentals
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Step 4, 5, & 6 - Very Low Income Households (under 50% AMI) within Major Occupation Categories²

Management	0.04	0.03	0.03	0.03	0.04
Business and Financial Operations	0.01	0.01	0.01	0.01	0.01
Computer and Mathematical	-	-	-	-	-
Architecture and Engineering	-	-	-	-	-
Life, Physical and Social Science	-	-	-	-	-
Community and Social Services	-	-	-	-	-
Legal	-	-	-	-	-
Education Training and Library	0.29	0.23	0.19	0.17	0.22
Arts, Design, Entertainment, Sports, & Media	-	-	-	-	-
Healthcare Practitioners and Technical	0.00	0.00	0.00	0.00	0.00
Healthcare Support	0.55	0.42	0.32	0.29	0.37
Protective Service	-	-	-	-	-
Food Preparation and Serving Related	2.77	2.13	1.72	1.55	2.00
Building Grounds and Maintenance	1.00	0.77	0.50	0.46	0.58
Personal Care and Service	0.76	0.59	0.44	0.40	0.52
Sales and Related	3.26	2.50	1.94	1.75	2.26
Office and Admin	1.57	1.21	0.97	0.87	1.12
Farm, Fishing, and Forestry	-	-	-	-	-
Construction and Extraction	-	-	-	-	-
Installation Maintenance and Repair	0.16	0.12	0.10	0.09	0.12
Production	-	-	-	-	-
Transportation and Material Moving	0.90	0.69	0.55	0.49	0.64
Total Very Low Income Households - Major Occupations	11.32	8.70	6.77	6.09	7.87
Very Low Income Households ¹ - "all other" occupations	1.67	1.28	1.00	0.90	1.16
Total Very Low Income Households¹	12.98	9.98	7.77	6.99	9.03

¹ Includes households earning from zero through 50% of Alameda County Area Median Income.

² See Appendix Tables C-3 and C-4 for additional information on Major Occupation Categories.

**TABLE C-3
 2008 NATIONAL HOUSEHOLDS EARNING \$100-\$150,000 RESIDENT SERVICES WORKER
 DISTRIBUTION BY OCCUPATION
 EMPLOYMENT IMPACTS WITHIN ALAMEDA COUNTY
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF HAYWARD, CA**

2008 National Households Earning \$100- \$150,000 Resident Services Occupation Distribution ¹

Major Occupations (2.5% or more)

Management occupations	4.1%
Business and financial operations occupations	3.5%
Education, training, and library occupations	3.5%
Healthcare practitioners and technical occupations	6.8%
Healthcare support occupations	3.8%
Food preparation and serving related occupations	11.1%
Building and grounds cleaning and maintenance occupations	6.2%
Personal care and service occupations	3.9%
Sales and related occupations	16.6%
Office and administrative support occupations	17.5%
Installation, maintenance, and repair occupations	4.3%
Transportation and material moving occupations	5.8%
All Other Households Earning \$100-\$150,000 Resident Services F	<u>12.8%</u>
INDUSTRY TOTAL	100.0%

¹ Distribution of employment by industry is per the IMPLAN model and the distribution of occupational employment within those industries is based on the Bureau of Labor Statistics Occupational Employment Survey.

**TABLE C-4
 2008 NATIONAL HOUSEHOLDS EARNING \$75-\$100,000 RESIDENT SERVICES WORKER
 DISTRIBUTION BY OCCUPATION
 EMPLOYMENT IMPACTS WITHIN ALAMEDA COUNTY
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF HAYWARD, CA**

2008 National Households Earning \$75- \$100,000 Resident Services Occupation Distribution ¹
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Major Occupations (2.5% or more)

Management occupations	4.2%
Business and financial operations occupations	3.6%
Education, training, and library occupations	2.9%
Healthcare practitioners and technical occupations	7.1%
Healthcare support occupations	3.7%
Food preparation and serving related occupations	11.5%
Building and grounds cleaning and maintenance occupations	5.2%
Personal care and service occupations	3.7%
Sales and related occupations	16.6%
Office and administrative support occupations	18.1%
Installation, maintenance, and repair occupations	4.5%
Transportation and material moving occupations	5.9%
All Other Households Earning \$75-\$100,000 Resident Services R	<u>12.9%</u>
INDUSTRY TOTAL	100.0%

¹ Distribution of employment by industry is per the IMPLAN model and the distribution of occupational employment within those industries is based on the Bureau of Labor Statistics Occupational Employment Survey.

**TABLE C-5
AVERAGE ANNUAL COMPENSATION, 2009
HOUSEHOLDS EARNING \$100-\$150,000 RESIDENT SERVICES WORKER OCCUPATIONS
EMPLOYMENT IMPACTS WITHIN ALAMEDA COUNTY
RESIDENTIAL NEXUS ANALYSIS
CITY OF HAYWARD, CA**

Occupation ³	2009 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Workers
<i>Page 1 of 3</i>			
<i>Management occupations</i>			
Chief executives	\$194,200	4.3%	0.2%
General and operations managers	\$127,600	30.8%	1.3%
Sales managers	\$122,700	5.8%	0.2%
Financial managers	\$130,100	7.9%	0.3%
Food service managers	\$51,700	4.5%	0.2%
Medical and health services managers	\$108,900	5.7%	0.2%
Property, real estate, and community association managers	\$58,100	10.7%	0.4%
All other Management Occupations (Avg. All Categories)	<u>\$118,000</u>	<u>30.4%</u>	<u>1.2%</u>
Weighted Mean Annual Wage	\$115,600	100.0%	4.1%
<i>Business and financial operations occupations</i>			
Claims adjusters, examiners, and investigators	\$67,400	7.5%	0.3%
Training and development specialists	\$70,400	4.1%	0.1%
Human resources, training, and labor relations specialists, all other	\$75,800	4.3%	0.2%
Management analysts	\$89,700	6.0%	0.2%
Business operations specialists, all other	\$78,600	16.0%	0.6%
Accountants and auditors	\$75,700	18.0%	0.6%
Financial analysts	\$104,300	5.1%	0.2%
Personal financial advisors	\$75,400	4.4%	0.2%
Loan officers	\$72,300	6.5%	0.2%
All Other Business and financial operations occupations (Avg. All Categories)	<u>\$78,100</u>	<u>28.1%</u>	<u>1.0%</u>
Weighted Mean Annual Wage	\$78,100	100.0%	3.5%
<i>Education, training, and library occupations</i>			
Vocational education teachers, postsecondary	\$85,400	4.6%	0.2%
Preschool teachers, except special education	\$33,500	14.9%	0.5%
Elementary school teachers, except special education	\$63,000	9.9%	0.3%
Middle school teachers, except special and vocational education	\$59,900	4.1%	0.1%
Secondary school teachers, except special and vocational education	\$63,900	6.9%	0.2%
Self-enrichment education teachers	\$43,600	8.9%	0.3%
Teachers and instructors, all other	\$49,100	9.0%	0.3%
Teacher assistants	\$31,300	15.9%	0.6%
All Other Education, training, and library occupations (Avg. All Categories)	<u>\$46,300</u>	<u>25.7%</u>	<u>0.9%</u>
Weighted Mean Annual Wage	\$46,300	100.0%	3.5%
<i>Healthcare practitioners and technical occupations</i>			
Physicians and surgeons, all other	\$180,400	4.1%	0.3%
Registered nurses	\$98,000	31.9%	2.2%
Licensed practical and licensed vocational nurses	\$58,100	9.5%	0.6%
All Other Healthcare practitioners and technical occupations (Avg. All Categories)	<u>\$97,100</u>	<u>54.6%</u>	<u>3.7%</u>
Weighted Mean Annual Wage	\$97,100	100.0%	6.8%

TABLE C-5
 AVERAGE ANNUAL COMPENSATION, 2009
 HOUSEHOLDS EARNING \$100-\$160,000 RESIDENT SERVICES WORKER OCCUPATIONS
 EMPLOYMENT IMPACTS WITHIN ALAMEDA COUNTY
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF HAYWARD, CA

Occupation ³	2009 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Workers
<i>Page 2 of 3</i>			
<i>Healthcare support occupations</i>			
Home health aides	\$23,700	22.0%	0.8%
Nursing aides, orderlies, and attendants	\$31,300	33.0%	1.2%
Dental assistants	\$41,100	10.6%	0.4%
Medical assistants	\$35,600	16.0%	0.6%
Healthcare support workers, all other	\$38,900	4.7%	0.2%
All Other Healthcare support occupations (Avg. All Categories)	<u>\$31,800</u>	<u>13.6%</u>	<u>0.5%</u>
Weighted Mean Annual Wage	\$31,800	100.0%	3.8%
<i>Food preparation and serving related occupations</i>			
First-line supervisors/managers of food preparation and serving workers	\$30,500	8.9%	0.8%
Cooks, fast food	\$18,600	5.2%	0.6%
Cooks, restaurant	\$25,900	7.9%	0.9%
Food preparation workers	\$22,600	7.7%	0.9%
Bartenders	\$21,400	4.7%	0.5%
Combined food preparation and serving workers, including fast food	\$20,600	24.2%	2.7%
Counter attendants, cafeteria, food concession, and coffee shop	\$20,400	4.6%	0.5%
Waiters and waitresses	\$20,700	20.9%	2.3%
Dishwashers	\$19,800	4.5%	0.5%
All Other Food preparation and serving related occupations (Avg. All Categories)	<u>\$22,000</u>	<u>13.4%</u>	<u>1.6%</u>
Weighted Mean Annual Wage	\$22,000	100.0%	11.1%
<i>Building and grounds cleaning and maintenance occupations</i>			
Janitors and cleaners, except maids and housekeeping cleaners	\$29,400	49.6%	3.1%
Maids and housekeeping cleaners	\$25,900	10.8%	0.7%
Landscaping and groundskeeping workers	\$32,300	27.1%	1.7%
All Other Building and grounds cleaning and maintenance occupations (Avg. All Categories)	<u>\$29,900</u>	<u>12.4%</u>	<u>0.8%</u>
Weighted Mean Annual Wage	\$29,900	100.0%	6.2%
<i>Personal care and service occupations</i>			
Nonfarm animal caretakers	\$26,000	4.8%	0.2%
Ushers, lobby attendants, and ticket takers	\$22,500	5.1%	0.2%
Amusement and recreation attendants	\$20,900	5.9%	0.2%
Hairdressers, hairstylists, and cosmetologists	\$27,900	17.0%	0.7%
Child care workers	\$24,600	16.3%	0.6%
Personal and home care aides	\$25,000	17.8%	0.7%
Fitness trainers and aerobics instructors	\$41,800	6.2%	0.2%
Recreation workers	\$27,800	5.8%	0.2%
All Other Personal care and service occupations (Avg. All Categories)	<u>\$26,700</u>	<u>21.1%</u>	<u>0.8%</u>
Weighted Mean Annual Wage	\$26,700	100.0%	3.9%

**TABLE C-5
 AVERAGE ANNUAL COMPENSATION, 2009
 HOUSEHOLDS EARNING \$100-\$150,000 RESIDENT SERVICES WORKER OCCUPATIONS
 EMPLOYMENT IMPACTS WITHIN ALAMEDA COUNTY
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF HAYWARD, CA**

Occupation ³	2009 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Workers
<i>Page 3 of 3</i>			
<i>Sales and related occupations</i>			
First-line supervisors/managers of retail sales workers	\$41,300	8.8%	1.5%
Cashiers	\$24,500	25.9%	4.3%
Retail salespersons	\$27,100	37.8%	6.3%
Sales representatives, wholesale and manufacturing, except technical and scientific	\$66,700	5.8%	1.0%
All Other Sales and related occupations (Avg. All Categories)	<u>\$27,900</u>	<u>21.7%</u>	<u>3.6%</u>
Weighted Mean Annual Wage	\$30,100	100.0%	16.6%
<i>Office and administrative support occupations</i>			
First-line supervisors/managers of office and administrative support workers	\$58,800	5.6%	1.0%
Bookkeeping, accounting, and auditing clerks	\$42,300	8.0%	1.4%
Customer service representatives	\$40,800	9.8%	1.7%
Receptionists and information clerks	\$32,600	6.7%	1.2%
Stock clerks and order fillers	\$28,000	11.1%	2.0%
Executive secretaries and administrative assistants	\$49,800	6.0%	1.1%
Secretaries, except legal, medical, and executive	\$41,200	8.1%	1.4%
Office clerks, general	\$36,100	12.6%	2.2%
All Other Office and administrative support occupations (Avg. All Categories)	<u>\$39,500</u>	<u>32.2%</u>	<u>5.6%</u>
Weighted Mean Annual Wage	\$39,500	100.0%	17.5%
<i>Installation, maintenance, and repair occupations</i>			
First-line supervisors/managers of mechanics, installers, and repairers	\$74,800	7.6%	0.3%
Automotive body and related repairers	\$52,400	5.3%	0.2%
Automotive service technicians and mechanics	\$51,400	19.4%	0.8%
Maintenance and repair workers, general	\$45,800	30.2%	1.3%
All Other Installation, maintenance, and repair occupations (Avg. All Categories)	<u>\$51,600</u>	<u>37.5%</u>	<u>1.6%</u>
Weighted Mean Annual Wage	\$51,600	100.0%	4.3%
<i>Transportation and material moving occupations</i>			
Driver/sales workers	\$26,700	7.4%	0.4%
Truck drivers, heavy and tractor-trailer	\$43,000	13.6%	0.8%
Truck drivers, light or delivery services	\$33,800	13.1%	0.8%
Industrial truck and tractor operators	\$39,300	4.5%	0.3%
Cleaners of vehicles and equipment	\$23,100	6.8%	0.4%
Laborers and freight, stock, and material movers, hand	\$28,700	23.4%	1.4%
Packers and packagers, hand	\$21,600	8.4%	0.5%
All Other Transportation and material moving occupations (Avg. All Categories)	<u>\$31,200</u>	<u>22.8%</u>	<u>1.3%</u>
Weighted Mean Annual Wage	\$31,200	100.0%	5.8%

87.2%

¹ The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

² Occupation percentages are based on the 2008 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2008 Occupational Employment Survey data for Oakland-Fremont-Hayward, California updated by the California Employment Development Department to 2009 wage levels.

³ Including occupations representing 4% or more of the major occupation group

TABLE C-6
AVERAGE ANNUAL COMPENSATION, 2009
HOUSEHOLDS EARNING \$75-\$100,000 RESIDENT SERVICES WORKER OCCUPATIONS
EMPLOYMENT IMPACTS WITHIN ALAMEDA COUNTY
RESIDENTIAL NEXUS ANALYSIS
CITY OF HAYWARD, CA

Occupation ³	2009 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Workers
<i>Page 1 of 3</i>			
<i>Management occupations</i>			
Chief executives	\$194,200	4.2%	0.2%
General and operations managers	\$127,600	30.0%	1.3%
Sales managers	\$122,700	5.7%	0.2%
Financial managers	\$130,100	8.1%	0.3%
Food service managers	\$51,700	4.5%	0.2%
Medical and health services managers	\$108,900	5.6%	0.2%
Property, real estate, and community association managers	\$58,100	12.9%	0.5%
All other Management Occupations (Avg. All Categories)	<u>\$118,000</u>	<u>29.0%</u>	<u>1.2%</u>
Weighted Mean Annual Wage	\$114,100	100.0%	4.2%
<i>Business and financial operations occupations</i>			
Claims adjusters, examiners, and investigators	\$67,400	7.0%	0.3%
Human resources, training, and labor relations specialists, all other	\$75,900	4.2%	0.2%
Management analysts	\$89,700	5.9%	0.2%
Business operations specialists, all other	\$78,600	15.8%	0.6%
Accountants and auditors	\$75,700	18.4%	0.7%
Financial analysts	\$104,300	5.4%	0.2%
Personal financial advisors	\$75,400	4.8%	0.2%
Loan officers	\$72,300	6.6%	0.2%
All Other Business and financial operations occupations (Avg. All Categories)	<u>\$78,700</u>	<u>31.8%</u>	<u>1.2%</u>
Weighted Mean Annual Wage	\$78,700	100.0%	3.6%
<i>Education, training, and library occupations</i>			
Vocational education teachers, postsecondary	\$65,400	4.7%	0.1%
Preschool teachers, except special education	\$33,500	16.8%	0.5%
Elementary school teachers, except special education	\$63,000	8.7%	0.3%
Secondary school teachers, except special and vocational education	\$63,900	6.0%	0.2%
Self-enrichment education teachers	\$43,600	9.6%	0.3%
Teachers and instructors, all other	\$49,100	9.1%	0.3%
Teacher assistants	\$31,300	16.1%	0.6%
All Other Education, training, and library occupations (Avg. All Categories)	<u>\$44,700</u>	<u>29.1%</u>	<u>0.8%</u>
Weighted Mean Annual Wage	\$44,700	100.0%	2.8%
<i>Healthcare practitioners and technical occupations</i>			
Physicians and surgeons, all other	\$180,400	4.3%	0.3%
Registered nurses	\$98,000	31.4%	2.2%
Licensed practical and licensed vocational nurses	\$58,100	6.7%	0.6%
All Other Healthcare practitioners and technical occupations (Avg. All Categories)	<u>\$98,200</u>	<u>55.5%</u>	<u>4.0%</u>
Weighted Mean Annual Wage	\$98,200	100.0%	7.1%

**TABLE C-6
AVERAGE ANNUAL COMPENSATION, 2009
HOUSEHOLDS EARNING \$75-\$100,000 RESIDENT SERVICES WORKER OCCUPATIONS
EMPLOYMENT IMPACTS WITHIN ALAMEDA COUNTY
RESIDENTIAL NEXUS ANALYSIS
CITY OF HAYWARD, CA**

Occupation ³	2009 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Workers
<i>Page 2 of 3</i>			
<i>Healthcare support occupations</i>			
Home health aides	\$23,700	20.6%	0.8%
Nursing aides, orderlies, and attendants	\$31,300	29.3%	1.1%
Dental assistants	\$41,100	12.3%	0.5%
Medical assistants	\$35,600	18.3%	0.7%
Healthcare support workers, all other	\$38,900	5.0%	0.2%
All Other Healthcare support occupations (Avg. All Categories)	<u>\$32,200</u>	<u>14.5%</u>	<u>0.6%</u>
Weighted Mean Annual Wage	\$32,200	100.0%	3.7%
<i>Food preparation and serving related occupations</i>			
First-line supervisors/managers of food preparation and serving workers	\$30,500	6.9%	0.8%
Cooks, fast food	\$19,600	5.3%	0.6%
Cooks, restaurant	\$25,900	8.0%	0.9%
Food preparation workers	\$22,600	7.4%	0.9%
Bartenders	\$21,400	4.7%	0.5%
Combined food preparation and serving workers, including fast food	\$20,600	24.3%	2.8%
Counter attendants, cafeteria, food concession, and coffee shop	\$20,400	4.6%	0.5%
Walters and waitresses	\$20,700	21.2%	2.4%
Dishwashers	\$19,800	4.5%	0.5%
All Other Food preparation and serving related occupations (Avg. All Categories)	<u>\$22,000</u>	<u>13.1%</u>	<u>1.5%</u>
Weighted Mean Annual Wage	\$22,000	100.0%	11.5%
<i>Building and grounds cleaning and maintenance occupations</i>			
Janitors and cleaners, except maids and housekeeping cleaners	\$29,400	49.8%	2.6%
Maids and housekeeping cleaners	\$25,900	11.9%	0.6%
Landscaping and groundskeeping workers	\$32,300	26.5%	1.4%
All Other Building and grounds cleaning and maintenance occupations (Avg. All Ca	<u>\$29,800</u>	<u>11.8%</u>	<u>0.6%</u>
Weighted Mean Annual Wage	\$29,800	100.0%	5.2%
<i>Personal care and service occupations</i>			
Nonfarm animal caretakers	\$26,000	4.8%	0.2%
Ushers, lobby attendants, and ticket takers	\$22,500	5.3%	0.2%
Amusement and recreation attendants	\$20,900	6.0%	0.2%
Hairdressers, hairstylists, and cosmetologists	\$27,900	17.1%	0.8%
Child care workers	\$24,800	15.4%	0.6%
Personal and home care aides	\$25,000	18.4%	0.7%
Fitness trainers and aerobics instructors	\$41,800	6.0%	0.2%
Recreation workers	\$27,800	5.6%	0.2%
All Other Personal care and service occupations (Avg. All Categories)	<u>\$26,600</u>	<u>21.4%</u>	<u>0.8%</u>
Weighted Mean Annual Wage	\$26,600	100.0%	3.7%

**TABLE C-6
 AVERAGE ANNUAL COMPENSATION, 2009
 HOUSEHOLDS EARNING \$75-\$100,000 RESIDENT SERVICES WORKER OCCUPATIONS
 EMPLOYMENT IMPACTS WITHIN ALAMEDA COUNTY
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF HAYWARD, CA**

Occupation ³	2009 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Workers
<i>Page 3 of 3</i>			
<i>Sales and related occupations</i>			
First-line supervisors/managers of retail sales workers	\$41,300	8.5%	1.4%
Cashiers	\$24,500	25.3%	4.2%
Retail salespersons	\$27,100	36.7%	6.1%
Sales representatives, wholesale and manufacturing, except technical and scientific	\$66,700	6.2%	1.0%
All Other Sales and related occupations (Avg. All Categories)	<u>\$27,900</u>	<u>23.3%</u>	<u>3.9%</u>
Weighted Mean Annual Wage	\$30,300	100.0%	16.6%
<i>Office and administrative support occupations</i>			
First-line supervisors/managers of office and administrative support workers	\$58,800	5.7%	1.0%
Bookkeeping, accounting, and auditing clerks	\$42,300	8.0%	1.4%
Customer service representatives	\$40,600	9.6%	1.7%
Receptionists and information clerks	\$32,800	6.9%	1.3%
Stock clerks and order fillers	\$28,000	10.5%	1.9%
Executive secretaries and administrative assistants	\$49,900	6.1%	1.1%
Secretaries, except legal, medical, and executive	\$41,200	8.0%	1.5%
Office clerks, general	\$36,100	12.6%	2.3%
All Other Office and administrative support occupations (Avg. All Categories)	<u>\$39,600</u>	<u>32.5%</u>	<u>5.9%</u>
Weighted Mean Annual Wage	\$39,600	100.0%	18.1%
<i>Installation, maintenance, and repair occupations</i>			
First-line supervisors/managers of mechanics, installers, and repairers	\$74,800	7.6%	0.3%
Automotive body and related repairers	\$52,400	5.1%	0.2%
Automotive service technicians and mechanics	\$51,400	18.3%	0.8%
Maintenance and repair workers, general	\$45,800	32.6%	1.5%
All Other Installation, maintenance, and repair occupations (Avg. All Categories)	<u>\$51,400</u>	<u>36.5%</u>	<u>1.7%</u>
Weighted Mean Annual Wage	\$51,400	100.0%	4.5%
<i>Transportation and material moving occupations</i>			
Driver/sales workers	\$26,700	7.4%	0.4%
Truck drivers, heavy and tractor-trailer	\$43,000	14.0%	0.8%
Truck drivers, light or delivery services	\$33,800	13.0%	0.8%
Industrial truck and tractor operators	\$39,300	4.5%	0.3%
Cleaners of vehicles and equipment	\$23,100	6.7%	0.4%
Laborers and freight, stock, and material movers, hand	\$28,700	23.6%	1.4%
Packers and packagers, hand	\$21,600	8.2%	0.5%
All Other Transportation and material moving occupations (Avg. All Categories)	<u>\$31,300</u>	<u>22.5%</u>	<u>1.3%</u>
Weighted Mean Annual Wage	\$31,300	100.0%	5.9%

87.1%

¹ The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

² Occupation percentages are based on the 2008 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2008 Occupational Employment Survey data for Oakland-Fremont-Hayward, California updated by the California Employment Development Department to 2009 wage levels.

³ Including occupations representing 4% or more of the major occupation group

**TABLE C-7
 IMPACT ANALYSIS SUMMARY
 EMPLOYEE HOUSEHOLDS GENERATED
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF HAYWARD**

**RESIDENTIAL UNIT DEMAND IMPACTS
 PER 100 MARKET RATE UNITS**

Number of New Households	Single Family Detached	Small Lot Single Family Detached	Townhome	Condominium	Rentals
Under 50% Area Median Income	13.0	10.0	7.8	7.0	9.0
50% to 80% Area Median Income	8.3	6.4	6.0	4.5	5.8
80% to 120% Area Median Income	7.5	5.7	4.5	4.0	5.2
Subtotal through 120% of SF Median	28.8	22.1	17.2	15.5	20.0
Over 120% of Area Median Income	6.4	4.9	4.0	3.6	4.6
Total Employee Households	35.2	27.1	21.2	19.0	24.6

**TABLE C-8
INCLUSIONARY REQUIREMENT SUPPORTED
RESIDENTIAL NEXUS ANALYSIS
CITY OF HAYWARD**

SUPPORTED INCLUSIONARY REQUIREMENT

	Single Family Detached	Small Lot Single Family Detached	Townhome	Condominium	Rentals
Supported Inclusionary Requirement					
Per 100 Market Rate Units - Cumulative Through ¹					
50% of Median Income	13.0 Units	10.0 Units	7.8 Units	7.0 Units	9.0 Units
80% of Median Income	21.3 Units	16.4 Units	12.7 Units	11.5 Units	14.8 Units
120% of Median Income	28.8 Units	22.1 Units	17.2 Units	15.5 Units	20.0 Units
Supported Inclusionary Percentage - Cumulative Through ²					
50% of Median Income	11.5%	9.1%	7.2%	6.5%	8.3%
80% of Median Income	17.6%	14.1%	11.3%	10.3%	12.9%
120% of Median Income	22.3%	18.1%	14.7%	13.4%	16.7%

Notes:

¹ See Table C-7

² Calculated by dividing the supported number of affordable units by the total number of units (supported affordable units + 100 market rate units).

D. MITIGATION COSTS

This section takes the conclusions of the previous section on the number of households in the lower income categories associated with the market rate units and identifies the total cost of assistance required to make housing affordable. This section puts a cost on the units for each income level to produce the "total nexus cost." This is done for each of the five prototype units.

A key component of the analysis is the size of the gap between what households can afford and the cost of producing new housing in Hayward, known as the 'affordability gap.' Affordability gaps are calculated for each of the three categories of area median income: under 50%, 50% to 80%, and 80% to 120%. A detailed description of calculation of affordability gaps is contained in a separate companion document prepared by KMA. A brief summary is included below.

City Assisted Prototypes

For estimating the affordability gap, there is a need to match a household of each income level with a unit type and size according to governmental regulations and the City's practices and policies.

The analysis assumes that the City will provide moderate income households earning between 80% and 120% of Area Median Income with ownership units. The prototype affordable unit should reflect a modest unit appropriate for housing the average worker household, which in the case of Hayward is a two-bedroom townhome unit. This is a modification of the three-bedroom townhome prototype unit. The market rate sales price for a two-bedroom townhome unit is estimated at \$360,000.

The analysis assumes that households earning less than 80% of Area Median Income will be assisted in rental units. For rental units, a two bedroom, 900 square foot apartment unit is assumed; this is a modification of the lower density rental prototype, which was 1,000 square feet. Development costs for the affordable unit are estimated at \$287,000 per unit.

Development Costs

For the purposes of the affordability gap, total development costs are all inclusive: land, construction, fees, financing, indirect costs and modest industry profit. Total development costs (including profit) are therefore equal to the market rate sales price for ownership units, and the unit value for rental units. Development costs assumed for the purposes of the affordability gap are shown below. See Addendum for more discussion and the separate KMA report for more analysis of costs.

Development Costs		
<i>Income Group</i>	<i>Unit Tenure / Type</i>	<i>Total Development Costs</i>
Under 50% AMI	Rental	\$287,000
50% to 80% AMI	Rental	\$287,000
80% to 120% AMI	Ownership	\$360,000

Affordability Gap

The affordability gap is the difference between the cost of developing a residential unit and the amount a household can afford to pay for the unit. Maximum housing costs were estimated by KMA based on the City's current methodology.

A three-person household is assumed to be accommodated in a two-bedroom unit, per local policy. Maximum sales prices are calculated based on 110% of Alameda County area median income. Rents are set to be affordable at 50% of median income and at 60% of median income. Maximum sales prices and rent levels are shown below.

Maximum Sales Prices and Rent Levels			
<i>Income Group</i>	<i>Unit Tenure</i>	<i>Household Size</i>	<i>Maximum Housing Costs</i>
Under 50% AMI	Rental	3 persons	\$901 / month
50% to 80% AMI	Rental	3 persons	\$1,102 / month
80% to 120% AMI	Ownership	3 persons	\$289,000

For rental units, two additional assumptions are necessary to calculate unit value. Apartment buildings have operating costs to cover management, property taxes, and certain other expenses. An additional allowance for vacancy during turnover is also in order. Based on KMA's experience reviewing operating budgets for apartment projects, the operating expense and vacancy allowance is estimated at \$7,000 per unit per year. Finally, the annual net operating income (after operating expenses) from an apartment unit is an annual figure, which must be converted to a one time capital cost. To make the conversion, a 7.0% capitalization rate is used.

For ownership units, the affordability gap is the difference between the total development cost and the affordable purchase price. For rental units, the affordability gap is the difference between total development costs and the unit value supported by the restricted rent levels.

The affordability gap conclusions used in the analysis are:

- \$232,500 for households in the under 50% of median income category.
- \$198,100 for households in the 50% to 80% of median income category.
- \$71,000 for households in the 80% to 120% of median income category.

The affordability gaps used in the analysis are the difference between total development cost and affordable price or unit value. No other sources of funding and financing are assumed to be

available to cover a portion of the total assistance needed. There are other forms of assistance used by cities but none are assured to be available. The federal tax credit program coupled with low interest financing from the State of California is by far the most effective and widely used means of funding and financing affordable units. Both the tax credits and the lower interest loans, which rely on bond issuance at the state level, are competitively allocated and not at all guaranteed. Some cities have redevelopment funds that are spent on affordable housing outside the project areas but many cities have no extra funds available for beyond the project area. In Hayward, excess funds are not available on an on-going basis.

Following the next section, KMA calculates total linkage costs assuming tax credit financing is available, to provide a point of comparison.

Total Linkage Costs

The last step in the linkage fee analysis marries the findings on the numbers of households at each of the lower income ranges associated with the five prototypes to the affordability gaps, or the costs of delivering housing to them in Hayward.

Table D-1 summarizes the analysis. The Affordability Gaps are drawn from the prior discussion. The "Nexus Cost per Market Rate Unit" shows the results of the following calculation: the affordability gap times the number of affordable units demanded per market rate unit. (Demand for affordable units for each of the income ranges is drawn from Table C-3 in the previous section and is adjusted to a per-unit basis from the 100 unit building module.)

The total nexus costs for the five prototypes are as follows:

Nexus Cost Per Market Rate Unit						
<i>Income Category</i>	<i>Affordability Gap</i>	<i>Small Lot</i>				
		<i>SFD</i>	<i>SFD</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Rental</i>
Very Low Income	\$232,500	\$30,000	\$23,000	\$18,000	\$16,000	\$21,000
Low Income	\$198,100	\$17,000	\$13,000	\$10,000	\$9,000	\$11,000
Moderate	\$71,000	\$5,000	\$4,000	\$3,000	\$3,000	n/a
Total Nexus Costs		\$52,000	\$40,000	\$31,000	\$28,000	\$32,000

The Total Nexus Costs, or Mitigation Costs, indicated above, may also be expressed on a per square foot level. The square foot area of the prototype unit used throughout the analysis becomes the basis for the calculation. The results per square foot are as follows:

Total Nexus Cost Per Sq. Ft.						
<i>Income Category</i>	<i>Affordability Gap</i>	<i>SFD</i>	<i>Small Lot SFD</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Rental</i>
<i>Prototype Size (Sq Ft)</i>		<i>2,700 SF</i>	<i>1,850 SF</i>	<i>1,400 SF</i>	<i>1,200 SF</i>	<i>1,000 SF</i>
Very Low Income	\$232,500	\$11.18	\$12.54	\$12.90	\$13.55	\$21.00
Low Income	\$198,100	\$6.12	\$6.87	\$7.04	\$7.39	\$11.45
Moderate	\$71,000	\$1.96	\$2.20	\$2.27	\$2.38	n/a
Total Nexus Costs		\$19.26	\$21.61	\$22.20	\$23.32	\$32.45

These costs express the total linkage or nexus costs for the five prototype developments in the City of Hayward. These total nexus costs represent the ceiling for any requirement placed on market rate development.

THE CALCULATED FEE LEVELS INDICATED ABOVE, PER UNIT OR PER SQUARE FOOT, ARE MAXIMUM FEES SUPPORTED BY THE NEXUS ANALYSIS. THEY ARE NOT RECOMMENDED FEE LEVELS.

Total Linkage Costs Assuming Tax Credit Financing for Affordable Rental Units

As discussed above, no additional sources of funding and financing are assumed to be available to cover a portion of the total development cost assistance needed. For purposes of comparison, KMA prepared affordability gaps and total linkage costs assuming affordable rental projects receive 9% tax credit financing.

Assuming the same average unit size and number of bedrooms as the affordable rental unit described above (900 square feet and two bedrooms), KMA estimated the remaining financing gap after receipt of tax credit proceeds and a permanent loan supportable by the income of the project. The project assumes a mix of very low and low units in a ratio designed to be competitive for tax credit financing. KMA estimates that the remaining affordability gap for very low and low income units is \$96,000 per unit. In the table below, total nexus costs are calculated assuming this affordability gap.

Nexus Per Market Rate Unit Assuming Tax Credit Financing for Very Low and Low Income Units						
<i>Income Category</i>	<i>Affordability Gap</i>	<i>SFD</i>	<i>Small Lot SFD</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Rental</i>
Very Low Income	\$96,000	\$12,000	\$10,000	\$7,000	\$7,000	\$9,000
Low Income	\$96,000	\$8,000	\$6,000	\$5,000	\$4,000	\$6,000
Moderate	\$71,000	\$5,000	\$4,000	\$3,000	\$3,000	n/a
Total Nexus Costs		\$26,000	\$20,000	\$16,000	\$14,000	\$14,000

Assuming the availability of tax credit financing for the affordable rental units lowers the City's contribution by more than half for the very low and low income units. However, there is a difficulty in assuming that all projects for the lower income households will be developed using

these outside sources, because these sources are not reliably available. Accessing these sources is also highly competitive due to the limited supply. Finally, the value of tax credits to the project can fluctuate widely. Overall, the total source of other funds available from federal, state and local sources are far less than needed to provide affordable housing meeting the City's needs (shown as over 1,800 moderate, low and very low income units by ABAG). Hence any units provided through the inclusionary program will not duplicate units that could be obtained using other funding sources. The affordability gap without assuming outside sources is a sound and legitimate approach. (See Addendum for more discussion.)

**TABLE D-1
SUPPORTED FEE / NEXUS SUMMARY PER UNIT
RESIDENTIAL NEXUS ANALYSIS
CITY OF HAYWARD**

TOTAL NEXUS COST PER MARKET RATE UNIT

	Affordability Gap ¹	Nexus Cost Per Market Rate Unit				
		Single Family Detached	Small Lot Single Family Detached	Townhome	Condominium	Rentals
Household Income Level						
Under 50% Area Median Income	\$232,500	\$30,188	\$23,204	\$18,063	\$16,257	\$20,999
50% to 80% Area Median Income	\$198,100	\$16,530	\$12,706	\$9,862	\$8,867	\$11,453
80% to 120% Area Median Income	\$71,000	\$5,291	\$4,067	\$3,171	\$2,854	n/a
Total Supported Fee / Nexus		\$52,009	\$39,977	\$31,087	\$27,978	\$32,452

TOTAL NEXUS COST PER SQUARE FOOT

	Affordability Gap ¹	Nexus Cost Per Square Foot				
		Single Family Detached	Small Lot Single Family Detached	Townhome	Condominium	Rentals
Household Income Level						
Under 50% Area Median Income	\$232,500	\$11.18	\$12.54	\$12.90	\$13.65	\$21.00
50% to 80% Area Median Income	\$198,100	\$6.12	\$6.87	\$7.04	\$7.39	\$11.45
80% to 120% Area Median Income	\$71,000	\$1.96	\$2.20	\$2.27	\$2.38	n/a
Total Supported Fee / Nexus		\$19.26	\$21.61	\$22.20	\$23.32	\$32.45

¹ Household earning less than 80% of Area Median Income are presumed to receive assistance for rental housing.

² Household earning between 80% and 120% of Area Median Income are presumed to receive assistance for ownership housing.

NOTES ON SPECIFIC ASSUMPTIONS

Geographic Area of Impact

The analysis quantifies impacts occurring within Alameda County. While the majority of impacts will occur within the City of Hayward since Hayward is a city with a broad range of retail and service outlets, hospitals and other institutions, some impacts will be experienced elsewhere in Alameda County and beyond. The IMPLAN model computes the jobs generated within the County and sorts out those that occur beyond the county boundaries. The KMA Jobs Housing Nexus Model analyzes the income structure of jobs and their worker households, without assumptions as to where the worker households live.

In summary, the nexus analysis quantifies all the jobs impacts occurring within Alameda County and related workers households. Job impacts, like most types of impacts, occur irrespective of political boundaries. And like other types of impact analyses, such as traffic, impacts beyond city boundaries are experienced, are relevant, and are important.

For clarification, counting all impacts associated with new housing units, does not result in double counting, even if all jurisdictions were to adopt similar programs. The impact of a new housing unit is only counted once, in the jurisdiction in which it occurs. Obviously, within a metropolitan region, there is much commuting among jurisdictions, and cities house each others' workers in a very complex web of relationships. The important point is that impacts of residential development are only counted once. For jurisdictions that have housing impact programs on both residential and non residential development, KMA does provide an analysis to demonstrate that double counting has not occurred. However, Hayward does not charge a commercial linkage fee to non-residential development.

Affordability Gaps

The use of the affordability gap for establishing a maximum fee supported from the nexus analysis is grounded in the concept that a jurisdiction will be responsible for delivering affordable units to mitigate impacts. The nexus analysis has established that units will be needed at one or more different affordability levels and, per local policy, the type of unit to be delivered depends on the income/affordability level. Most commonly, very low and low income households are assumed accommodated in rental units and moderate income households in a multi-family for-sale unit.

The units assisted by the public sector for affordable households are usually small in square foot area (for a two bedroom units) and modest in finishes and amenities. As a result, in some communities these units are similar in physical configuration to what the market is delivering at market rate; in other communities (particularly very high income communities), they may be smaller and more modest than what the market is delivering. Parking, for example, is usually the

minimum permitted by the code. In some communities where there is a wide range in land cost per acre or per unit, it may be assumed that affordable units are built on land parcels in the lower portion of the cost range. KMA tries to develop a total development cost summary that represents the lower half of the average range, but not so low as to be unrealistic.

If the affordability gap is the difference between total development cost and the affordable sales price, the question sometimes arises as to how total development cost is defined. KMA defines total development costs as including land costs, construction costs, site improvements, architectural and engineering, financing and all other indirect costs, and an allowance for industry profit (non-profit developers receive a fee instead).

In a healthy and stable economy, when projects are feasible, the sales price is therefore the same as the total development cost inclusive of profit. In some economic cycles sales prices might enable larger than standard profits, as was the case in the 2002 to 2004 period, for example, when sales prices escalated ahead of construction and land costs, and sales prices were achieved that enabled higher than standard profit margins. In other market cycles, such as at the time of this writing, sales prices are so depressed, particularly for attached units, sales prices are not high enough to cover total development costs and there is no profit. Projects are not feasible. In most communities condominium projects are not feasible at this time so using the current sales prices of condominium does not reflect the total cost that would be required to develop a condominium unit.

Non profit developers usually experience the same land and construction costs but do have differences in their financing costs, other indirect expenses and fee structures. The end result, on average, is a total cost that is comparable to that experienced by for profit developers. No prevailing wage requirement is assumed for either case. It is sometimes thought that the cost structure for non-profits is higher than for for-profit developers; for purposes of an affordability gap average, we take the position that costs are essentially the same.

Development of market rate rental units has not been financially feasibility for a number of years now in many California cities. Market rent levels are not strong enough to cover the costs of new development and as a result most multi-family land has been developed into condominiums where profits have been possible. As a result, total development cost summaries for rental units are drawn from current construction costs and the full complement of indirect costs that would be necessary to build an apartment structure. Affordability gaps are the difference between the value of the unit at restricted or affordable rent levels and the development costs

With rental projects there is an additional issue of whether additional sources of assistance should be assumed in the analysis. Most rental projects built for lower income households have in recent years been developed using federal tax credits, state low interest financing from bond funds, and other resources. There is a difficulty in assuming that all projects for the lower income households will be developed using these outside sources, because these sources are

not reliably available. Accessing these sources is also highly competitive due to the limited supply. Finally, the value of tax credits to the project can fluctuate widely. To address this situation, determining the affordability gap while assuming no outside sources is a sound and legitimate approach.

Excess Capacity of Labor Force

At the time this analysis has been conducted, the nation, regional and local economy are all experiencing a severe recession. Unemployment in California averages over 10%. In this context, the question has been raised as to whether there is excess capacity in the labor force to the extent that consumption impacts generated by new households will be in part, absorbed by existing jobs and workers, thus resulting in fewer net new jobs.

In response, an impact analysis of this nature is a one time impact requirement to address impacts generated over the life of the project. The current recession is a temporary condition; a healthy economy will return and the impacts will be experienced at some point. In addition, because the nexus analysis is based on reduced housing prices, the impacts analyzed are less than would have been shown had the analysis been prepared when housing prices were at their peak, and the economy was healthier.

Finally, the economic cycle self adjusts. Development of new residential units is not likely to occur until conditions improve or there is confidence that improved conditions are imminent. When this occurs, the improved economic condition of the households in the local area will absorb the current underutilized capacity of existing workers, employed and unemployed. By the time new units become occupied, current conditions will have likely improved.

The Burden of Paying for Affordable Housing

Hayward's inclusionary program does not place all burdens for the creation of affordable housing on the development community. The burden of affordable housing is borne by many sectors of the economy and society. A most important source in recent years of funding for affordable housing development comes from the federal government in the form of tax credits (which result in reduced income tax payment by tax credit investors in exchange for equity funding). Additionally there are other federal grant and loan programs administered by the Department of Housing and Urban Development and other federal agencies. The State of California also plays a major role with a number of special financing and funding programs. Much of the state money is funded by voter approved bond measures paid for by all Californians.

Local governments have increasingly played a greater role in affordable housing. Local redevelopment agencies in particular provide the single largest source in all of California.

Finally, private sector lenders play an important role, some voluntarily and others less so with the requirements of the Community Reinvestment Act. Then there is the non-profit sector, both sponsors and developers that build much of the affordable housing.

In summary, all levels of government and many private parties, for profit and non-profit contribute to supplying affordable housing. Residential developers are not being asked to bear the burden alone any more than they are assumed to be the only source of demand or cause for needing affordable housing in our communities. Based on past experience, the inclusionary program in Hayward will provide only a small percentage of the affordable housing needed in the city.

Existing Relationships of Number of Jobs v Housing Units

The question has been raised about the existing number of residences in the county relative to the number of jobs. The nexus study assumed 1.57 workers per worker household (worker households are a subset of all households and exclude students, retired persons and other non-working households). In Alameda County in year 2000, which was a peak economy for jobs, the relationship was 1.43 jobs per household (all households). For year 2010, ABAG projected (in 2009) that the recessionary conditions would result in 1.28 jobs per household. Had these lower figures been used, the nexus study would have found a greater need for affordable housing.

In the cities in Alameda County studied in recent KMA nexus analyses, the resulting impacts range from 0.3 to 0.6 jobs per household depending on the income of the household. These are local population serving jobs that are clearly only a share of all jobs in the County.

Nexus Findings and RHNA

The nexus findings on jobs relative to number of households and the affordability needs of new worker households are also consistent with the ABAG's Regional Housing Needs Allocation (RHNA) assignments. In fact, the nexus findings for affordable housing impacts relative to new market rate units are considerably lower than the RHNA relationships.

In Hayward, the nexus analysis suggested that 13% to 22% of all new housing should be affordable. The RHNA assignment for Hayward overall is that over 50% of all units constructed should be affordable to moderate income or below. This relationship implies a far higher share of affordable units than that implied by the nexus findings.

The reasons that the RHNA affordable housing requirements are higher are many and will not be enumerated here. One major reason is that ABAG's econometric models take into account all jobs, not just the portion that serves local population, which is the vast majority of the impacts computed in the IMPLAN model. It should also be noted that local population jobs are disproportionately lower compensation jobs vis a vis the economy as a whole because they are heavily retail and service jobs in which lower paying occupations predominate. ABAG's

econometric models also take into account demographic changes and other sources of demand for affordable housing.

In summary, any implication that a jurisdiction with a nexus-based inclusionary requirement creates a more burdensome affordable housing obligation than would otherwise be the case is not supportable. The RHNA assignments create a far greater affordable housing responsibility for jurisdictions than any nexus impact findings for virtually all jurisdictions in the Bay Area.

**Attachment II
IHO - Financial Feasibility Analysis**

Table 1
Residential Prototypes
Draft Housing Nexus Study
City of Hayward

	<u>Single Family Detached</u>	<u>Small Lot/Zero Lot Line to "Duet" Hybrids</u>	<u>Townhome</u>	<u>Condominium</u>	<u>Lower Density Rental</u>	<u>Higher Density Rental</u>
Example Projects	- Cryer Ranch - Highland Trail - Stirling Village at Stonebrae - Carrick Village at Stonebrae	- Eden Pointe - Bridgeport at Eden Shores - Brighton Village - Burbank School Site - Duets at Cannery Place - Braddock & Logan Cottages	- Garden Walk - Crossings at Eden Shores - City Walk - Atherton Place	- S. Hayward BART - Mission Paradise - C & Main	Not on city's list	- S. Hayward BART
Density	6 du/acre	12 du/acre	18 du/acre	45 du/acre	25 du/acre	65 du/acre
Average Unit Size	2,700 sf	1,850 sf	1,400 sf	1,200 sf	1,000 sf	900 sf
Average No. of Bedrooms	4 BRs	3 BRs	3 BRs	2 BRs	2 BRs	1.5 BR
Construction Type	Woodframe	Woodframe	Woodframe	Woodframe	Woodframe	Woodframe
Parking Type	Attached garage	Attached garage	Attached garage	Structure	Surface	Structure
Average Parking Spaces	2-car garage	2-car garage	2.2 spaces per unit (overall)	2 spaces per unit	2 spaces per unit	1.7 spaces per unit
Fee Amounts						
Per mkt rate @ \$4.00 per sf	\$10,800	\$7,400	\$5,600	\$4,800	\$4,000	\$3,600
Per affordable % of \$80,000	\$72,000.00 90%	\$49,333.33 62%	\$37,333.33 47%	\$32,000.00 40%	\$26,666.67	\$24,000.00

**Attachment II
IHO - Financial Feasibility Analysis**

Table 2
Draft Pro forma Summary
Draft Housing Nexus Study
City of Hayward

100% Market Rate Projects; No Housing Fee

	Single Family Detached		Small Lot/Zero Lot Line to "Duet" Hybrids		Townhome		Condominium		Lower Density Rental		Higher Density Rental	
Density	6 du/acre		12 du/acre		18 du/acre		45 du/acre		25 du/acre		65 du/acre	
Average Unit Size	2,700 sf		1,850 sf		1,400 sf		1,200 sf		1,000 sf		900 sf	
Average No. of Bedrooms	4 BRs		3 BRs		3 BRs		2 BRs		2 BRs		1.5 BR	
Construction Type	Woodframe		Woodframe		Woodframe		Woodframe		Woodframe		Woodframe	
Parking	Attached garage		Attached garage		Attached garage		Structure		Surface		Structure	
Development Costs	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Land* (1)	\$54	\$145,000	\$46	\$85,000	\$39	\$55,000	\$23	\$27,000	\$45	\$45,000	\$22	\$20,000
Hard Construction (no PW)(2)	\$116	\$312,000	\$126	\$233,000	\$136	\$191,000	\$237	\$284,000	\$166	\$166,000	\$237	\$213,000
Fees & Permits (3)	\$22	\$60,000	\$24	\$45,000	\$29	\$40,000	\$29	\$35,000	\$35	\$35,000	\$22	\$20,000
Financing/Carry	\$11	\$31,000	\$12	\$23,000	\$17	\$24,000	\$39	\$47,000	\$16	\$16,000	\$22	\$20,000
Other Soft Costs	\$29	\$77,000	\$33	\$61,000	\$43	\$60,000	\$74	\$89,000	\$37	\$37,000	\$49	\$44,000
Total Development Costs	\$231	\$625,000	\$242	\$447,000	\$264	\$370,000	\$402	\$482,000	\$299	\$299,000	\$352	\$317,000
Revenue	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit		Per Unit		
Market Rate Sales	\$241	\$650,000	\$270	\$500,000	\$275	\$385,000	\$283	\$340,000	Rent:	\$1,700		N/Av (4)
Affordable Sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0	Rent:	N/Av (4)
Weighted Average Gross Sales	\$241	\$650,000	\$270	\$500,000	\$275	\$385,000	\$283	\$340,000		\$1,700		
<Less> Sales Expense at 3%	(\$7)	(\$20,000)	(\$8)	(\$15,000)	(\$9)	(\$12,000)	(\$8)	(\$10,000)	Exp:	\$7,000	Exp:	
Sales Net of Sales Expenses	\$233	\$630,000	\$262	\$485,000	\$266	\$373,000	\$275	\$330,000	Cap rate:	7.0%	Cap rate:	
										\$191,000		
<Less> Development Costs	(\$231)	(\$625,000)	(\$242)	(\$447,000)	(\$264)	(\$370,000)	(\$402)	(\$482,000)		(\$299,000)		
<Less> Affordable Housing Fee	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0		
Net Revenues	\$2	\$5,000	\$21	\$38,000	\$2	\$3,000	(\$127)	(\$152,000)		(\$108,000)		
As % of Total Costs		0.8%		8.5%		0.8%		-31.5%				
As % of Market Rate Sales		0.8%		7.6%		0.8%		-44.7%				
* Land Value per Acre	\$870,000		\$1,020,000		\$990,000		\$1,215,000		\$1,125,000		\$1,300,000	
Land Value per Land Sq. Ft.	\$20		\$23		\$23		\$28		\$26		\$30	

(1) Land costs assumes roughly \$20 to \$30 per sq. ft. of land area; based on Housing Element draft

(2) Hard construction costs assume no prevailing wages.

(3) Fees and Permits costs is a rough estimate based on 2007 Citation pro forma for Burbank School site and Eden pro forma for S. Hayward BART

(4) There are currently no examples of the high density rental prototype in Hayward.

Attachment III
Hayward Inclusionary Housing Ordinance
In-Lieu Fee Options

Residential Prototypes - 100 unit developments

<u>In-Lieu Fee Options</u>	SFD - large lot 2,700 sq. ft.	SFD - small lot* 1,850 sq. ft.	Townhome 1,400 sq. ft.	Condominiums 1,200 sq. ft.	Rental 900 sq. ft.**
<u>Existing Ordinance</u>	15%	15%	15%	15%	15%
fee/sq. foot	\$4.44	\$6.49	\$8.57	\$10.00	\$13.33
fee/market-rate unit	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
fee/affordable unit	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000
total fee - 100 units	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000
<u>Nexus Analysis Supported</u>	22.3%	18.1%	14.7%	13.4%	12.9%
fee/sq. foot	\$19.26	\$21.62	\$22.14	\$23.33	\$35.56
fee/market-rate unit	\$52,000	\$40,000	\$31,000	\$28,000	\$32,000
fee/affordable unit***	\$236,364	\$222,222	\$206,667	\$215,385	\$246,154
total fee - 100 units	\$5,200,000	\$4,000,000	\$3,100,000	\$2,800,000	\$3,200,000
<u>Option One - Low</u>	15.0%	15.0%	13.0%	13.0%	12.0%
fee/sq. foot	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50
fee/market-rate unit	\$9,450	\$6,475	\$4,900	\$4,200	\$3,150
fee/affordable unit***	\$63,000	\$43,167	\$37,692	\$32,308	\$26,250
total fee - 100 units	\$945,000	\$647,500	\$490,000	\$420,000	\$315,000
<u>Option Two-Mid (Recommended)</u>	15.0%	15.0%	14.0%	14.0%	12.0%
fee/sq. foot	\$4.00	\$4.00	\$4.00	\$4.00	\$3.50
fee/market-rate unit	\$10,800	\$7,400	\$5,600	\$4,800	\$3,150
fee/affordable unit***	\$72,000	\$49,333	\$43,077	\$36,923	\$26,250
total fee - 100 units	\$1,080,000	\$740,000	\$560,000	\$480,000	\$315,000
<u>Option Three-High</u>	15.0%	15.0%	14.0%	14.0%	12.0%
fee/sq. foot	\$5.00	\$5.00	\$4.50	\$4.50	\$4.00
fee/market-rate unit	\$13,500	\$9,250	\$6,300	\$5,400	\$3,600
fee/affordable unit***	\$90,000	\$61,667	\$48,462	\$41,538	\$30,000
total fee - 100 units	\$1,350,000	\$925,000	\$630,000	\$540,000	\$360,000

* Small Lot SFD includes hybrid types, such as zero lot line units and duets

**Existing Ordinance requires rental developments to price their affordable/inclusionary units at levels very-low affordable to and low income households

***Fees per affordable unit are calculated to the nearest "whole unit" number