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Summary and Recommendations – Update of Affordable Housing Regulations

Prepared for:

County of Santa Cruz

Submitted by:

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I. EXECUTIVE SUMMARY OF FINDINGS AND RECOMMENDATIONS

This Summary and Recommendations report provides a concise version of the analysis, findings, evaluation of policy options and recommendations to the County of Santa Cruz for the update of its Affordable Housing Regulations. The County engaged with Keyser Marston Associates, Inc. (KMA), with Goldfarb & Lipman LLP as subconsultants, to assist with an overall review and revision of the Regulations. The goal of the study is to update the program to ensure that it is an effective tool for creating new affordable housing in the context of the changed legal and economic environment in recent years.

1. Ordinance amendments needed to respond to legal issues

At this point in time, only two amendments are needed to respond to the major legal issues. The first relates to rental housing. The second relates to permitted density bonuses.

- *Rental Housing* – In response to *Palmer/Sixth Street v. City of Los Angeles*, rental housing projects cannot be required to provide on-site affordable housing unless the County provides monetary or regulatory incentives. We recommend replacing the on-site rental housing requirement with a rental housing impact fee.
- *Density Bonuses* – In response to *Latinos Unidos v. County of Napa*, affordable housing programs must allow density bonuses for all affordable units that meet the State Density Bonus law criteria. This modification will allow 10% bonuses for projects providing 15% of homes affordable to average (moderate) incomes and for development in the R overlay zone providing 15% of homes affordable to average incomes. Projects rezoned from commercial to residential will in most cases be eligible for 35% bonuses if 40% of the units are affordable.

2. Requirements for Ownership Units

- *Projects Subject to Affordable Housing Requirements* – The County's program currently only applies to residential projects with more than two development units. Given that: 1) all new development generates demand for new affordable housing; 2) there is merit in establishing an equitable distribution of burden across all land uses; and 3) there is a serious shortage of sufficient funding for affordable housing, we recommend that *all new residential development be required to contribute to the development of new affordable housing, including owner-builder residences, irrespective of project size*. This recommendation is supported by both the nexus analysis and the financial feasibility analysis.

- *On-site inclusionary percentage* – Measure J, which was a voter-approved initiative, states that it is the County's policy that at least 15 percent of new housing in the County be affordable to average income households and below. While it has not yet been determined whether inclusionary requirements must be supported by a nexus analysis, this percentage is consistent with the findings of the nexus analysis, which indicates a legal maximum inclusionary range of 15 % to 28% to fully mitigate affordable housing impacts.

- *Affordability level* – The County's current basic program requires that inclusionary units be made available to households earning no more than 120% of the Area Median Income (AMI) at prices affordable to households earning no more than 100% of the AMI. The financial feasibility analyses of new development indicate that under current market conditions the on-site inclusionary obligation yields substandard profit margins for all of the residential prototypes, except for small-lot single family development. Given that market conditions are improving, the yields could improve over the coming year. However, if the County wants to stimulate new development in the near term, we would recommend that maximum prices be permitted to increase to not more than 110% of the AMI.

- *In-lieu fee alternative* – We recommend that all new developments have the option of paying a fee in-lieu of providing on-site units. Based on the findings of the nexus and financial feasibility analyses, we recommend that the fee be set at $15.00 per square foot of building area. We recommend that this fee apply to all newly constructed ownership homes as well as to net new square footage added to existing homes. The financial feasibility analyses indicate that the builders of single family detached homes will likely find the payment of this fee to be financially preferable to providing on-site units, while developers of higher density attached units may find the construction of on-site inclusionary units to be financially preferable to paying a fee. A fee level of $15 per square foot is less than the County's current in-lieu fee schedule.

3. Requirements for Rental Units

- *On-site inclusionary percentage* – As noted above, due to recent court cases, the County's program and ordinance need to be modified to exempt rental units from on-site inclusionary requirements, unless the project receives public funding or a regulatory incentive like those available under density bonus law.

- *Affordable housing impact fee* – Based on the findings of the nexus analysis, we recommend that the County adopt an affordable housing impact fee to be levied on rental apartment developments. The financial feasibility analyses, however, indicate that the development of rental projects is financially challenging, even if 100% of the units are market rate. Given this consideration, we recommend that the impact fee on rental apartments initially be set at $2.00 per square foot of building area and that the fee amount be periodically reviewed and adjusted.

4. *Requirements for Non-residential Development*

- Based on the following considerations, we recommend that all new privately-owned non-residential development be required to contribute to the development of new affordable housing:
  - Non-residential development generates demand for new affordable housing;
  - There is merit in establishing an equitable distribution of burden across all land uses; and
  - There is a serious shortage of sufficient funding for affordable housing.

- *Affordable housing impact fee* – The nexus analysis on four types of commercial and industrial buildings establishes support for substantial fees to mitigate the demand for affordable housing generated by new development. However, given the County's desire to encourage job growth and the consideration that affordable housing impact fees on commercial development are not commonplace throughout the County, we recommend that the initial fee be at a modest level of $2.00 per square foot of building area. The County might want to consider adopting varying rates by geographic area or land use/building type. While the County could at its discretion impose fees on its own development projects, other governmental agencies, such as school districts, would likely be exempt from paying affordable housing impact fees.

5. *Affordable housing obligations for properties that are rezoned from commercial to residential*

In an effort to encourage job growth and increase the amount of affordable housing, the County has adopted enhanced inclusionary requirements for residential projects built on properties that are rezoned from non-residential to residential, requiring such projects to designate 40% of on-site units as affordable to Very Low to Moderate Income Households.[1] This requirement generally renders new residential development on rezoned sites financially infeasible, as evidenced by both the findings of the financial feasibility analyses and the lack of new projects that have been built under these requirements. While adopted with noble intentions, the policy is not effective. It does not directly assist in creating new jobs, it does not create affordable housing, and it limits the County's ability to effectively manage land resources.

Given these considerations, we recommend that the inclusionary requirements for these projects be changed. We recommend that these rezoned properties be subject to the standard 15% inclusionary obligation unless sufficient subsidy sources or incentives are made available so that it is financially viable to exceed a 15% inclusionary requirement.

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[1] Ownership projects with less than 100 units must provide 20% of units priced at 70% of AMI and 20% of units priced at 100% of AMI. Ownership projects with 100+ units must provide 10% of units priced at 50% AMI, 10% priced at 70% AMI, and 20% priced at 100% AMI. Rental projects with less than 100 units must provide 40% of units leased at 80% AMI. Rental projects with 100+ units must provide 10% of units leased at 50% of AMI and 30% leased at 80% AMI.

To provide the County with a more effective means of managing land resources, we recommend that the County identify a set of “public benefits” criteria on which to evaluate rezoning applications. Examples might include requiring a project to:

- include a mix of land uses,
- demonstrate that it will not generate a fiscal burden on the County;
- be located within a specific geographic area, or
- subject to certain site standards or criteria.

This type of approach will provide the County with the opportunity to establish specific objectives and criteria for maintaining commercially zoned areas while allowing additional flexibility to optimize land use decisions.

6. *Affordable housing obligations for Regional Housing Need R Combining Districts*

The primary purpose of the Regional Housing Need R Combining Districts is to provide for densities of 20 units per acre. These districts and densities are needed in order for the County to meet its regional housing needs assessment (RHNA) obligations. The 40% inclusionary obligation that applies to these districts addresses a policy objective but is not required to meet the County's housing element obligations.

The findings of the nexus analysis support, on average, a maximum inclusionary obligation (through 150% of AMI) of approximately 23%. This maximum falls short of the standard 40% inclusionary obligation for properties within the R-Combining Districts, although it has not yet been determined if this requirement must be justified by a nexus study. Additionally, the financial feasibility analysis indicates that the 40% inclusionary requirement is not financially feasible without County subsidies.

Given these considerations, we recommend that the inclusionary requirements of these districts be changed. We recommend that these properties be subject to the standard 15% inclusionary obligation unless sufficient subsidy sources are made available to development projects so that they can exceed the 15% inclusionary obligation. If the County desires to encourage additional affordable housing development in these areas, then one option to consider is to target available County resources to provide financial assistance to new affordable projects in these areas.

7. *Effective structure for ensuring the long-term maintenance of affordable housing stock*

The County’s current program enables homeowners to recapture the cost of improvements made to their property upon resale. In summary, homeowners are allowed to recapture “substantial improvements” that cost in excess of 1% of the home’s initial purchase price as well as costs incurred to replace appliance, fixtures, and equipment which were originally sold as part of the unit but have deteriorated or become non-operative over time. The costs are recaptured by adding them to the permitted resale price based on an assessment of the “market value of the improvements. The aggregate investment that can potentially be recaptured is capped at 10% of the restricted resale price. Resale prices are restricted in-perpetuity.

These terms are not inconsistent with the provisions of other inclusionary programs throughout the State. Additionally, County staff have indicated that they have not experienced serious maintenance issues or been overly burdened with administering the program. Given these considerations, we would recommend that the County retain the provisions of its current program.

8. Considerations Regarding the Magnitude and Use of Fee Revenue

Based on historic building permit trends, it is estimated the adoption of an optional in-lieu fee program for ownership units would, on average, generate approximately $2.1 million to $3.8 million of annual affordable housing fee revenue to the County. While this sum is less than 50% of the $8 million of annual revenue that the County’s Redevelopment Agency had received prior to dissolution, it is a significant amount and can be an effective source of leveraging funds to create housing to serve Extremely Low to Low Income households. With leveraging, it is estimated that the fee revenue will, over time, be sufficient to support the development of new affordable units to meet Measure J’s 15% policy.

Given that the technical basis for collecting the fee is the demand for housing resulting from job creation, the fee revenue should be used to support the development of new housing for the working population. For housing that may not primarily serve the working population, such as senior housing or homeless shelters, the County should verify that some portion of residents are employed. It is permissible, however, to use a portion of the revenues for on-going program administration and monitoring of the deed-restricted housing stock.

II. INTRODUCTION

This Summary and Recommendations report provides a concise version of the analysis, findings, evaluation of policy options and recommendations to the County of Santa Cruz for the update of its Affordable Housing Regulations. The County engaged with Keyser Marston Associates, Inc. (KMA), with Goldfarb & Lipman LLP as subconsultants, to assist with an overall review and revision of the Regulations. The goal of the study is to update the program to ensure that it is an effective tool for creating new affordable housing in the context of the changed legal and economic environment in recent years.

Background and Context

Measure J, approved by County voters in 1978 and contained in Chapter 17.01 of the County Code, established inclusionary housing requirements for new housing development throughout the County. The affordable housing components of the measure were incorporated into County Code Chapter 17.10 as well as additional provisions regarding implementation. Measure J states that it is the County's policy that at least 15% of newly constructed housing units will be affordable to households with average or below average incomes. Since the original adoption definitions of "affordable" have been adjusted from time to time and other alterations in the administrative guidelines have been made, but the basic program remains in place. The program has produced approximately 500 income restricted units since adoption.

The County is evaluating extensive modifications to the program in light of the program's experiences over the past thirty five plus years, changes to real estate conditions brought on by the Great Recession and its recovery, and the severe loss of funding resources. California Redevelopment set aside funds, coupled with other state and federal resources have been the major revenue sources for assisting in the development of affordable housing. The State dissolved Redevelopment agencies and funding from the State and Federal levels has been reduced. As a result, jurisdictions throughout California are seeking new approaches and new resources to enable continuation of their efforts to increase the supply of affordable housing. Finally, several State court cases, some decided and some still pending, have altered the legal environment. No longer may jurisdictions require inclusionary units in rental projects, and the California Supreme Court is currently considering whether affordable housing requirements must be supported by nexus-type analyses.

III. WORK PROGRAM SUMMARY

The key elements of the work program summarized in this document include:

- Reviewing and updating the program's elements given recent court cases
- Evaluating demand for affordable housing generated by new residential and non-residential development (i.e., to prepare nexus analyses) to establish maximum inclusionary levels and impact fee levels supported by a nexus analyses.
- Evaluating the impact of affordable housing obligations on the financial feasibility of new development for the range of residential projects developed in the County unincorporated area.
- Recommending inclusionary requirements and fee levels
- Recommending, as appropriate, other modifications to the current ordinance, such as requirements associated with rezoning property from non-residential to residential use.

After staff and consultants have formulated recommendations for the Board of Supervisor's consideration and the Board provides direction, Goldfarb & Lipman will draft an ordinance to update the County's regulations.

To conduct this work program, the Consultant Team has:

- Summarized recent court rulings.
- Identified prototype residential projects ranging from single family detached luxury homes to subdivisions of smaller units, attached unit products and rental apartments. These prototypes were tested in the nexus and financial feasibility analyses.
- Prepared a residential nexus analysis to establish inclusionary levels and impacts supported by the analysis.
- Identified and compared alternative inclusionary measures and fee approaches for the program going forward.
- Tested the financial feasibility of the alternatives.
- Provided a nexus analysis in support of an impact fee on commercial and industrial development (or non-residential nexus analysis).

Organization of this Report

The results of the above tasks are summarized in Section I of this report. The complete analyses and other materials are contained in Appendices that are attached to the Summary Report, as follows.

- Appendix A: Market Survey and Identification of Residential Prototypes
- Appendix B: Residential Nexus Analysis
- Appendix C: Affordability Gap Analysis (an input to Appendices B and E)

- Appendix D: Financial Feasibility Analysis
- Appendix E: Non-Residential Nexus Analysis
- Appendix F: Legal Memorandum
- Appendix G: Long Term Maintenance of Affordable Housing Stock
- Appendix H: Summary of Other Programs
- Appendix I: Non Residential Market Conditions Relative to Rezoning Requirements
- Appendix J: Current Chapter 17.10 of the County's Code
- Appendix K: Current Santa Cruz County Affordable Housing Guidelines

IV. LEGAL ISSUES – SANTA CRUZ COUNTY REGULATIONS

Recent case law dictates some modifications to the County's adopted Affordable Housing Regulations and a pending case could be ruled in a manner that would require further modifications. The changed legal environment in recent years has dictated much of this work program for the County update with the goal of doing as much as possible to ensure a strong legal foundation for the updated Regulations going forward. Following is a brief summary of the key adjustments and cases.

- *Affordable Rental*. The County cannot require affordable rental units unless the County provides monetary or regulatory incentives, due to the ruling in the *Palmer/Sixth Street v. City of Los Angeles* case. As a result, the on-site compliance feature of the County's Regulations can no longer be applied to projects receiving no incentives. We recommend that the County's onsite requirement be replaced with a rental housing impact fee.

- *Density Bonuses*. Density bonuses must be awarded to all affordable units meeting the requirements of state density bonus law, even if the units are required by the County's inclusionary program. This change is in response to the case of *Latinos Unidos v. County of Napa*.

- *Justification for Affordable Housing Requirements*. The California Supreme Court is currently considering, in *California Building Industry Association v. City of San Jose*, whether the County's inclusionary requirements must be justified by a nexus study, as asserted by the CBIA, or may be adopted as an exercise of the City's police power, as was done when Measure J was adopted. If the case is ruled in favor of the *CBIA,* then fees could not exceed those justified by the nexus study.

A memorandum prepared by Goldfarb & Lipman LLP, in Appendix F, provides more explanation and discussion of the court cases.

A copy of the County's current regulations and guidelines for implementing the regulations are provided in Appendix J and K, respectively.

V. MARKET SURVEY AND IDENTIFICATION OF PROTOTYPES

In collaboration with County staff, a total of six market rate residential prototypes were initially identified and selected for further analysis: five for-sale or ownership prototypes and one rental prototype. The intent of the selected prototypes is to identify representative development prototypes likely to be developed in Santa Cruz County in the immediate to mid-term future. These prototypes are used throughout the work program – as the starting point of the residential nexus analysis, for financial feasibility testing, and for evaluating how alternative affordable housing requirements, either on-site units or fees, would affect feasibility and meet the policy objectives.

A summary of the six prototypes is presented below. Market survey data and other sources were used to develop the information and particularly the market sales prices and rent levels. More information on the market surveys and historical context is provided in Appendix A.

Exhibit 1: Summary of Prototypes

Prototype	Individual Single Family Home	Single Family (Large Lot)	Single Family (Smaller Lots)	Lower Density Townhome	Higher Density Townhome	Multi-Family Rental Apartments
Building Type	1 to 2 stories	1 to 2 stories	2 to 3 stories detached	2 stories	2 to 3 stories	2 stories
Avg. Unit Size (SF)	3,200	2,600	2,200	1,700	1,150	850
Bedroom Mix	4 to 6 beds	3 to 5 beds	3 to 4 beds	3 to 4 beds	2 beds	1 to 3 beds
Density (Du/acre)		5	10	12	24	20
Price	$1,200,000	$845,000	$726,000	$552,500	$450,000	$2,125/mo
Price PSF	$375	$325	$330	$325	$390	$2.50/mo
Examples	Mar Sereno Court	Mattison Lane, De Laveaga Park	Branciforte Creek, Pearson Court, De Laveaga Park	Silver Oaks, Cabrillo Commons	117 Gault Way	

VI. RESIDENTIAL NEXUS ANALYSIS SUMMARY

The residential nexus analysis establishes maximum supportable inclusionary and housing impact fee levels. A brief overview is included here; full documentation can be found in Appendix B.

The underlying concept of the residential nexus analysis is that the newly constructed units represent net new households in Santa Cruz County. These households represent new income in the County that will consume goods and services, either through purchases of goods and services or "consumption" of governmental services. New consumption generates new local jobs; a portion of the new jobs are at lower compensation levels; low compensation jobs relate to lower income households that cannot afford market rate units in Santa Cruz County and therefore need affordable housing.

The nexus analysis is conducted for each of the six market rate prototypes. Using the sales price or rent level of the unit, KMA estimates the household income of the purchasing/renting household. Household income is then translated to income available for expenditures, which is then input into the IMPLAN model to estimate the employment generated by new household spending. The IMPLAN model is an economic model widely used for the past 35 years to quantify the impacts of changes in a local economy. The IMPLAN model estimates the number of jobs generated by the new households; for ease of presentation, the analysis is conducted for 100 market rate units. The results are shown in the table below.

Exhibit 2: Prototypical Residential Units, Household Income and Jobs Generated

	Individual Single Family	*Single Family – Large Lot*	*Single Family – Smaller Lot*	*Lower Density Townhome*	*Higher Density Townhome*	*Rental*
Market Sales Price/ Rent	$1,200,000	$845,000	$726,000	$552,500	$450,000	$2,125/mo.
Gross Household Income	$228,000	$164,000	$145,000	$113,000	$96,000	$85,000
Household Income Available for Expenditures [Input to IMPLAN model]	$141,000	$110,000	$97,000	$76,000	$69,000	$60,000
Total Jobs Generated, 100 Units	90.2	70.1	61.6	47.9	42.2	36.3

See Appendix B for full documentation.

The IMPLAN model estimates the total jobs by industry. KMA then uses its own jobs-housing nexus model to translate jobs by industry to jobs by occupation and distributes. Recent and local California Employment Development Department (EDD) data on compensation level by occupation is used to sort those jobs into new worker households by income level, assuming more than one worker in each household on average. The results of the jobs-housing nexus model are shown below.

Exhibit 3: ***New Worker Households by Income Level per 100 Market Rate Units***

	Individual Single Family	*Single Family – Large Lot*	*Single Family – Smaller Lot*	*Lower Density Townhome*	*Higher Density Townhome*	*Rental*
Extremely Low (under 30% AMI)	8.4	6.5	5.7	4.5	3.9	3.4
Very Low (30%- 50% AMI)	13.4	10.4	9.1	7.1	6.1	5.3
Low (50%-80% AMI)	11.9	9.2	8.0	6.3	5.5	4.7
Median (80%-100% AMI)	1.5	1.2	1.0	0.8	0.7	0.6
Moderate (100%-120% AMI)	3.1	2.4	2.1	1.7	1.5	1.3
Total, Less than 120% AMI	**38.4**	**29.8**	**26.0**	**20.3**	**17.7**	**15.2**
Greater than 120% AMI	8.4	6.5	5.9	4.6	4.2	3.6
Total, New Households	**46.8**	**36.4**	**31.9**	**24.9**	**21.9**	**18.9**

Housing demand is distributed across the lower income tiers. The finding that the greatest number of households occurs in the Very Low income tier is driven by the fact that jobs associated with consumer spending tend to be low-paying, such as including food preparation, administrative, and retail sales occupations.

1. Inclusionary Percentages Supported

The analysis identifies how many lower income households are generated for every 100 market rate units. These findings are then translated to a supported inclusionary percentage, which represents the percentage of units provided on-site within a project that would fully mitigate the affordable housing impacts as documented in this nexus analysis.

The inset table below presents the results of the analysis; each tier is cumulative, or inclusive of the tiers above.

Exhibit 4: Cumulative Inclusionary Percentage Supported by Nexus Analysis

	Individual Single Family	*Single Family – Large Lot*	*Single Family – Smaller Lot*	*Lower Density Townhome*	*Higher Density Townhome*	*Rental*
Extremely Low (Under 30% AMI)	7.8%	6.1%	5.4%	4.3%	3.8%	N/A
Very Low (30%- 50% AMI)	17.9%	14.5%	12.9%	10.3%	9.1%	N/A
Low (50%-80% AMI)	25.2%	20.8%	18.6%	15.1%	13.4%	N/A
Median (80%-100% AMI)	26.1%	21.5%	19.3%	15.7%	14.0%	N/A
Moderate (100%-120% AMI)	27.7%	23.0%	20.6%	16.8%	15.0%	N/A

Should the courts determine that inclusionary percentages must be supported by a nexus type analysis, this series of results would indicate that the 15% requirement in Santa Cruz County is supported for all ownership prototypes. Since rental projects not receiving incentives can no longer be required to include affordable units, N/A or Not Applicable is indicated.

2. Nexus Support Maximum Fee Levels

The next step in the nexus analysis takes 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 is done for each of the prototype units to establish the 'total nexus cost,' which is the maximum affordable housing fee supported by the nexus analysis. For the purposes of this analysis, KMA assumes that affordable housing fee revenues will be used by the County to produce affordable rental units for households earning less than 80% of median income, and to produce affordable ownership units for households earning between 80% and 120% of median income. Affordability gaps are calculated for each of the income tiers; the nexus costs are calculated by multiplying the affordability gaps by the number of households in each income level. The nexus costs at each income level are then summed to calculate the Total Nexus Costs. See Appendix C for more information on affordability gaps.

The Total Nexus Costs are calculated at the per-unit level and the per-square-foot level and are shown below.

Exhibit 5: Total Nexus Costs

	Individual Single Family	*Single Family – Large Lot*	*Single Family – Smaller Lot*	*Lower Density Townhome*	*Higher Density Townhome*	*Rental*
Per Market Rate Unit	$51,100	$39,800	$34,600	$27,000	$23,600	$20,200
Per Square Foot	$16.00	$15.30	$15.80	$16.00	$20.40	$23.70

These costs express the total linkage or nexus costs for the six prototype developments in the County of Santa Cruz. If the California Supreme Court decides that these fees must be justified by a nexus analysis, these total nexus costs will represent the maximum that may be charged. The totals are not recommended fee levels; they represent maximums justified by the nexus analysis.

VII. FINANCIAL FEASIBILITY

One of the County's primary objectives for its affordable housing program is that it be an effective tool for creating new affordable housing. In order for the program to be effective, it must not burden new development to such a degree that it renders new development financially infeasible. Since the recession began in 2008, new construction and the program have been stressed due to the contraction of the housing market. Given this experience and the County's objectives, evaluating the financial feasibility of new development is an important part of this effort.

A series of analyses testing the financial feasibility of residential development under various assumptions regarding affordable housing obligations have been undertaken. The objective of the financial feasibility analyses is to understand the general development economics of each prototype, the profit margins associated with market rate construction, and the impact that a range of affordable housing obligations has on the financial feasibility of new development. The 15% on-site requirement and fee levels supported by the nexus analysis have been evaluated along with the County's current requirements. The analyses reflect standardized assumptions regarding development costs, land costs and home prices. The findings of the analysis have been used to shape the Consultant Team's recommendations regarding fee levels and other program elements.

The findings of the analyses are summarized on the following Exhibit 6.

Exhibit 6: Financial Feasibility Analyses

	Single Family – Large Lot	*Single Family – Smaller Lot*	*Lower Density Townhome*	*Higher Density Townhome*	*Rental*	*Higher Density Rental*
100% Market Rate	Feasible. Profit = 16%	Feasible. Profit = 20%	Feasible. Profit = 11%	Feasible. Profit = 14%	Marginal. 6% return on cost	Marginal. 6% return on cost
15% on-site requirement priced @ 100% of AMI	Marginal. Profit = 6%	Likely Feasible. Profit = 11%	Marginal. Profit = 4%	Marginal. Profit = 9%	NA	NA
15% on-site requirement priced @ 120% of AMI	Marginal. Profit = 8%	Feasible. Profit = 13%	Marginal. Profit = 7%	Feasible. Profit = 11%		
Market rate with $15.00 per square foot impact fee	Feasible. Profit = 11%	Feasible. Profit = 14%	Marginal. Profit = 5%	Marginal. Profit = 9%	Infeasible. Negative Profit	Marginal. Profit = 4%; ROC = 6%
Market rate with impact fee set at 4% of market rate price	Feasible. Profit = 11%	Feasible. Profit = 15%	Marginal. Profit = 6%	Marginal. Profit = 9%	NA	NA
SCC Current in-Lieu Fee Structure	Marginal. Profit = 8%	Feasible. Profit = 11%	Marginal. Profit = 4%	Marginal. Profit = 7%	NA	NA
R Combining District requirements (15% priced at 100% of AMI and 25% priced at 120% of AMI)	Infeasible w/o subsidy. Negative Profit	Infeasible w/o subsidy Negative Profit	Infeasible w/o subsidy. Negative Profit	Marginal. Profit = 4%	NA	NA
Zoning Change Requirement of 40% Very Low to Mod.[2]	Infeasible w/o subsidy. No profit.	Generally infeasible. Marginal profit.	Infeasible w/o subsidy. No profit.	Marginal profit.	Infeasible w/o subsidy. Negative Profit.	Infeasible w/o subsidy. Negative Profit.

As shown, the development of market rate single family homes is currently financially feasible in the County. While the lower density townhome product generates a positive profit margin, the level of return is not currently robust. However, it is anticipated that the returns on attached units will improve as the market strengthens. Rental projects are currently marginally financially feasible, even at higher densities.

1. Impact of on-site Inclusionary requirements on financial feasibility

The imposition of affordable housing requirements significantly impacts development profit margins. Measure J's 15% inclusionary requirement (prices set at 100% of AMI) generates substandard returns for all ownership prototypes, except for the small-lot single family development. To enhance feasibility, we are recommending that the price limit on inclusionary units be raised to 110% of AMI.

[2] Ownership projects with less than 100 units, must provide 20% of units priced at 70% of AMI and 20% of units priced at 100% of AMI. Ownership projects with 100+ units must provide 10% of units priced at 50% AMI, 10% priced at 70% AMI, and 20% priced at 100% AMI. Rental projects with less than 100 units must provide 40% of units leased at 80% AMI. Rental projects with 100+ units must provide 10% of units leased at 50% of AMI and 30% leased at 80% AMI.

2. *Impact of affordable housing fees on financial feasibility*

We tested three fee structures supported by the nexus analysis: 1) a $15 per square foot fee; 2) a fee equivalent to 4% of market rate prices; and 3) the County's current fee structure. All three fee structures are less burdensome on detached products than the 15% inclusionary requirement. The analysis indicates that new detached development can absorb the cost of such a fee without rendering new development infeasible. The economics of attached product are more challenged and these types of projects would experience substandard returns with a $15 per square foot or 4% of value fee. However, profit margins would still likely be positive. The analysis indicates that a fee of $15 per square foot would render new apartment construction infeasible.

3. *Impact of R- Combining District requirements on financial feasibility*

The analysis indicates that the imposition of the additional 25% inclusionary requirement (pricing at 120% of AMI) renders new development infeasible. In order to be financially feasible, projects would likely need either some special development standards that would reduce construction costs or financial assistance. The County has in the past provided such subsidies to make affordable housing feasible on these sites.

4. *Feasibility of Zoning Change Projects*

The County's ordinance requires new residential projects built on property that has been rezoned from non-residential to residential to restrict 40% of the units as affordable units, with 20% of the units priced at levels affordable to households earning no more than 70% of AMI and 20% priced at levels affordable to households earning no more than 100% of AMI[3].

The analysis indicates that this requirement generally renders such projects infeasible. Land sales data indicate that potential savings from reduced land costs are generally not sufficient to off-set the additional affordable housing burden. The financial feasibility analysis indicates that development of four residential prototypes would yield zero or negative profit margins and substandard profit margins are estimated for two prototypes. In order for new single family development to achieve standard profit margins, the non-residential land would need to be valued at approximately at less than $9,500 per unit or $1.10 to $3.60 per square foot of land area. It would be unusual for commercial sites improved with infrastructure to be valued at such low levels.

[3] These inclusionary requirements apply to ownership projects of less than 100 units. Projects with 100+ units must provide 10% Very Low Income units, 10% Low Income units, and 20% Moderate Income units. Rental projects with 100+ units must provide 10% Very Low Income and 30% Low Income units. Rental projects with fewer than 100 units must provide 40% Low Income units.

VIII. COMPARISON OF ALTERNATIVE FEE STRUCTURES

Exhibit 7, on page 19, presents a comparison of analysis results and alternative fee structures for the six prototype residential projects.

The six residential prototypes are presented across the top, with the unit size and sales price/ rent level information for each.

The five groups of figures vertically going down the page are:

- The findings of the residential nexus analysis, or maximum impact fee levels supported by the analysis (which has as a starting place the sales price/rent level of the unit). Maximum fee levels are indicated in three alternative formats which be used as a fee structure.

  1. *Fee per market rate unit*. These vary depending on the prototype. If this format were to be selected, it would be appropriate to use the lowest common denominator of $23,600 for ownership units and $20,300 for rental units. Use of an average may also be possible.
  2. *Fee per square foot*. The disparities among the prototypes are reduced when divided by the square foot area of the unit. Most findings for ownership units are in the $15 to $16 per square foot range.
  3. *Fee as a percent of sales price*. When the maximum fee level per unit is divided by the sales price, the percentages fall in the 4% to 5% range for most prototypes.

  The fourth line indicates the inclusionary percentage supported by the Residential Nexus Analysis, which is provided as a point of comparison with the existing program.

- Fee at $15.00 per square foot subjected to financial feasibility testing. The profit margins and percent of cost findings may be compared to the all market rate findings at the bottom. See below on fee levels.

- Fee at 4.00% sales price, or the percentage supported by the nexus, subjected to financial feasibility testing. The resulting impact on feasibility of prototypes is similar to the per square foot fee tested in the lines above.

- Current On-Site Construction Requirement which is 15% of all units, priced at 100% Median Income. The per unit profit differential associated with selling 15% of the units at restricted prices versus 100% of the units at market rate prices is indicated in the first line. Predictably the higher the price of the market rate units, the greater the discount to the restricted price and the higher the inclusionary cost. These findings are compared to the supported nexus in the second line. For example, the on-site requirement for a large-lot project yields a profit loss/"cost" that is 73% more than the maximum fee supported by the nexus analysis. The last two lines indicate the estimated amount of profit per unit and the profit as a percent of development costs.

- The SCC Current Fee Schedule is indicated in the next set of figures. The fee levels have been computed per the County's in lieu fee formula contained in the Adopted Guidelines, April 2012-April 2013 Edition. Where these levels exceed the nexus supported maximums, the County may need to reduce the fees should the CBIA prevail in the San Jose lawsuit.

- The bottom set of figures indicate the profit levels of projects for each prototype assuming 100% market rate and no affordable housing requirement, as determined in the Financial Feasibility analysis and presented here for reference.

Exhibit 7
Comparison of Alternative Fee Structures
Update of Affordable Housing Regulations
Santa Cruz County

Prototype	**1**	**2**	**3**	**4**	**5**	**6**
Type	**Individual SF Home**	**SF, Large Lot**	**SF, Small Lot**	**Lower Density TH**	**Higher Density TH**	**Rental / Walk-up**
SF	**3,200**	**2,600**	**2,200**	**1,700**	**1,150**	**850**
Market Rate Sales Price	**$1,200,000**	**$845,000**	**$726,000**	**$552,500**	**$450,000**	**NA**
Nexus Results						
Max. Fee Per Unit	**$51,100**	**$39,800**	**$34,600**	**$27,000**	**$23,600**	**$20,200**
Max. Fee Per SF	**$16.00**	**$15.30**	**$15.70**	**$15.90**	**$20.50**	**$23.80**
Max Fee as a % of Price	**4.26%**	**4.71%**	**4.77%**	**4.89%**	**5.24%**	**NA**
Max. Inclusionary %	**28%**	**23%**	**21%**	**17%**	**15%**	
Test Fee at $15.00 / SF	$48,000	$39,000	$33,000	$25,500	$17,300	$12,800
% of Max.	94%	98%	95%	94%	73%	63%
Profit Margin	Not Analyzed	$74,600	$82,100	$26,200	$35,500	-$2,600
Profit as a % of Cost	Not Analyzed	10.6%	14.0%	5.4%	9.3%	-0.9%
Test Fee at 4.00% of Price	$48,000	$33,800	$29,040	$22,100	$18,000	Not App.
% of Max.	94%	85%	84%	82%	76%	Not App.
Profit Margin	Not Analyzed	$79,800	$86,100	$29,600	$34,800	Not App.
Profit as a % of Cost	Not Analyzed	11.4%	14.7%	6.1%	9.1%	Not App.
On-site Construction - 15%	Not Analyzed	$69,000	$53,600	$30,300	$20,400	Not App.
% of Inc. Max.		173%	155%	112%	86%	Not App.
Profit Margin	Not Analyzed	$44,600	$61,500	$21,400	$32,400	Not App.
Profit as a % of Cost	Not Analyzed	6.4%	10.5%	4.4%	8.5%	Not App.
SCC Current Fee Schedule						
Per unit	Not App.	$57,000	$49,000	$33,200	$27,000	Not App.
Per SF	Not App.	$21.90	$22.30	$19.50	$23.50	Not App.
Profit Margin		$56,600	$66,100	$18,600	$25,800	Not App.
Profit as a % of Cost		8.1%	11.3%	3.9%	6.8%	Not App.
Returns, 100% Mkt. Rate						
Profit	Not Analyzed	$113,600	$115,100	$51,700	$52,800	$10,100
% of Costs	Not Analyzed	16.2%	19.7%	10.7%	13.8%	3.4%

IX. MAJOR ALTERNATIVES EVALUATION

There are three major choices for the County if it wishes to modify the current program.

1. On-site units v. Fee Revenue;
2. Assuming fees, the fee structure; or
3. Assuming fees, the fee level.

1. On-Site Units v. Fee Revenue

Measure J's policy is to ensure that 15 percent of new housing units are affordable to households with average or below average incomes. In the past the County has sought to meet this objective by requiring primarily on-site affordable units. The program could be altered to place more emphasis on fee revenues, with affordable housing being created primarily through developments subsidized with these revenues.

The major advantages and other notable aspects of on-site compliance units are:

- Dispersion of affordable units throughout the County, in many projects.

- Affordable units are developed by the private sector, at minimal upfront costs to the County. The County has involvement in the entitlement process and the private sector develops the units, with decreased land values mostly bearing the cost burden. The County does, however, have an ongoing burden of administering and monitoring the deed restricted units, to ensure compliance upon resale, avoidance of abuses, etc.

- The affordability level delivered by on-site units in ownership units is at median income, with moderate income households eligible to purchase the units.
  (Note: an equivalent alternative may be possible that would result in fewer units at a deeper affordability level.) Without the ability to require onsite units in rental projects (due to the *Palmer* ruling), it is difficult to achieve significant numbers of units affordable at the lower income levels.

The major advantages and other notable features of fee revenues are:

- Fee revenues provide local resources for assisting in the development of all affordable projects serving the lower income tiers, including Very Low and Extremely Low Income levels, which are not served by the County's current program relating to ownership units.

- With the end of Redevelopment in California, financial resources for local share and other needs are very scarce and few options are available. Impact fees on rental and some or all ownership projects represent one of the few resources available to local jurisdictions. The federal low-income tax credit program and other state and local programs require local share funding to compete in the awarding of tax credits and funds. Therefore, fee revenues could be an important leveraging tool.

- Impact fee programs may be broadened to encompass all residential construction, not just projects over a certain size threshold, because the underlying concept is different. All units generate an impact and, in fact, the higher priced the unit, the greater the impact. In other words, single family units not part of a subdivision or multiple unit project can be required to also pay impact fees. Since many of the units developed at luxury price levels are single unit construction, inclusion of this group will enhance revenue resources for affordable housing.

- County collection of impact fee revenues and awarding of funds to all affordable rental projects may entail lower administrative costs, in the long run, than the monitoring and administrative costs associated with deed restricted units. Administrative costs to levy and collect fees are relatively minimal. In addition, there is less risk of loss of units in severe recessionary conditions as was the case in recent years in Santa Cruz County.

- Since developers generally prefer paying fees, all else being equal, there may be stronger developer interest to build new units in Santa Cruz County overall. This would increase the supply of housing, and could ease pressure on price escalations (although regional forces will continue to dominate).

- Most jurisdictions use a small portion of fee revenues to cover administrative costs, an attractive aspect in eras of severe fiscal constraint.

In summary, there are advantages and disadvantages to both on-site compliance requirements and impact fee emphasis. Many jurisdictions try to design their programs to achieve some of both. For example, on-site units could be required for projects over certain size thresholds, at certain locations, or under certain conditions, while fee payment is encouraged for a far wider set of circumstances than is currently the case in Santa Cruz County. Generally, however, when both on-site and fee collections are part of the program, there is an attempt at rough equivalency.

2. Alternative Fee Structures

Three alternative fee structures are presented in Exhibit 7 – fee per market rate unit, fee per square foot, fee as a percent of sales price. The three presented are all different expressions of the same fee level, but they could differ in revenue generation and do have different administrative needs.

At the outset, we would recommend that fees for ownership units and fees for rental units be different. The following discussion pertains to ownership units.

- A fee charged per market rate unit suggests the fee will be the same no matter the size or type of unit, unless different fees are identified for different types of projects. This would entail more administrative costs and need for defining the various distinctions (such as townhome v. condominium, etc.). Fees per market rate unit are easy to understand and easy to administer.

- Fees per square foot are almost as easy to administer as fees per market rate unit and have the advantage of yielding higher fees on larger units and more modest fees on smaller units. In this respect, per square foot fees are more equitable. They also tend to eliminate the need to distinguish between various types of projects. If there is significant development activity at the luxury end, greater fee revenues are realized. The fee per square foot format has become more common in recent years for these reasons.

- One disadvantage of fees collected with building permits is that they increase the capital outlay needed for new development. It is preferred to delay the timing of the payment of the fee to correlate as closely as possible with the receipt of home sales proceeds, usually collected at final inspection or at certificate of occupancy.

- Fees as a percent of sales price is a format utilized in a handful of San Francisco Peninsula cities. A major distinction is in administrative procedure. Fees per market rate unit or per square foot are usually collected at building permit issuance, whereas percent of sales price implies a close of escrow payment and a relationship between the County and local title companies, and oversight to ensure proper compliance.

- Fees as a percent of sales price more closely capture variations in land values associated with geographic locations such as water views, etc.

- One significant disadvantage of a fee based on market rate price is that it cannot be applied to new single family residences being built by the homeowner and additions to existing homes. New home construction and significant additions by homeowners might represent a significant portion of the construction activity in certain parts of the County. If the County decides to expand the affordable housing program to include single-residence projects, a per square foot fee on all new construction and net new square footage on rehabilitated units would be the most efficacious fee structure.

In summary we recommend that a per square foot fee be levied on ownership units.

For rental units, from a practical standpoint, fees must be either per unit or per square foot. In a market where most rental units are of similar size, there may be little difference in equity or revenue generation between the two, but generally per square foot is recommended unless there is a policy objective to encourage larger units.

3. Alternative Fee Levels

The choices for alternative fee structures relate to matters of equity and administrative ease. The choices with respect to fee level mostly concern financial feasibility and possibly policies to encourage a particular form of development or compliance option.

- Ownership units – the fee levels tested, which are the maximum supported by the nexus findings, result in acceptable returns for the detached prototypes. In part this is due to the fact the existing program is more costly to development than the fee levels tested and land values have adjusted to the County's requirements. The townhome projects, which have more challenging market feasibility overall in the current market cycle, are estimated to experience lower profit margins than detached projects.

- For rental units, feasibility with 100% market rate units is challenging. The rental market is strengthening, and with some regulatory adjustments in the County, development interest in rentals could return in the near term future. KMA suggests a modest fee level for the immediate future.

4. Estimate of Potential Fee Revenue

Exhibit 8 provides an indication of the magnitude of revenue that the County might collect if it were to amend its program to provide for an optional in-lieu fee program for ownership units. The exhibit provides estimates for a range of scenarios. The variables of the scenarios are: number of ownership units built per year, the average size/price of units, and the fee structure: a) 4% of price; b) $15 per square foot; and c) a flat rate of $23,000 per unit.

As shown, under all scenarios, a per-square foot fee structure is estimated to generate the greatest amount of fee revenue. Under the assumption that 100 units are built in a year, it is estimated that the County could collect between $2.1 million and $3.8 million of fee revenue, depending on the structure of the fee and the average unit size/price of homes built that yearAppendix A, Table 8 provides the annual number of building permits issued since 2003, based on data provided by County staff and data published by the Construction Industry Research Board. The historic data indicate that while construction has declined precipitously since 2008, the number of average annual permits that would likely be subject to a fee is in the range of 80 to 150 units.

If, however, only 25 units are built in a year, the estimated fee revenue declines to approximately $525,000 to $938,000.

Exhibit 8
Estimated Range of Potential Fee Revenue
Affordable Housing Program Update
Santa Cruz County

Assumed Profile of Average Market Rate Unit					
Scenario		**A**	**B**	**C**	**D**
Avg. Unit Size		**1,500**	**1,800**	**2,200**	**2,500**
Avg. Unit Price		**$525,000**	**$630,000**	**$803,000**	**$875,000**
Alternative Fee Structure - Fee Due Per Market Rate Unit					
Percent of Price	**4%**	$21,000	$25,200	$32,120	$35,000
Per SF	**$15**	$22,500	$27,000	$33,000	$37,500
Flat Rate Per Unit	**$23,000**	$23,000	$23,000	$23,000	$23,000

Annual Fee Revenue				
Scenarios 1A - 1D: 25 Units Built Annually				
	25	25	25	25
Fee Structure				
Percent of Price	$525,000	$630,000	$803,000	$875,000
Per SF	$562,500	$675,000	$825,000	$937,500
Flat Rate Per Unit	$575,000	$575,000	$575,000	$575,000
Scenarios 2A - 2D: 50 Units Built Annually				
	50	50	50	50
Fee Structure				
Percent of Price	$1,050,000	$1,260,000	$1,606,000	$1,750,000
Per SF	$1,125,000	$1,350,000	$1,650,000	$1,875,000
Flat Rate Per Unit	$1,150,000	$1,150,000	$1,150,000	$1,150,000
Scenarios 3A - 3D: 75 Units Built Annually				
	75	75	75	75
Fee Structure				
Percent of Price	$1,575,000	$1,890,000	$2,409,000	$2,625,000
Per SF	$1,687,500	$2,025,000	$2,475,000	$2,812,500
Flat Rate Per Unit	$1,725,000	$1,725,000	$1,725,000	$1,725,000
Scenarios 4A- 4D: 100 Units Built Annually				
	100	100	100	100
Fee Structure				
Percent of Price	$2,100,000	$2,520,000	$3,212,000	$3,500,000
Per SF	$2,250,000	$2,700,000	$3,300,000	$3,750,000
Flat Rate Per Unit	$2,300,000	$2,300,000	$2,300,000	$2,300,000
Scenarios 5A - 5D: 150 Units Built Annually				
	150	150	150	150
Fee Structure				
Percent of Price	$3,150,000	$3,780,000	$4,818,000	$5,250,000
Per SF	$3,375,000	$4,050,000	$4,950,000	$5,625,000
Flat Rate Per Unit	$3,450,000	$3,450,000	$3,450,000	$3,450,000

X. NON RESIDENTIAL NEXUS ANALYSIS

The non-residential nexus analysis quantifies the linkages between non-residential development in Santa Cruz County and the demand created for additional affordable housing. It is conducted to support expansion of the affordable housing program to include fees on non-residential development. Jobs housing impact fees were upheld by the Ninth Circuit Court of Appeal in *Commercial Builders of Northern California v. City of Sacramento*. Full documentation of this analysis is contained in Appendix E.

The workplace buildings that are the subject of this analysis represent a cross section of typical commercial buildings developed in Santa Cruz County in recent years and expected to be built in the near term future. For purposes of the analysis, the following building types were identified:

- Office
- Hotel
- Retail / Restaurant
- Manufacturing / Industrial

The nexus analysis links new commercial buildings with new workers in the County; these workers demand additional housing, a portion of which needs to be affordable to the workers in lower income households. The analysis begins by assuming a 100,000 square foot building for each of the four building types and then makes calculations as follows:

- Estimate the total number of employees working in the building based on average employment density data.
- Use occupation and income information for typical job types in the building to calculate how many of those jobs pay compensation at the levels addressed in the analysis. Compensation data is from the California Employment Development Department (EDD) and is specific to Santa Cruz County as of 2013. Worker occupations by building type are derived from the 2012 Occupational Employment Survey by the U.S. Bureau of Labor Statistics.
- Adjust for number of workers in household and overall household size. We know from the Census that many workers are members of households where more than one person is employed and there is also a range of household sizes; we use factors derived from the Census to translate the number of workers into households of various size represented in each income category.
- Calculate how many Extremely, Very Low-, Low-, Median- and Moderate-Income households are associated with the building and divide by the 100,000 square foot building size to arrive at coefficients of housing units per square foot of building area. The low and moderate household income categories addressed in the analysis are the same as those in the current inclusionary housing program and the Residential Nexus Analysis.

- Multiply the number of lower income households per square foot by the Affordability Gap, or the cost of delivering housing units affordable to these income groups. This is the Total Nexus Cost for the non-residential land use.

The total nexus costs for the four building types are as follows:

Total Nexus Cost Per Square Foot of Building Area

Office	$110.80 psf
Retail / Restaurant	$192.86 psf
Hotel	$68.42 psf
Manufacturing / Industrial	$61.88 psf

Note: Nexus findings are not recommended fee levels.
See Appendix E for detail.

These costs express the total linkage or nexus costs per square foot for the four building types. These total nexus costs represent the ceiling for any requirement placed on new construction for affordable housing. The totals are not recommended levels for fees; they represent only the maximums established by this analysis, below which fees or other requirements may be set.

APPENDIX A: MARKET SURVEY

I. INTRODUCTION

A key component of both the Residential Nexus Study and the Financial Feasibility Analysis is the identification of residential building prototypes that are expected to be developed in Santa Cruz County, both today and in the future, and what the current market prices for those prototypes are. In the Financial Feasibility Analysis (Appendix D), the market prices partially determine the feasibility of projects in today's market. In the Residential Nexus Analysis (Appendix B), these market prices are used to estimate the incomes of new households that will live in those units and a quantification of the number and types of new jobs that will be created as a result of those households. In this Appendix, Keyser Marston Associates (KMA) describes the residential building prototypes utilized for the analyses, summarizes the residential market data research, and describes the market price point conclusions drawn therefrom.

To articulate the prototypes in some detail, market surveys were conducted. Each unit is described in terms of size and configuration, lot size or density, and market pricing, using examples of other projects in the market area.

II. RESIDENTIAL PROTOTYPES

In collaboration with County staff, a total of six market rate residential prototypes were identified for analysis: five ownership prototypes and one rental prototype. The intent of the selected prototypes is to identify representative development prototypes that cover the range of what is envisioned to be developed in Santa Cruz County in the future.

The six prototypes are as follows:

1. *Individual Single Family Home*: This prototype is a large single family home, typically a custom home built by the landowner for personal use, although it could also be built by a developer as a single unit or part of a small development. The Mar Sereno Court development in Aptos is an example of a small development with these large (over 3,000 square foot) homes. Lot size, home size and market sales price varies significantly for this prototype. For the purposes of the analyses, a 3,200 square foot home on a 1 acre lot was selected. Appendix A Table 1 contains project information for the Mar Sereno Court project.

2. *Single Family – Large Lot*: This prototype is part of a single family home development with an average lot size of about 9,000 square feet, or 5 units to the acre. These units are smaller than the individual homes, with three to five bedrooms and an average size of 2,600 square feet. Examples include the Mattison Lane project that is currently under review at the County and the De Laveaga Park development under construction in the City of Santa Cruz. Appendix A Table 2 contains project information for examples of this prototype.

3. *Single Family – Smaller Lot*: This prototype is a single family unit built on a smaller lot than the previous prototype. Average unit size is 2,200 square feet, with a mix of three

and four-bedroom units. Average lot size is less than 5,000 square feet, or a density of 10 units to the acre. Recent examples of this prototype include KB Homes' Branciforte Creek project in the City of Santa Cruz, the Pearson Court project in Capitola and the De Laveaga Park project in Santa Cruz (this development falls between this prototype and the previous one in terms of lot size, but the unit sizes are smaller). Appendix A Table 3 contains project summaries for this prototype.

4. *Lower Density Townhome*: This is an attached ownership unit, with an average of three- to four-bedrooms and 1,700 square feet, and a density of 12 units to the acre. Examples include the Cabrillo Commons project and the Silver Oaks project, both located in Aptos. The Town Center Collection townhomes in Scotts Valley are similar in size to this prototype, although they are built at a higher density. Appendix A Table 4 contains project summaries.

5. *Higher Density Townhome*: This prototype is a smaller, higher-density attached unit with an average unit size 1,150 square feet and two bedrooms. This prototype is twice as dense at the previous attached prototype, at 24 units to the acre. Townhomes at this density are not currently being built in the unincorporated county, but it is modeled on a recent project on Gault Way in the City of Santa Cruz. The Town Center Collection townhomes in Scotts Valley are built at 19 units to the acre, although the units are larger than those envisioned here. Project summaries are presented in Appendix A Table 5.

6. *Multi-family Rental Apartments*: New market rate apartment buildings have not been developed in unincorporated Santa Cruz County for many years, due to high development costs, insufficient rent levels to support feasibility and density limits. With the continued strengthening of the rental market, and possibly some policy changes in the County, developer interest is increasing. The rental prototype is a mix of one, two and three-bedrooms with an average size of 850 square feet. The project is built at a density of 20 units to the acre.

In summary, the six residential prototypes are as follows:

Residential Prototypes	Density	No. of Bedrooms	Avg. Unit Size
Ownership Prototypes			
1) Individual Single Family Home	n/a	4 to 6 BRs	3,200 sq. ft.
2) Single Family - Large Lot	5 du/acre	3 to 5 BRs	2,600 sq. ft.
3) Single Family – Small Lot	10 du/acre	3 to 4 BRs	2,200 sq. ft.
4) Lower Density Townhome	12 du/acre	3 to 4 BRs	1,700 sq. ft.
5) Higher Density Townhome	24 du/acre	2 BRs	1,150 sq. ft.
Rental Prototype			
6) Multi-family Apartments	20 du/acre	1 to 3 BRs	850 sq. ft.

Source: KMA in collaboration with County of Santa Cruz

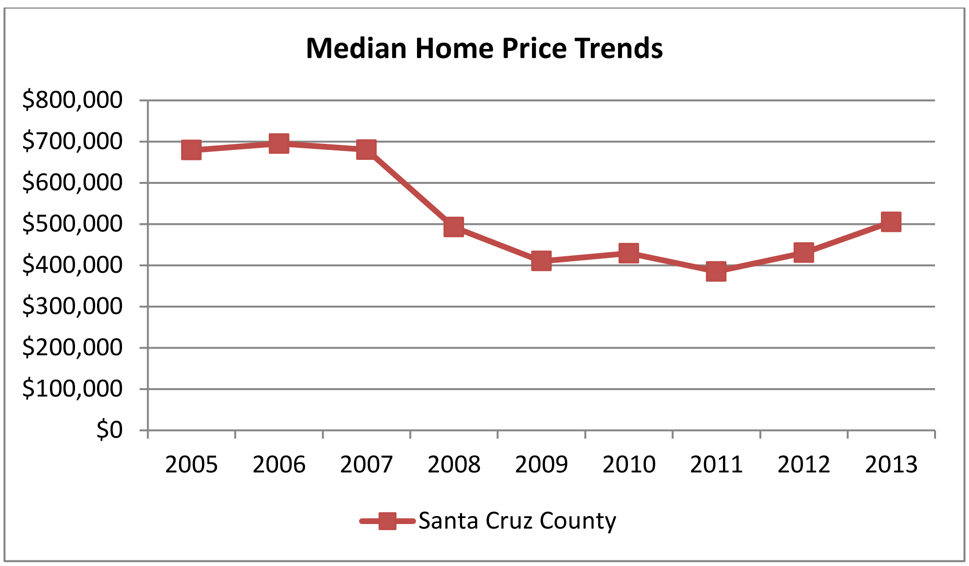
III. MARKET SURVEY & PRICE ESTIMATES

a) Residential Building Activity

KMA reviewed the residential building activity throughout Santa Cruz County, including the incorporated cities. Since the recession, development activity has picked up and there are several ownership developments that were recently completed, are under construction, or are in the planning stages throughout the County. There are recent examples for all of the prototypes, although many of the projects are in the incorporated cities. It remains difficult to develop rental units; only a few projects are in the planning stages and they are located in the cities of Santa Cruz and Capitola.

b) Overview of Ownership Unit (For Sale) Market

After precipitous declines in the home prices in 2008 and 2009, the market shows signs of recovery. The median home price in Santa Cruz County in 2013 was $505,000. This figure combines new units and resales, detached units and attached units.



Source: Dataquick

The recent rebound in median home prices can be attributed to improvement in the broader economy as well as to continued favorable mortgage interest rates and low inventories of homes for sale. It would be expected that the pace of home price escalation will moderate as home inventories increase to more typical levels, and as federal policy makers continue to allow mortgage interest rates to rise gradually from the historic lows experienced over the last couple of years.

c) *Recent New Ownership Projects and Pricing*

In order to estimate market pricing for the ownership residential prototypes, KMA first researched the sales prices of newly constructed homes that were recently sold. This is done for the five ownership prototypes. Homes in the incorporated cities were included in this research. A sampling of our findings is shown below, with more detail presented in Appendix A Tables 1 through 5.

Prototype	Project	Unit Size	Sales Price	Price per SF
Individual Single Family Home				
	Mar Sereno, Aptos	4,000 sf	$1.3 to $1.5 million	$367 per sf
Single Family -Large Lot				
	De Laveaga, Santa Cruz	2,000 sf	$800,000	$400 per sf
	Falcon Ridge, Scotts Valley	3,500 sf	$975,000	$282 per sf
Single Family -Small Lot				
	Branciforte Creek	2,450 sf	$718,000	$293 per sf
	Pearson Court, Capitola	1,500 sf	$660,000	$440 per sf
Lower Density Townhome				
	Cabrillo Commons, Aptos	1,370 sf	$490,000	$359
	Silver Oaks Phase II, Aptos	1,800 sf	$595,000	$328
	Town Center Collection, Scotts Valley	1,890 sf	$572,000	$300
Higher Density Townhome				
	117 Gault Way, Santa Cruz	1,093 sf	$475,000	$434
	Town Center Collection, Scotts Valley	1,890 sf	$572,000	$300

d) *Re-Sale Home Prices*

To supplement the new sales price data, and to provide an understanding of how sales prices vary throughout the County, KMA also analyzed resale prices of existing homes as an additional source of data to estimate the prototype home prices. Because new homes tend to sell for a premium over older homes, KMA narrowed the search to homes built in 2009 or later. The results are shown in the table below.

Homes Built 2009-2014	Average Size	Average # of BRs	Average Sales Price	Average Price/SF	Number of Records
Multifamily Units*	**1,723 SF**	**2.8**	**$516,591**	**$304**	**33**
Aptos	1,577 SF	2.7	$488,120	$308	25
Santa Cruz	1,984 SF	2.5	$682,000	$355	4
Scotts Valley	2,305 SF	4.0	$529,125	$230	4
** Condominiums and townhomes.*					
Single Family Units	**2,188 SF**	**3.1**	**$777,115**	**$376**	**191**
Aptos	2,539 SF	3.2	$1,180,382	$473	17
Boulder Creek	1,588 SF	3.0	$488,000	$307	1
Capitola	1,699 SF	2.7	$662,646	$415	24
Felton	3,811 SF	4.7	$315,000	$122	3
Freedom	1,952 SF	3.3	$382,333	$197	3
La Selva Beach	2,798 SF	3.0	$1,275,000	$444	2
Santa Cruz	2,100 SF	3.1	$743,476	$374	127
Scotts Valley	3,298 SF	3.4	$904,722	$270	9
Soquel	2,085 SF	3.0	$800,000	$385	2
Watsonville	2,972 SF	3.7	$1,055,000	$344	3

Source: DataQuick.

e) Ownership Prototype Price Estimates

The pricing of new home developments currently on the market combined with the resale data noted above formed the basis for KMA's prototype price estimates. Home prices vary significantly throughout the County, with higher prices in areas such as Aptos, La Selva Beach, and Soquel and lower prices inland and in the southern parts of the county, such as Boulder Creek and Freedom.

The prices of the residential prototypes reflect conservative estimates designed to show the range of home prices in the unincorporated County.

Ownership Prototype Price Estimates	Size	Price	Price PSF
1) Individual Single Family Home	3,200 sq. ft.	$1,200,000	$375
2) Single Family - Large Lot	2,600 sq. ft.	$845,000	$325
3) Single Family – Small Lot	2,200 sq. ft.	$726,000	$330
4) Lower Density Townhome	1,700 sq. ft.	$552,500	$325
5) Higher Density Townhome	1,150 sq. ft.	$450,000	$390

f) Rental Housing Market

KMA reviewed current asking rents for apartment units in Santa Cruz County. The results are shown on Appendix A Table 6. Most of the apartment buildings in the County are located in the City of Santa Cruz, where rents are currently in the $2.50 - $3.00 per square foot range in the newer projects. To gather data on rents in the unincorporated County, KMA reviewed current listings on Craigslist (Appendix A Table 7). The asking rents for units advertised on Craigslist were lower than the units in the City of Santa Cruz. However, units in a new apartment building would command higher rents than the older units advertised on Craigslist.

Data from the American Community Survey was used to develop an understanding of how rents differ throughout the County. While the actual rent levels reported are too old to be relevant (the data is for 2005-2009), the relationships between the rent levels are unlikely to have changed significantly. In the table below, rents are presented as a percent of the County median.

Location	Rents as Percent of County Median
Rio del Mar	146%
Scotts Valley (incorporated)	134%
Aptos	110%
Boulder Creek	110%
Capitola (incorporated)	108%
Twin Lakes	105%
Ben Lomond	104%
Santa Cruz (incorporated)	103%
Felton	103%
Live Oak	102%
Santa Cruz County Median	**100%**
Opal Cliffs	99%
Interlaken	99%
Corralitos	96%
Soquel	95%
Aptos Hills-Larkin Valley	94%
Watsonville (incorporated)	82%
Amesti	70%
Day Valley	70%
Freedom	65%

Source: American Community Survey, 2005-2009.

As shown in the table, the geographical variation in rents is significant, with rents in the most expensive locations more than double the rents in the least expensive locations.

g) Rental Prototype Rent Estimates

For the purposes of the analyses in the work program, KMA estimates that a new 850 square foot apartment in Santa Cruz County would rent for $2.50 per square foot, or $2,125 per month.

KMA notes that this rent is only marginally sufficient to support new rental development in the County, as evidenced by the lack of rental development in the County. This rent level, therefore, is a conservative estimate, as it is likely that rents will be higher when new development becomes feasible.

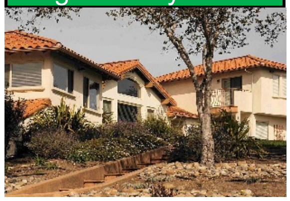
Rental Prototype Rent Estimates	Sq. Ft.	Rent/Month	Rent/Sq. Ft.
Prototype 6: Apartments	850 sf	$2,125	$2.50

h) Building Permit Trends

Appendix A, Table 8 provides the annual number of building permits issued since 2003, based on data provided by County staff and data published by the Construction Industry Research Board. The historic data indicate that while construction has declined precipitously since 2008, the number of average annual permits that would likely be subject to a fee is in the range of 80 to 150 units.

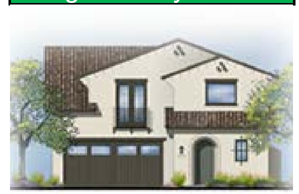
Appendix A Table 1
Individual Single Family Home
Affordable Housing Program Update
Santa Cruz County *DRAFT*

Mar Sereno Court
Single Family Homes



Location	Aptos
Construction Status	under construction 2003 to current
Units	10 units
Density	2.2 du/acre
Site Acres	4.60 acres
Unit Size Range	3,512 - 4,300 sf
Average Unit Size	3,982 sf
Bedroom Mix	25% 6 BR units 38% 5 BR units 38% 4 BR units
Avg Bedrooms	4.88 BR
Building Type	2-story detached
Price/Rent	$1.3 - $1.5 million
Per Sq. Ft.	$315 - $426

**Research conducted February 2014*

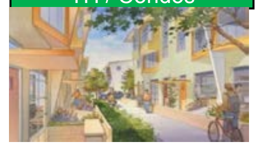
	Mattison Lane	The Meadow at Falcon Ridge Single Family Homes	DeLaveaga Park Single Family Homes
	no image available		
Location	County	Scotts Valley	City of Santa Cruz
Construction Status	Under Review	Sold starting in 2010.	under construction for spring 2014 finish
Units	11 units	14 units	13 units
Density	2.2 du/acre	4.1 du/acre	7.2 du/acre
Site Acres	4.95 acres	3.40 acres	1.80 acres
Unit Size Range	1,999 - 3,300 sf	3,243 - 3,686 sf	1,800 - 2,100 sf
Average Unit Size	n/a sf	3,460 sf	1,950 sf
Bedroom Mix	9% 4 BR units 91% 3 BR units plus 4 accessory units	100% 4 BR units	100% 3 BR units
Avg Bedrooms	3.09 BR	4.00 BR	3.00 BR
Building Type	n/a	2-story detached	2-story detached
Price/Rent	n/a	$975,000 - $985,000	$750,000 - $825,000
Per Sq. Ft.	n/a	$266 - $301	$393 - $417

**Research conducted February 2014*

Appendix A Table 3
Single Family - Smaller Lots
Affordable Housing Program Update
Santa Cruz County

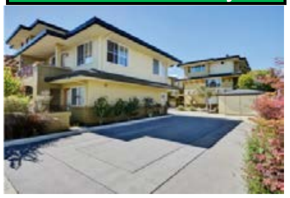
	KB Home Branciforte Creek Single Family Homes	DeLaveaga Park Single Family Homes	Pearson Court Single Family Homes
			
Location	Santa Cruz	Santa Cruz	Capitola
Construction Status	nearing completion	under construction	built 2012
Units	32 units	13 units	10 units
Density	10.4 du/acre	7.2 du/acre	10.6 du/acre
Site Acres	3.08 acres	1.80 acres	0.94 acres
Unit Size Range	1,510 - 2,920 sf	1,800 - 2,100 sf	1,218 - 2,335 sf
Average Unit Size	2,450 sf	1,950 sf	1,484 sf
Bedroom Mix	n/a 4 BR units n/a 3 BR units	13 3 BR units	56% 3 BR units 44% 2 BR units
Avg Bedrooms	3 - 4 BRs	3.00 BR	2.56 BR
Building Type	2-3 story detached	2-story detached	2-story detached
Market Rate Prices	\$642,000 - \$780,000	\$750,000 - \$825,000	\$565,000 - \$680,000
Per Sq. Ft.	\$235 - \$347	\$393 - \$417	\$400 - \$491

**Research conducted February 2014*

	Cabrillo Commons Attached Townhomes	Silver Oaks Attached Townhomes	Delaware Addition Attached Live / Work TH / Condos	Town Center Collection Attached Townhomes
				
Location	Aptos	Aptos	Santa Cruz	Scotts Valley
Construction Status	built 2009 and 2012, now selling	under construction, phase 2 selling	sitework complete; selling for build to suit	sold, 2013
Units	43 units	28 units	248 units	46 units
Density	11.4 du/acre	8.5 du/acre	12.4 du/acre	19.2 du/acre
Site Acres	3.78 acres	3.30 acres	20.00 acres	2.40 acres
Unit Size Range	1,062 - 2,025 sf	1,812 sf	1,200 - 2,640 sf	1,823 - 1,951 sf
Average Unit Size	1,373 sf	1,812 sf	2,159 sf	1,887 sf
Bedroom Mix	68% 3 BR units 32% 2 BR units	28 3 BR units	248 1 BR units	46 4 BR units
Avg Bedrooms	2.53 BR	3.00 BR	1.00 BR	4.00 BR
Building Type	2-story attached townhomes	2-story attached townhomes	3-story attached TH n/a spaces	3-story attached TH
Market Sales Prices	$394,000 - $573,500	$595,000	n/a	$491,500 - $639,500
Per Sq. Ft.	$266 - $416	$328	n/a	$263 - $337

**Research conducted February 2014*

Appendix A Table 5
Higher Density Townhome
Affordable Housing Program Update
Santa Cruz County *DRAFT*

	117 Gault Way	Town Center Collection Attached Townhomes
		
Location	Santa Cruz	Scotts Valley
Construction Status	built, sold 2006	sold, 2013
Units	9 units	46 units
Density	n/a du/acre	19.2 du/acre
Site Acres	unknown acres	2.40 acres
Unit Size Range	904 - 1,200 sf	1,823 - 1,951 sf
Average Unit Size	1,093 sf	1,887 sf
Bedroom Mix	100% 2 BR units	100% 4 BR units
Avg Bedrooms	2.00 BR	4.00 BR
Building Type	3-story attached TH	3-story attached TH
Off Street Parking/unit	2.00 spaces	2.00 spaces
Market Rate Prices	\$455,000 - \$625,000	\$491,500 - \$639,500
Per Sq. Ft.	\$418 - \$533 (2006/2007 pricing)	\$263 - \$337

**Research conducted in February 2014*

Appendix A Table 6
Asking Apartment Rents
Housing Program Update
Santa Cruz County, California *DRAFT*

	Configuration	SF	Rent	$/Sf
1010 Pacific Apartments	*1010 Pacific Avenue, Santa Cruz / 113 units / built 2004*			
	studio	385	$1,499	$3.89
	1 BD / 1 BA	558	$1,630	$2.92
	1 BD / 1 BA	692	$1,970	$2.85
	2 BD / 2 BA	837	$2,230	$2.66
	2 BD / 2 BA	878	$2,250	$2.56
	2 BD / 2 BA	985	$2,685	$2.73
	3 BD / 2 BA	1,106	$3,125	$2.83
Pacific Shores	*1240 Shaffer Road, Santa Cruz / 206 units / built 2003*			
	1 BD / 1 BA	790	$1,919	$2.43
	1 BD / 1 BA	817	$2,094	$2.56
	2 BD / 2 BA	1,016	$2,399	$2.36
	2 BD / 2 BA	1,035	$2,644	$2.55
Chestnut Street	*143 Chestnut Street, Santa Cruz / 96 units / built 2002*			
	1 BD / 1 BA	650	$1,972	$3.03
	2 BD / 1 BA	900	$2,462	$2.74
	2 BD / 2 BA	950	$2,452	$2.58
Westmont Place	*801 Nobel Drive, Santa Cruz / 54 units / built 1998*			
	2 BD / 1-2 BA	900	$2,275	$2.53
	2 BD / 1-2 BA	920	$2,560	$2.78

Keyser Marston Associates;
Filename: \\Sf-fs2\wp\19\19174\002\App A Tab 6-7 apts rents; 6/25/2014; jj

	Configuration	SF	Rent	$/Sf
Oceanview	*222 Columbia Street, Santa Cruz / 104 units / built 1970*			
	1 BD / 1 BA	650	$1,845	$2.84
	1 BD / 1 BA	750	$1,970	$2.63
	1 BD / 1 BA	820	$2,135	$2.60
	2 BD / 2 BA	835	$2,285	$2.74
	2 BD / 2 BA	860	$2,245	$2.61
	2 BD / 2 BA	935	$2,525	$2.70
	2 BD / 2 BA	950	$2,405	$2.53
	2 BD / 2 BA	1,030	$2,585	$2.51
Landing at Capitola	*3045 Capitola Road, Santa Cruz / 50 units / built 1978*			
	2 BD / 1.5 BA	960	$1,995	$2.08
Cypress Point	*101 Felix Street, Santa Cruz / 240 units / built 1974*			
	studio	440	$1,579	
	1 BD / 1 BA	625	$1,779	$2.85
	2 BD / 1 BA	771	$2,199	$2.85
Hidden Creek	*200 Button Street, Santa Cruz / 146 units / built 1971*			
	1 BD / 1 BA	450	$1,300	$2.89
	1 BD / 1 BA	525	$1,400	$2.67
	2 BD / 2 BA	686	$1,800	$2.62

Research conducted February 2014
Sources: Move.com, Rent.com, HotPads.com, Realquest.

Appendix A Table 7
Apartment Asking Rents in Unincorporated Santa Cruz County *DRAFT*

	BRs	Unit Size	Unit Type	Asking Rent	Rent PSF	Notes
Aptos						
	studio			$950		
	studio		detached	$950		
	studio			$1,000		
	studio	240 sf		$1,050	$4.38	
	studio/1 BR	600 sf		$1,100	$1.83	
	1 BR	900 sf		$1,000	$1.11	
	1 BR		apt bldg	$1,550		ocean views
	2 BR/1Ba	1,020 sf	condo	$1,950	$1.91	
	3 BR	1,300 sf	townhome	$2,100	$1.62	
	3 BR/ 2 BA	2,100 sf	townhome	$2,995	$1.43	
Davenport						
	2 BR/ 1 Ba	900 sf	duplex	$1,600	$1.78	
Soquel						
	Studio			$1,050		
	Studio	300 sf		$900	$3.00	furnished
	1 BR/ 1 ba		2nd unit	$2,000		
Freedom						
	1 BR/1Ba			$1,200		
Watsonville (to supplement data from south county)						
	studio		detached	$1,350		ocean view
	studio	400 sf	detached	$1,150	$2.88	
	studio			$800		
	Studio	505 sf	condo	$1,025	$2.03	
	1 BR/1Ba		apt bldg	$1,000		
	1 BR/1Ba		duplex	$1,200		
	1BR			$1,100		
	2BR/1.5ba	865 sf	apt bldg	$1,425	$1.65	
	2BR/1ba	950 sf	duplex	$1,500	$1.58	
	2BR/1Ba	680 sf		$1,500	$2.21	
	2BR/2BA			$1,500		
	3BR/2.5ba	1,500 sf	townhome	$2,300	$1.53	

Excludes single family homes.
Source: Craigslist, March 10, 2014.

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Building Permit Trends

Unincorporated Santa Cruz County

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Avg.
Data Provided by County												
Rural	62	55	77	43	36	27	15	26	15	17	11	35
Urban	69	94	87	57	34	36	17	6	20	40	28	44
Subtotal	131	149	164	100	70	63	32	32	35	57	39	79
Exempt from growth cap	157	144	151	171	74	70	59	48	123	98	49	104
Total Building Permits	**288**	**293**	**315**	**271**	**144**	**133**	**91**	**80**	**158**	**155**	**88**	**183**
Breakdown of Units Exempt from Cap:												
Affordable Units				71	0	3	1	0	89	64	4	29
2nd Units				38	40	31	22	27	16	17	28	27
Existing SFD Conv to 2nd Unit					0	0	0	0	1	2	0	0
Replacement SFDS				48	30	30	34	19	15	14	13	25
Replacement APs				7	2	4	0	2	0	0	0	2
Replacement BPs				1	1	0	2	0	0	0	0	1
Replacement APs/BPs				6	1	2	0	0	2	1	4	2
Total Exempt	157	144	151	171	74	70	59	48	123	98	49	104
Total	288	293	315	271	144	133	91	80	158	155	88	183
Net of Affordable	288	293	315	200	144	130	90	80	69	91	84	162
and net of replacements and conversions	288	293	315	138	110	94	54	59	51	74	67	**140**
Adjusted total, net of affordable, replacement and 2nd units	**131**	**149**	**164**	**100**	**70**	**63**	**32**	**32**	**35**	**57**	**39**	**79**
CIRB Data												
Single Family Units			248	234	119	124	78	63	46	83	50	116
Units in 2+ unit Structures			53	2	0	7	2	0	90	30	6	21
Total Units			301	236	119	131	80	63	136	113	56	137

APPENDIX B: RESIDENTIAL NEXUS ANALYSIS

INTRODUCTION AND OVERVIEW

The following report documents and quantifies the linkages between new market-rate residential development in the County of Santa Cruz and the demand for additional affordable housing. The analysis, which demonstrates support for a Housing Impact Fee, has been prepared by Keyser Marston Associates (KMA) for the County of Santa Cruz in accordance with a contractual agreement through the Housing Authority of the County of Santa Cruz.

The County's 'Measure J' Program was adopted in 1978 and states that it is the County's policy that at least 15% of newly constructed housing units will be affordable to households with average or below average incomes.. Chapter 17.10 and subsequent additions to the County Code require that 15% of all units be affordable but that in lieu fees are also permissible.

Since adoption of the County's inclusionary housing program, there have been several court cases affecting inclusionary housing programs. The *Palmer* case in particular precludes local jurisdictions from requiring the inclusion of affordable units in rental projects unless the developer receives monetary incentives, a density bonus, or certain regulatory concessions and agrees by contract to restrict the rents. *Palmer* and other recent and pending cases have encouraged cities and counties to seek alternative strategies to address the need for affordable housing.

At this time, the County is conducting a review and update of its affordable housing program overall. A nexus analysis is being conducted to support the inclusionary program and to enable the County to establish impact fees for both rental and ownership units if it so chooses. For rental units, the County is considering a Housing Impact Fee, consistent with the *Palmer* case. Fee revenues would be used to assist construction of new affordable units as mitigation for increased affordable housing needs linked to new market rate residential construction.

Analyses of the impacts of new development are called linkage or nexus analyses. This nexus analysis establishes maximum supportable Housing Impact Fee levels based on a quantification of the impact that new market rate residential development has on the need for affordable housing in the County.

The Nexus Concept

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

Use of This Study

The nexus study has been prepared for the limited purpose of determining nexus support for the County's inclusionary housing program and a potential Housing Impact Fee in Santa Cruz County affecting new residential construction. 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.

Methodology and Models Used

The methodology 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 income available for expenditures on goods and services, the jobs associated with the purchases and delivery of those 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 available for expenditures to jobs generated were performed using the IMPLAN model, a model widely used for the past 35 years to quantify the impacts of changes in a local economy, including employment impacts from changes in personal income. From job generation by industry, KMA used its own jobs housing nexus 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 estimate the gross income of the household (from mortgage rates and lending practices) and the portion of income available for expenditures. Households will "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 Santa Cruz County.

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 Santa Cruz County. If purchasers or renters have relocated from elsewhere in the county, vacancies have been created that will be filled. An adjustment to new construction of units would be warranted if Santa Cruz County were experiencing demolitions or loss of existing housing inventory. However, the rate of net housing unit removal is so low it does 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. Similarly, if a property is purchased as a 'tear-down' and replaced with a larger single family unit, there could be a need for an adjustment based on the incremental increase in affordable housing demand generated by the differential in household income required to purchase the old and the new units.

Since the analysis addresses net new households in Santa Cruz County 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

Housing impacts, like most types of impacts, occur irrespective of political boundaries. Like other types of impact analyses, such as traffic, impacts beyond county boundaries are experienced, are relevant, and are important. The County of Santa Cruz regulates land use within its boundaries and is the only jurisdiction in a position to require mitigation of impacts from new residential development occurring there, including mitigation of impacts extending outside of the unincorporated areas.

While many of the housing impacts documented in the nexus analysis will occur within the unincorporated areas of the County, some impacts will be experienced in the incorporated cities within the County, and outside of the County. The IMPLAN model uses a data set specific to Santa Cruz County that computes the jobs generated within the County, including the incorporated cities. The input to the IMPLAN model used in the analysis is household income available for expenditures. While it is expected that households will make most expenditures within Santa Cruz County, some expenditures on goods and services will also occur in neighboring counties.

Market Rate Residential Project Types

Six prototypical residential project types were selected for analysis in this nexus study. The prototypes were intended to represent the range of product types currently being built in unincorporated Santa Cruz County or which are expected in the future including:

- Individual Single Family Home
- Single Family – Large Lot

- Single Family – Smaller Lot
- Lower Density Townhome
- Higher Density Townhome
- Multi-family Rental Apartments

Affordability Tiers

The nexus analysis addresses the following five income or affordability tiers:

- Extremely Low Income (under 30% of Area Median Income, or AMI)
- Very Low Income (30% to 50% of AMI)
- Low Income (50% to 80% AMI)
- Median Income (80% to 100% AMI)
- Moderate Income (100% to 120% AMI)

Appendix B Organization

Appendix B is organized into four sections with an Addendum as follows:

- Section I presents information regarding the prototypical new market rate residential units and the estimated household income of purchasers or renters of those units.

- Section II describes the IMPLAN model, which is used in the nexus analysis to translate household income into the estimated number of jobs in retail, restaurants, healthcare, and other sectors serving new residents.

- Section III presents the linkage between employment growth associated with residential development and the need for new lower income housing units required in each of the income categories.

- Section IV quantifies the nexus or mitigation cost based on the cost of delivering affordable units to new worker households in each of the lower income categories.

- The Addendum presents additional background discussion on nexus concepts and assumptions.

Disclaimer

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: 2010-2012 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.

I. MARKET RATE UNITS AND HOUSEHOLD INCOME

This section describes the prototypical market rate residential units and the income of the purchaser and renter households. Market rate prototypes are representative of new residential units currently being built in Santa Cruz County or that are likely to be built in Santa Cruz County over the next several years. Household income is estimated based on the amount necessary for the mortgage or rent payments associated with the prototypical new market rate units and becomes the basis for the input to the IMPLAN model described in Section II of this appendix. These are the starting points of the chain of linkages that connect new market rate units to incremental demand for affordable residential units.

This section provides a summary of the prototypes and household income. More description on the selection of the prototypes is provided in Appendix A.

Recent Housing Market Activity and Prototypical Units

KMA identified six residential prototypes in consultation with County staff; these prototypes are representative of the types of development that the County of Santa Cruz expects to see over the coming years. KMA then undertook a market survey of projects covering these prototypes. The survey was conducted in early 2014 and included the unincorporated County as well as the incorporated cities within the County.

The main objective of the survey was to establish current sales prices or rents per unit and per square foot for the various residential project types recently developed, or expected to be developed in the future, in Santa Cruz County. Appendix B Table I -1 at the end of this section provides a more detailed summary of the six market rate prototypes.

It is important to note that the prototypes are intended to reflect average or typical residential projects in the Santa Cruz market rather than any specific project. It would be expected that specific projects would vary to some degree from the prototypes.

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

Prototypical Residential Units						
	Individual Single Family	*Single Family – Large Lot*	*Single Family – Smaller Lot*	*Lower Density Townhome*	*Higher Density Townhome*	*Rental*
Avg. Unit Size	3,200 SF	2,600 SF	2,200 SF	1,700 SF	1,150 SF	850 SF
Avg. No. of Bedrooms	4 BR	3.5 BR	3.5 BR	3 BR	2 BR	2 BR
Avg. Sales Price / Rent	$1,200,000	$845,000	$726,000	$552,500	$450,000	$2,125 /mo.

There is extensive geographical variation in home values throughout the County, with the coastal areas tending to be more expensive than the inland and southern parts of the County. From a nexus perspective, the results are driven primarily by the sales price of the home, and not the unit type (detached, attached, etc.). Therefore, a single family detached home that sells for $500,000, for example, would have per-unit nexus results in the same range of the townhome prototypes (nexus results per square foot would differ by unit size). The range of unit values presented above allows the County to understand the range of nexus results throughout the County, both due to geographical differences and different unit types.

Income of Housing Unit Purchaser or Renter

After the prototypes are established, the next step in the analysis is to determine the income of the purchasing or renting households in the prototypical units.

Ownership 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, 5.25% interest rate. The assumption of a 20% down payment is based on purchase loans in Santa Cruz County.[4] The interest rate at 5.25% reflects an estimate of the longer term average based on the experience over the past ten years.[5] Current rates as of May 2014 are about 1% lower. Appendix B Tables I-2 through I-6 at the end of this section provide the details.

All ownership product types include an estimate of homeowners' insurance, homeowner association dues, and property taxes, which are included along with the mortgage payment as part of housing expenses for purposes of determining mortgage eligibility.[6] The analysis estimates gross household income based on the assumption that these housing costs represent, on average, approximately 35% of gross income. The assumption that housing expenses represent

[4] Down payment at 20% is based on Freddie Mac data on its portfolio of mortgages originated in zip codes corresponding to Santa Cruz County (zip codes that have 950 as first three digits i.e. zip 950XXX) and specific to principal residence purchase loans originated during 4th quarter of 2012 (most recent available). Data set indicates 20% is most common down payment percentage.

[5] Based on Freddie Mac Primary Mortgage Market Survey weekly average rates for 30 year fixed rate mortgages during the period from 2004 through 2013.

[6] Housing expenses are combined with other debt payments such as credit cards and auto loans to compute a Debt To Income (DTI) ratio which is a key criteria used for determining mortgage eligibility.

35% of gross income is reflective of the average for new purchase loans originated in Santa Cruz County[7] and is consistent with criteria used by lenders to determine mortgage eligibility.[8]

Apartment Units

Household income for renter households is estimated based on the assumption that rent represents, on average, 30% of gross household income, a percentage that is slightly less than the median for Santa Cruz County reported by the Census of 34%.[9] While slightly less than the median from the Census, the 30% factor was selected for consistency with the California Health and Safety Code standard for relating income to affordable rent levels.[10] While leasing agents and landlords may permit rental payments to represent a slightly higher share of total income, use of the 30% factor as an average is appropriate. Further, many renters will choose to spend less than 30% of their income on rent where possible, 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 Appendix B Tables I-2 through I-7, and summarized below.

Household Income						
	Individual Single Family	Single Family – Large Lot	Single Family – Smaller Lot	Lower Density Townhome	Higher Density Townhome	Rental
Gross Household Income	$228,000	$164,000	$145,000	$113,000	$96,000	$85,000

Income Available for Expenditures

The input into the IMPLAN model used in this analysis is the net income available for expenditures. To arrive at income available for expenditures, gross income must be adjusted for Federal and State income taxes, contributions to Social Security and Medicare, savings, and payments on household debt. Per KMA correspondence with the producers of the IMPLAN model (IMPLAN Group LLC), other taxes including sales tax, gas tax, and property tax are handled internally within the model as part of the analysis of expenditures. Housing costs are

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[7] New purchase loans in Santa Cruz County have an average debt to income ratio of 35% based on data from Freddie Mac on its portfolio of mortgages within zip codes corresponding to Santa Cruz County and specific to principal residence purchase loans originated during 4th quarter of 2012, the most recent period available at the time the data was accessed. Debt to income ratio includes other forms of debt such as student loans, credit cards, and auto loans which suggests a ratio including only housing expenses would be less than 35%. Applying a ratio below 35% in the analysis would have produced a higher estimate of gross household income and higher resulting nexus findings; therefore, application of a 35% ratio represents a conservative assumption for purposes of the nexus analysis.

[8] Fannie Mae mortgage underwriting eligibility criteria establishes a debt to income threshold of 36% above which tighter credit standards apply. A debt to income ratio of up to 45% is permitted for borrowers meeting specified credit criteria; however, most households have other forms of debt such as credit cards, student loans, and auto loans that would be considered as part of this ratio.

[9] 2010-2012 American Community Survey.

[10] Health and Safety Code Section 50052.5 defines affordable rent levels based on 30% of income.

addressed separately within the model, as described below, and so are not deducted as part of this adjustment step. Appendix B Table I-8 at the end of this section shows the calculation of income available for expenditures.

The amount of income available for expenditures is a function of gross household income, as tax rates vary by income level. For the ownership prototypes, the income available for expenditures ranges from 62% to 72% of gross income, depending on the gross household income. The estimates are based on a review of data from the Internal Revenue Service and California Franchise Tax Board tax tables. Per the Internal Revenue Service, households earning between $200,000 and $500,000 per year, or the residents of the individual single family homes, will pay an average of 16.8% of gross income for federal taxes. The percent of gross income spent on federal taxes declines as the gross income declines. State taxes are estimated between 4 and 6% of gross income based on tax rates per the California Franchise Tax Board. The employee share of the FICA payroll taxes for Social Security and Medicare is 7.65% of gross income (conservatively assumes all earners in the household are within the $117,000 ceiling on income subject to Social Security taxes).

Savings and repayment of household debt represent another necessary adjustment to gross income. Savings includes various IRA and 401 K type programs as well as non-retirement household savings and investments. Debt repayment includes auto loans, credit cards, and all other non-mortgage debt. Savings and repayment of debt are estimated to represent a combined 8% of gross income based on the 20 year average derived from United States Bureau of Economic Analysis data.

The percentage of income available for expenditure for input into the IMPLAN model is prior to deducting housing costs. The reason is for consistency with the IMPLAN model which defines housing costs as expenditures. The IMPLAN model addresses the fact that expenditures on housing do not generate employment to the degree other expenditures such as retail or restaurants do, but there is some limited maintenance and property management employment generated.

After deducting income taxes, Social Security, Medicare, savings, and repayment of debt, for purchasers of one of the new ownership prototypes, the estimated income available for expenditures ranges from 62% to 72% of gross income. These factors are used to adjust from gross income to the income available for expenditures for input into the IMPLAN model. As indicated above, other forms of taxation such as property tax are handled internally within the IMPLAN model.

Income available for expenditures for the prototypical renter household is based on the same evaluation. However, renters are assumed to take the standard tax deduction instead of itemizing tax deductions. The result is that the renter household would have an estimated 70% of income available for expenditures. The rate of savings and debt repayment is assumed to be the same for the renter household as for households in the ownership prototypes.

Estimates of household income available for expenditures are presented in the following table:

Income Available for Expenditures						
	Individual Single Family	*Single Family – Large Lot*	*Single Family – Smaller Lot*	*Lower Density Townhome*	*Higher Density Townhome*	*Rental*
Gross Household Income	$228,000	$164,000	$145,000	$113,000	$96,000	$85,000
Percent Income Available for Expenditures	62%	67%	67%	67%	72%	70%
Household Income Available for Expenditures [Input to IMPLAN model]	$141,000	$110,000	$97,000	$76,000	$69,000	$60,000

The nexus analysis is conducted on 100-unit building modules for ease of presentation, and to avoid awkward fractions. Appendix B Tables I-9 and I-10 summarize the conclusions of this section and calculate the household income for the 100-unit building modules. This is the input into the IMPLAN model.

Appendix B Table I-1
Residential Prototypes with Market Sales Prices/Rents
Affordable Housing Regulations Update
Santa Cruz County

Prototype	Individual Single Family Home	Single Family - Large Lot	Single Family - Smaller Lot	Lower Density Townhome	Higher Density Townhome	Multi-Family Rental Apartments
Number of Units	1	10 (with some accessory units)	35	28	14	40
Building Type	1 to 2 stories	1 to 2 stories	2-3 story detached	2 stories	2 story, tucked garages	2-3 stories
Avg. Unit Size	3,200	2,600	2,200	1,700	1,150	850
Bedroom Mix	4+ bedrooms	3 and 4 beds	3 and 4 beds	3 bedroom units	1 and 2 beds	1, 2, and 3 beds
Developable Acres	1	2	3.5	2.3	0.6	2
Density (Du/acre)	1	5	10	12	24	20
Example	Mar Sereno Court	Mattison Lane De Laveaga Park	Branciforte Creek, Pearson Court, De Laveaga Park	Silver Oaks, Cabrillo Commons	117 Gault Way	
Estimated Market Sales Price/ Rent	$1,200,000	$845,000	$726,000	$552,500	$450,000	$2,125
Per square foot	$375	$325	$330	$325	$390	$2.50

APPENDIX B TABLE I-2
PROTOTYPE 1: INDIVIDUAL SINGLE FAMILY HOME
SALES PRICE TO INCOME RATIO
RESIDENTIAL NEXUS ANALYSIS
SANTA CRUZ COUNTY **WORKING DRAFT FOR REVIEW BY STAFF ONLY**

			Prototype 1 Individual Single Family Home
Sales Price	$375 /SF	3,200 SF [1]	$1,200,000 [1]
Mortgage Payment			
Downpayment @ 20%		20% [2]	$240,000
Loan Amount			$960,000
Interest Rate			5.25% [3]
Term of Mortgage			30 years
Annual Mortgage Payment			$63,600
Other Costs			
Property Taxes	1.20%	of sales price [4]	$14,400
Homeowner Insurance	0.15%	sale price [5]	$1,800
Total Annual Housing Cost			$79,800
% of Income Spent on Hsg			35% [6]
Annual Household Income Required			**$228,000**
Sales Price to Income Ratio			5.3

Notes
(1) Based on Market Survey.
(2) Down payment at 20% is based on Freddie Mac data on its portfolio of mortgages originated in zip codes corresponding to Santa Cruz County (zip codes that have 950 as first three digits i.e. zip 950XXX) and specific to principal residence purchase loans originated during 4th quarter of 2012 (most recent available). Data set indicates 20% is most common down payment percentage.
(3) Average mortgage interest rate for prior 10 years derived from Freddie Mac Primary Mortgage Market Survey and about 0.75% above current favorable rates. Based on weekly average rates for 30 year fixed rate mortgages during the period from 2004 through 2013.
(4) 1.2% property tax rate is inclusive of ad valorem taxes plus estimated fixed charges and assessments.
(5) Estimated from quote obtained from Progressive Insurance.
(6) Based on Freddie Mac data on mortgages originated in zip codes corresponding to Santa Cruz County (zip codes that have 950 as first three digits i.e. zip 950XXX) which reflect an average debt to income ratio of 35% including both housing expenses and other debt like auto loans and credit cards. Were other debt excluded, the ratio would likely be lower than 35%. Using a ratio less than 35% would have increased the supported maximum fee levels from those reflected in the analysis; therefore, 35% represents a conservative estimate.

APPENDIX B TABLE I-3
PROTOTYPE 2: SINGLE FAMILY - LARGE LOT
SALES PRICE TO INCOME RATIO
RESIDENTIAL NEXUS ANALYSIS
SANTA CRUZ COUNTY **WORKING DRAFT FOR REVIEW BY STAFF ONLY**

			Prototype 2 Single Family - Large Lot
Sales Price	$325 /SF	2,600 SF [1]	$845,000 [1]
Mortgage Payment			
Downpayment @ 20%		20% [2]	$169,000
Loan Amount			$676,000
Interest Rate			5.25% [3]
Term of Mortgage			30 years
Annual Mortgage Payment			$44,800
Other Costs			
Property Taxes	1.20%	of sales price [4]	$10,100
HOA Dues / Maintenance	$100	per month [5]	$1,200
Homeowner Insurance	0.15%	sale price [6]	$1,300
Total Annual Housing Cost			$57,400
% of Income Spent on Hsg			35% [7]
Annual Household Income Required			**$164,000**
Sales Price to Income Ratio			5.2

Notes
(1) Based on Market Survey.
(2) Down payment at 20% is based on Freddie Mac data on its portfolio of mortgages originated in zip codes corresponding to Santa Cruz County (zip codes that have 950 as first three digits i.e. zip 950XXX) and specific to principal residence purchase loans originated during 4th quarter of 2012 (most recent available). Data set indicates 20% is most common down payment percentage.
(3) Average mortgage interest rate for prior 10 years derived from Freddie Mac Primary Mortgage Market Survey and about 0.75% above current favorable rates. Based on weekly average rates for 30 year fixed rate mortgages during the period from 2004 through 2013.
(4) 1.2% property tax rate is inclusive of ad valorem taxes plus estimated fixed charges and assessments.
(5) Based on HOA dues for newer market rate projects identified as part of the market survey.
(6) Estimated from quote obtained from Progressive Insurance.
(7) Based on Freddie Mac data on mortgages originated in zip codes corresponding to Santa Cruz County (zip codes that have 950 as first three digits i.e. zip 950XXX) which reflect an average debt to income ratio of 35% including both housing expenses and other debt like auto loans and credit cards. Were other debt excluded, the ratio would likely be lower than 35%. Using a ratio less than 35% would have increased the supported maximum fee levels from those reflected in the analysis; therefore, 35% represents a conservative estimate.

APPENDIX B TABLE I-4
PROTOTYPE 3: SINGLE FAMILY - SMALLER LOT
SALES PRICE TO INCOME RATIO
RESIDENTIAL NEXUS ANALYSIS
SANTA CRUZ COUNTY

WORKING DRAFT FOR REVIEW BY STAFF ONLY

			Prototype 3 Single Family - Smaller Lot
Sales Price	$330 /SF	2,200 SF [1]	$726,000 [1]
Mortgage Payment			
Downpayment @ 20%		20% [2]	$145,200
Loan Amount			$580,800
Interest Rate			5.25% [3]
Term of Mortgage			30 years
Annual Mortgage Payment			$38,500
Other Costs			
Property Taxes	1.20%	of sales price [4]	$8,700
HOA Dues / Maintenance	$200	per month [5]	$2,400
Homeowner Insurance	0.15%	sale price [6]	$1,100
Total Annual Housing Cost			$50,700
% of Income Spent on Hsg			35% [7]
Annual Household Income Required			**$145,000**
Sales Price to Income Ratio			5.0

Notes
(1) Based on Market Survey.
(2) Down payment at 20% is based on Freddie Mac data on its portfolio of mortgages originated in zip codes corresponding to Santa Cruz County (zip codes that have 950 as first three digits i.e. zip 950XXX) and specific to principal residence purchase loans originated during 4th quarter of 2012 (most recent available). Data set indicates 20% is most common down payment percentage.
(3) Average mortgage interest rate for prior 10 years derived from Freddie Mac Primary Mortgage Market Survey and about 0.75% above current favorable rates. Based on weekly average rates for 30 year fixed rate mortgages during the period from 2004 through 2013.
(4) 1.2% property tax rate is inclusive of ad valorem taxes plus estimated fixed charges and assessments.
(5) Based on HOA dues for newer market rate projects identified as part of the market survey.
(6) Estimated from quote obtained from Progressive Insurance.
(7) Based on Freddie Mac data on mortgages originated in zip codes corresponding to Santa Cruz County (zip codes that have 950 as first three digits i.e. zip 950XXX) which reflect an average debt to income ratio of 35% including both housing expenses and other debt like auto loans and credit cards. Were other debt excluded, the ratio would likely be lower than 35%. Using a ratio less than 35% would have increased the supported maximum fee levels from those reflected in the analysis; therefore, 35% represents a conservative estimate.

APPENDIX B TABLE I-5
PROTOTYPE 4: LOWER DENSITY TOWNHOME
SALES PRICE TO INCOME RATIO
RESIDENTIAL NEXUS ANALYSIS
SANTA CRUZ COUNTY

WORKING DRAFT FOR REVIEW BY STAFF ONLY

			Prototype 4 Lower Density Townhome
Sales Price	$325 /SF	1,700 SF [1]	$552,500 [1]
Mortgage Payment			
Downpayment @ 20%		20% [2]	$110,500
Loan Amount			$442,000
Interest Rate			5.25% [3]
Term of Mortgage			30 years
Annual Mortgage Payment			$29,300
Other Costs			
Property Taxes	1.20%	of sales price [4]	$6,600
HOA Dues / Maintenance	$250	per month [5]	$3,000
Homeowner Insurance	0.15%	sale price [6]	$800
Total Annual Housing Cost			$39,700
% of Income Spent on Hsg			35% [7]
Annual Income Required			**$113,000**
Sales Price to Income Ratio			4.9

Notes
(1) Based on Market Survey.
(2) Down payment at 20% is based on Freddie Mac data on its portfolio of mortgages originated in zip codes corresponding to Santa Cruz County (zip codes that have 950 as first three digits i.e. zip 950XXX) and specific to principal residence purchase loans originated during 4th quarter of 2012 (most recent available). Data set indicates 20% is most common down payment percentage.
(3) Average mortgage interest rate for prior 10 years derived from Freddie Mac Primary Mortgage Market Survey and about 0.75% above current favorable rates. Based on weekly average rates for 30 year fixed rate mortgages during the period from 2004 through 2013.
(4) 1.2% property tax rate is inclusive of ad valorem taxes plus estimated fixed charges and assessments.
(5) Based on HOA dues for newer market rate projects identified as part of the market survey.
(6) Estimated from quote obtained from Progressive Insurance for HO-6 "walls in" policy covering interior of unit and personal property. Exterior of structure and common area assumed to be covered by separate homeowners association policy.
(7) Based on Freddie Mac data on mortgages originated in zip codes corresponding to Santa Cruz County (zip codes that have 950 as first three digits i.e. zip 950XXX) which reflect an average debt to income ratio of 35% including both housing expenses and other debt like auto loans and credit cards. Were other debt excluded, the ratio would likely be lower than 35%. Using a ratio less than 35% would have increased the supported maximum fee levels from those reflected in the analysis; therefore, 35% represents a conservative estimate.

APPENDIX B TABLE I-6
PROTOTYPE 5: HIGHER DENSITY TOWNHOME
SALES PRICE TO INCOME RATIO
RESIDENTIAL NEXUS ANALYSIS
SANTA CRUZ COUNTY **WORKING DRAFT FOR REVIEW BY STAFF ONLY**

			Prototype 5 Higher Density Townhome
Sales Price	$391 /SF	1,150 SF [1]	$450,000 [1]
Mortgage Payment			
Downpayment @ 20%		20% [2]	$90,000
Loan Amount			$360,000
Interest Rate			5.25% [3]
Term of Mortgage			30 years
Annual Mortgage Payment			$23,900
Other Costs			
Property Taxes	1.20%	of sales price [4]	$5,400
HOA Dues / Maintenance	$300	per month [5]	$3,600
Homeowner Insurance	0.15%	sale price [6]	$700
Total Annual Housing Cost			$33,600
% of Income Spent on Hsg			35% [7]
Annual Income Required			**$96,000**
Sales Price to Income Ratio			4.7

Notes
(1) Based on Market Survey.
(2) Down payment at 20% is based on Freddie Mac data on its portfolio of mortgages originated in zip codes corresponding to Santa Cruz County (zip codes that have 950 as first three digits i.e. zip 950XXX) and specific to principal residence purchase loans originated during 4th quarter of 2012 (most recent available). Data set indicates 20% is most common down payment percentage.
(3) Average mortgage interest rate for prior 10 years derived from Freddie Mac Primary Mortgage Market Survey and about 0.75% above current favorable rates. Based on weekly average rates for 30 year fixed rate mortgages during the period from 2004 through 2013.
(4) 1.2% property tax rate is inclusive of ad valorem taxes plus estimated fixed charges and assessments.
(5) Based on HOA dues for newer market rate projects identified as part of the market survey.
(6) Estimated from quote obtained from Progressive Insurance for HO-6 "walls in" policy covering interior of unit and personal property. Exterior of structure and common area assumed to be covered by separate homeowners association policy.
(7) Based on Freddie Mac data on mortgages originated in zip codes corresponding to Santa Cruz County (zip codes that have 950 as first three digits i.e. zip 950XXX) which reflect an average debt to income ratio of 35% including both housing expenses and other debt like auto loans and credit cards. Were other debt excluded, the ratio would likely be lower than 35%. Using a ratio less than 35% would have increased the supported maximum fee levels from those reflected in the analysis; therefore, 35% represents a conservative estimate.

APPENDIX B TABLE I-7
PROTOTYPE 6: RENTAL APARTMENT
RENT TO INCOME RATIO
RESIDENTIAL NEXUS ANALYSIS
SANTA CRUZ COUNTY

WORKING DRAFT FOR REVIEW BY STAFF ONLY

			Prototype 6 Rental Apartment
Market Rent			
Monthly	$2.50 /SF	850 SF [1]	$2,125 [1]
Annual			$25,500
% of Income Spent on Rent (excludes utilities)			30% [2]
Annual Household Income Required			**$85,000**
Annual Rent to Income Ratio			3.3

Notes
(1) Based on the results of the market survey. Represents rent levels applicable to new units.
(2) Renter households are assumed to spend 30% of income on rent, or slightly less than the median for Santa Cruz County renter households at 34% While landlords may permit rental payments to represent a slightly higher share of total income, 30% represents an average and is reflective of standards in the health and safety code.

APPENDIX B TABLE I-8
INCOME AVAILABLE FOR EXPENDITURES[1]
RESIDENTIAL NEXUS ANALYSIS
SANTA CRUZ COUNTY

WORKING DRAFT FOR REVIEW BY STAFF ONLY

	Prototype 1: Individual Single Family Home	Prototype 2: Single Family - Large Lot	Prototype 3: Single Family - Smaller Lot	Prototype 4: Lower Density Townhome	Prototype 5: Higher Density Townhome	Prototype 6: Rental Apartment
Gross Income	100%	100%	100%	100%	100%	100%
Less:						
Federal Income Taxes [2]	16.8%	12.3%	12.3%	12.3%	8.8%	10.3%
State Income Taxes [3]	6%	5%	5%	5%	4%	4%
FICA Tax Rate [4]	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
Savings & other deductions [5]	8%	8%	8%	8%	8%	8%
Percent of Income Available for Expenditures [6] [Input to IMPLAN model]	***62%***	***67%***	***67%***	***67%***	***72%***	***70%***

Notes:

1 Gross income after deduction of taxes and savings. Income available for expenditures is the input to the IMPLAN model which is used to estimate the resulting employment impacts. Housing costs are not deducted as part of this adjustment step because they are addressed separately as expenditures within the IMPLAN model.

2 Reflects average tax rates (as opposed to marginal) based on U.S. Internal Revenue Services, Tax Statistics, Tables 1.1 and 2.1. Figures are for the 2011 tax year, the most recent for which data is available. For Prototype 1, the average tax rate for AGI of $200,000 to $500,000 for those itemizing deductions at 16.8% is applied. For Prototypes 2, 3, and 4 tax rates for AGI of $100,000 to $200,000 for those itemizing deductions is applied at 12.3% . For Prototype 5, the average tax rate for AGI of $75,000 to $100,000 for tax payers itemizing deductions of 8.8% is applied. For prototype 6, the average rate is for AGI of $75,000 to $100,000 for tax payers not itemizing deductions (10.3%). Homeowners are assumed to itemize deductions. Renter households are assumed to take the standard deduction.

3 Average tax rate estimated by KMA based on marginal rates per the California Franchise Tax Board and ratios of taxable income to gross income estimated based on U.S. Internal Revenue Service data. The higher average tax rates applicable to single or married filing separately tax filers is applied in the analysis so as to produce a conservative (likely understated) estimate.

4 For Social Security and Medicare. Conservatively assumes all income will be subject to Social Security taxes. The current ceiling on applicability of Social Security taxes is $117,000 (ceiling applies per earner not per household).

5 Household savings including retirement accounts like 401k / IRA and other deductions such as interest costs on credit cards, auto loans, etc., necessary to determine the amount of income available for expenditures. The 8% rate used in the analysis is based on the average over the past 20 years computed from U.S. Bureau of Economic Analysis data, specifically the National Income and Product Accounts, Table 2.1 "Personal Income and It's Disposition."

6 Deductions from gross income to arrive at the income available for expenditures are consistent with the way the IMPLAN model and National Income and Product Accounts (NIPA) defines income available for personal consumption expenditures. Income taxes, contributions to Social Security and Medicare, and savings are deducted; however, property taxes and sales taxes are not. Housing costs are not deducted as part of the adjustment because they are addressed separately as expenditures within the IMPLAN model.

Page 1 of 2

		Per Unit	Per Sq.Ft.	100 Unit Building Module
PROTOTYPE 1: INDIVIDUAL SINGLE FAMILY HOME				
Units				***100 Units***
Building Sq.Ft. (net salable area)		3,200		320,000
Sales Price		$1,200,000	$375	$120,000,000
Sales Price to Income Ratio		5.3		5.3
Gross Household Income		$228,000		$22,800,000
Income Available for Expenditur	62% of gross	$141,000		**$14,140,000**
PROTOTYPE 2: SINGLE FAMILY - LARGE LOT				
Units				***100 Units***
Building Sq.Ft. (net salable area)		2,600		260,000
Sales Price		$845,000	$325	$84,500,000
Sales Price to Income Ratio		5.2		5.2
Gross Household Income		$164,000		$16,400,000
Income Available for Expenditur	67% of gross	$110,000		**$10,990,000**

APPENDIX B TABLE I-9
FOR SALE PROTOTYPES: SALES PRICE TO INCOME SUMMARY
RESIDENTIAL NEXUS ANALYSIS
SANTA CRUZ COUNTY

WORKING DRAFT FOR REVIEW BY STAFF ONLY

		Per Unit	Per Sq.Ft.	100 Unit Building Module
PROTOTYPE 3: SINGLE FAMILY - SMALLER LOT				
Units				***100 Units***
Building Sq.Ft. (net salable area)		2,200		220,000
Sales Price		$726,000	$330	$72,600,000
Sales Price to Income Ratio		5.0		5.0
Gross Household Income		$145,000		$14,500,000
Income Available for Expenditur	67% of gross	$97,000		**$9,720,000**
PROTOTYPE 4: LOWER DENSITY TOWNHOME				
Units				***100 Units***
Building Sq.Ft. (net salable area)		1,700		170,000
Sales Price		$552,500	$325	$55,250,000
Sales Price to Income Ratio		4.9		4.9
Gross Household Income		$113,000		$11,300,000
Income Available for Expenditur	67% of gross	$76,000		**$7,570,000**
PROTOTYPE 5: HIGHER DENSITY TOWNHOME				
Units				***100 Units***
Building Sq.Ft. (net salable area)		1,150		115,000
Sales Price		$450,000	$391	$45,000,000
Sales Price to Income Ratio		4.7		4.7
Gross Household Income		$96,000		$9,600,000
Income Available for Expenditur	72% of gross	$69,000		**$6,910,000**

Notes:
(1) Represents net income available for expenditures after income tax, payroll taxes, and savings. See Table A-8 for derivation.

Source: See Tables I-2 to A-8. I

APPENDIX B TABLE I-10
NEW MARKET RATE RESIDENTIAL HOUSEHOLD SUMMARY
RESIDENTIAL NEXUS ANALYSIS
SANTA CRUZ COUNTY

WORKING DRAFT FOR REVIEW BY STAFF ONLY

		Per Unit	Per Sq.Ft.	100 Unit Building Module
PROTOTYPE 6: RENTAL APARTMENT				
Units				***100 Units***
Building Sq.Ft. (net rentable area)		850		85,000
Rent				
Monthly		$2,125	$2.50 /SF	$213,000
Annual		$25,500	$30.00 /SF	$2,550,000
Rent to Income Ratio		3.3		3.3
Gross Household Income		$85,000		$8,500,000
Income Available for Expenditure[1]	70% of gross	$60,000		**$5,950,000**

Notes:
(1) Represents net income available for expenditures after income tax, payroll taxes, and savings. See Table A-8 for derivation.

Source: Table I-7 and I-8.

II. 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 now commercially available through the IMPLAN Group, LLC. 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 for 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 changes in 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 Santa Cruz 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 Santa Cruz County. In addition, the employment impacts will extend throughout the County into the incorporated cities and beyond based on where jobs are located that serve County residents. In fact, Santa Cruz is part of the larger Bay Area economy and impacts will likewise extend throughout the region.

Application of the IMPLAN Model to Estimate Job Growth

The IMPLAN model was applied to link income to household expenditures to job growth. Employment generated by the household income of residents is analyzed in modules of 100 residential units to simplify communication of the results and avoid awkward fractions. The IMPLAN model 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.

Jobs Generated Per 100 Units						
	Individual Single Family	Single Family – Large Lot	Single Family – Smaller Lot	Lower Density Townhome	Higher Density Townhome	Rental
Annual Household Expenditures, 100 Units	$14,140,000	$10,990,000	$9,720,000	$7,570,000	$6,910,000	$5,950,000
Total Jobs Generated, 100 Units	90.2	70.1	61.6	47.9	42.2	36.3

Appendix B Table II-1 provides a detailed summary of employment generated by industry. The table shows industries sorted by projected employment. The Consumer Expenditure Survey published by the Bureau of Labor Statistics tracks expenditure patterns by income level. IMPLAN utilizes this data to reflect the pattern by income bracket. In the case of the Santa Cruz prototypes, the individual single family homes and the single family large lot units are in the $150,000 and up household income category, while the single family small lot units and the lower density townhome prototypes are in the $100,000 to $150,000 household income category. The higher density townhome and the apartment prototype are in the $75,000 to $100,000 household income category. Estimated employment is shown for each IMPLAN industry sector representing 1% or more of total employment. The jobs that are generated are heavily retail jobs, jobs in restaurants and other eating establishments, and in services that are provided locally such as health care. The jobs counted in the IMPLAN model cover all jobs, full and part time, similar to the U.S. Census and all reporting agencies (unless otherwise indicated).

APPENDIX B TABLE II-1
IMPLAN MODEL OUTPUT
EMPLOYMENT GENERATED
RESIDENTIAL NEXUS ANALYSIS
SANTA CRUZ COUNTY

WORKING DRAFT FOR REVIEW BY STAFF ONLY

Per 100 Market Rate Units

	Prototype 1: Individual Single Family Home	Prototype 2: Single Family - Large Lot	Prototype 3: Single Family - Smaller Lot	Prototype 4: Lower Density Townhome	Prototype 5: Higher Density Townhome	Prototype 6: Rental Apartment	% of Jobs
Household Expenditures: 100 Units [1]	$14,140,000	$10,990,000	$9,720,000	$7,570,000	$6,910,000	$5,950,000	
Jobs Generated by Industry [2]							
Retail Stores - Building and garden supply	1.2	0.9	0.8	0.6	0.5	0.4	1%
Retail Stores - Clothing and accessories	2.0	1.6	1.3	1.0	0.8	0.7	2%
Retail Stores - Food and beverage	3.5	2.7	2.3	1.8	1.5	1.3	4%
Retail Stores - General merchandise	2.3	1.8	1.5	1.2	0.9	0.8	2%
Retail Stores - Health and personal care	1.4	1.1	0.9	0.7	0.6	0.5	1%
Retail Stores - Miscellaneous	2.3	1.8	1.5	1.2	0.9	0.8	2%
Retail Stores - Motor vehicle and parts	1.7	1.3	1.1	0.9	0.7	0.6	2%
Retail Stores - Sporting goods, hobby, bool	0.9	0.7	0.6	0.5	0.4	0.3	1%
Subtotal Retail	15.4	12.0	10.1	7.8	6.3	5.4	16%
Offices of physicians and dentists	6.0	4.6	4.8	3.7	3.5	3.0	8%
Private hospitals	3.5	2.7	2.8	2.1	2.0	1.7	4%
Nursing and residential care facilities	2.6	2.0	2.1	1.6	1.5	1.3	3%
Medical, diagnostic labs, outpatient care	0.9	0.7	0.7	0.6	0.5	0.5	1%
Home health care services	1.2	0.9	0.9	0.7	0.7	0.6	2%
Subtotal Health Care	14.1	11.0	11.3	8.8	8.2	7.1	18%
Food services and drinking places	13.3	10.3	9.7	7.6	6.7	5.8	16%
Private household operations	3.4	2.6	2.1	1.6	1.4	1.2	3%
Real estate including property managemen	2.4	1.9	1.9	1.5	1.8	1.5	3%
Individual and family services	2.8	2.2	1.9	1.4	1.2	1.0	3%
Wholesale trade businesses	1.5	1.1	1.3	1.0	1.2	1.0	2%
Elementary and secondary schools	2.5	2.0	1.2	0.9	0.7	0.6	2%
Other private educational services	2.7	2.1	1.2	0.9	0.7	0.6	2%
Services to buildings and dwellings	1.5	1.2	1.0	0.8	0.7	0.6	2%
Personal care services	1.3	1.0	1.0	0.8	0.7	0.6	2%
Securities, investments, and related	1.4	1.1	0.9	0.7	0.6	0.5	1%
Amusement parks, arcades, gambling	1.3	1.0	0.8	0.6	0.5	0.5	1%
Banking and depository credit	1.2	0.9	0.8	0.6	0.5	0.4	1%
Civic, social, professional organizations	1.2	0.9	0.8	0.6	0.5	0.4	1%
Employment services	1.1	0.8	0.8	0.6	0.5	0.5	1%
Automotive repair and maintenance	1.1	0.8	0.8	0.6	0.5	0.5	1%
Legal services	1.1	0.9	0.7	0.6	0.5	0.4	1%
Grantmaking and social advocacy organiza	1.3	1.0	0.7	0.6	0.4	0.4	1%
Performing arts companies	0.9	0.7	0.6	0.5	0.4	0.3	1%
All Other	18.7	14.6	12.0	9.4	8.1	7.0	20%
Total Number of Jobs Generated	90.2	70.1	61.6	47.9	42.2	36.3	100%

1 Estimated employment generated by expenditures of households within 100 prototypical market rate units. Employment estimates are based on the IMPLAN Group's economic model, IMPLAN, for Santa Cruz County.

2 For Industries representing more than 1% of total employment.

Prepared by: Keyser Marston Associates, Inc.
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III. 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 II), to the estimated number of lower income housing units required in each of the five income categories, for each of the six residential prototype units.

A. 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 units per 100 market rate units.

The analysis addresses the affordable unit demand associated with single family detached, attached, and rental units in Santa Cruz County. The table below shows the 2014 Santa Cruz County income limits for the five categories that were evaluated: Extremely Low (30% of AMI), Very Low (50% of AMI), Low (80% of AMI), Median (100% of AMI), and Moderate (120% of AMI). The income definitions used in the analysis are those published by the California Department of Housing and Community Development (HCD).

2014 Income Limits for Santa Cruz						
	Household Size (Persons)					
	1	2	3	4	5	6 +
Extremely Low (30% AMI)	$21,200	$24,200	$27,250	$30,250	$32,700	$35,100
Very Low (50% AMI)	$35,300	$40,350	$45,400	$50,400	$54,450	$58,500
Low (80% AMI)	$56,500	$64,550	$72,600	$80,650	$87,150	$93,600
Median (100% of Median)	***$60,900***	***$69,600***	***$78,300***	***$87,000***	***$93,950***	***$100,900***
Moderate (120% AMI)	$73,100	$83,500	$93,950	$104,400	$112,750	$121,100

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.

B. Analysis Steps

The tables 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

Appendix B Table III-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 Appendix B Section II).

Step 2 – Changing Industries Adjustment and Net New Jobs

The local economy, like that of the U.S. as a whole, is constantly evolving. In Santa Cruz County over the past twenty years, employment in manufacturing sectors of the economy has continued to decline along with employment in Information and Mining/Logging/Construction. Jobs lost over the last decade in these declining sectors were replaced by job growth in other industry sectors. For the most part, the industries that experienced job losses over the last decade are believed to have stabilized and declines should be lesser going forward.

Step 2 makes an adjustment to take these declines, changes and shifts within all sectors of the economy into account recognizing that jobs added are not 100% net new in all cases. A 5% adjustment is utilized based on the long term shifts in employment that have occurred in some sectors of the local economy and the likelihood of continuing changes in the future. Long term declines in employment experienced in some sectors of the economy mean that some of the new jobs are being filled by workers that have been displaced from another industry and who are presumed to already have housing locally. Existing workers downsized from declining industries are assumed to be available to fill a portion of the new retail, restaurant, health care, and other jobs associated with services to residents. This is a conservative assumption given some displaced workers may exit the workforce entirely by retiring rather than seek a new job in one of the industries serving new residents.

Step 3 – Adjustment from Employees to Employee Households

This step (Appendix B Table III-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 1.83 workers per worker household (from the U. S. Census Bureau 2010-2012 American Community Survey) is used for this step in the analysis. The number of jobs is divided by 1.83 to determine the number of worker households. This ratio is distinguished from the overall number of workers per household in that the denominator includes only households with at least one worker. If the average number of workers in all households were used, it would have produced a greater demand for housing units. The 1.83 ratio covers all workers, full and part time.

Step 4 – 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, shown in Appendix B Table II-1. The IMPLAN output is paired with data from the Department of Labor, Bureau of Labor Statistics May 2012 Occupational Employment Survey (OES) to estimate the occupational composition of employees for each industry sector.

Step 4a - Translation from IMPLAN Industry Codes to NAICS Industry Codes

The output of the IMPLAN model is jobs by industry sector using IMPLAN's own industry classification system which consists of 440 industry sectors. The OES occupation data uses the North American Industry Classification System (NAICS). Estimates of jobs by IMPLAN sector must be translated into estimates by NAICS code for consistency with the OES data.

The NAICS system is organized into industry codes ranging from two- to six-digits. Two-digit codes are the broadest industry categories and six-digit codes are the most specific. Within a two-digit NAICS code, there may be several three-digit codes and within each three digit code, several four-digit codes, etc. A chart published by IMPLAN relates each IMPLAN industry sector with one or more NAICS codes, with matching NAICS codes ranging from the two-digit level to the five-digit level. For purposes of the nexus analysis, all employment estimates must be aggregated to the four digit NAICS code level to align with OES data which is organized by four-digit NAICS code. For some industry sectors, an allocation is necessary between more than one four-digit NAICS code. Where required, allocations are made proportionate to total employment at the national level from the OES.

Step 4b – Apply OES Data to Estimate Occupational Distribution

Employment estimates by four-digit NAICS code from step 4a are paired with data on occupational composition within each industry from the OES to generate an estimate of employment by detailed occupational category. As shown in Appendix B Table III-1, new jobs will be distributed across a variety of occupational categories. The three largest occupational categories are food preparation and serving (16%-17%), office and administrative support (15%), and sales (14-15%). Step 4 of Appendix B Table III-1 indicates the percentage and number of employee households by occupation associated with 100 market rate units.

Step 5 – Estimates of Employee Households Meeting the Lower Income Definitions

In this step, occupations are translated to employee incomes based on recent Santa Cruz County wage and salary information from the California Employment Development Department (EDD). The wage and salary information summarized in Appendix B Tables III-2, III-3, and III-4 provided the income inputs to the model.

For each occupational category shown in Appendix B Table III-1, the OES data provides a distribution of specific occupations within the category. For example, within the Food Preparation and Serving Category, there are Supervisors, Cooks, Bartenders, Waiters and Waitresses, Dishwashers, etc. In total there are over 100 detailed occupation categories included in the analysis, as shown in Appendix B Tables III-2, III-3, and III-4. Each of these over 100 occupation categories has a different distribution of wages which was obtained from EDD and is specific to workers in Santa Cruz County as of 2013.

For each detailed occupational category, the model uses the distribution of wages to calculate the percent of worker households that would fall into each income category. The calculation is performed for each possible combination of household size and number of workers in the household. For households with more than one worker, individual *employee* income data was used to calculate the household income by assuming multiple earner households are, on average, formed of individuals with similar incomes.

At the end of Step 5, the nexus model has established a matrix indicating the percentages of households that would qualify in the affordable income tiers for every detailed occupational category and every potential combination of household size and number of workers in the household.

Step 6 – Distribution of Household Size and Number of Workers

In this step, the model examines the demographics of Santa Cruz County in order to develop probability factors for each potential combination of household size and number of workers. The factors represent the probability that a worker is a member of a household of a given size and number of workers. Probability factors are specific to Santa Cruz County and are derived from the 2010 – 2012 American Community Survey. The probability factors account for the following:

- Households range in size and in the number of workers.
- Large households generally have more workers than smaller households.

The result of Step 6 is a distribution of Santa Cruz County working households by number of workers and household size.

Step 7 – Estimate of Number of Households that Meet Size and Income Criteria

Step 7 is the final step to calculate the number of worker households meeting the size and income criteria for the three affordability tiers. The calculation combines the matrix of results from Step 5 on percentage of worker households that would meet the income criteria at each potential household size / no. of workers combination, with Step 6, the probability of a worker household having a given household size / number of workers combination. The result is the percentage of households that fall into each affordability tier. The percentages are then multiplied by the number of households from Step 3 to arrive at the number of households in each affordability tier.

Appendix B Table III-5 shows the result after completing Steps 5, 6, and 7. The results shown are for the under 30% of AMI category. The methodology is repeated for each of the income tiers, resulting in a total count of worker households per 100 units.

C. Summary Findings

Appendix B Table III-6 indicates the results of the analysis for each of the residential prototypes. The table presents the number of households generated in each affordability category and the total number over 120% of Area Median Income.

The findings in Appendix B Table III-6 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						
	Individual Single Family	*Single Family – Large Lot*	*Single Family - Smaller Lot*	*Lower Density Townhome*	*Higher Density Townhome*	*Rental*
Extremely Low (under 30% AMI)	8.4	6.5	5.7	4.5	3.9	3.4
Very Low (30%- 50% AMI)	13.4	10.4	9.1	7.1	6.1	5.3
Low (50%-80% AMI)	11.9	9.2	8.0	6.3	5.5	4.7
Median (80%-100% AMI)	1.5	1.2	1.0	0.8	0.7	0.6
Moderate (100%-120% AMI)	3.1	2.4	2.1	1.7	1.5	1.3
Total, Less than 120% AMI	**38.4**	**29.8**	**26.0**	**20.3**	**17.7**	**15.2**
Greater than 120% AMI	8.4	6.5	5.9	4.6	4.2	3.6
Total, New Households	**46.8**	**36.4**	**31.9**	**24.9**	**21.9**	**18.9**

Housing demand for new worker households earning less than 120% of AMI ranges from 38.4 units per 100 market rate units for individual single family units to 15.2 units per 100 market rate units for rentals. Housing demand is distributed across the lower income tiers with the greatest number of households in the Very Low income tier. 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.

Inclusionary Percentages Supported

The analysis findings identify how many lower income households are generated for every 100 market rate units. These findings are adjusted to a supported inclusionary percentage which represents the percentage of units provided on-site within a project that would fully mitigate the affordable housing impacts as documented in this nexus analysis.

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 Appendix B Table III-7. Each tier is cumulative, or inclusive of the tiers above.

Cumulative Inclusionary Percentage Supported by Nexus Analysis						
	Individual Single Family	*Single Family – Large Lot*	*Single Family - Smaller Lot*	*Lower Density Townhome*	*Higher Density Townhome*	*Rental*
Extremely Low (Under 30% AMI)	7.8%	6.1%	5.4%	4.3%	3.8%	N/A
Very Low (30%- 50% AMI)	17.9%	14.5%	12.9%	10.3%	9.1%	N/A
Low (50%-80% AMI)	25.2%	20.8%	18.6%	15.1%	13.4%	N/A
Median (80%-100% AMI)	26.1%	21.5%	19.3%	15.7%	14.0%	N/A
Moderate (100%-120% AMI)	27.7%	23.0%	20.6%	16.8%	15.0%	N/A

The percentages shown above are not recommended inclusionary percentages. They are the maximum percentages supported by the nexus analysis.

APPENDIX B TABLE III-1
NET NEW HOUSEHOLDS AND OCCUPATION DISTRIBUTION
EMPLOYEE HOUSEHOLDS GENERATED
RESIDENTIAL NEXUS ANALYSIS
SANTA CRUZ COUNTY

	Prototype 1: Individual Single Family Home	Prototype 2: Single Family - Large Lot	Prototype 3: Single Family - Smaller Lot	Prototype 4: Lower Density Townhome	Prototype 5: Higher Density Townhome	Prototype 6: Rental Apartment
Step 1 - Employees [1]	90.2	70.1	61.6	47.9	42.2	36.3
Step 2 - Adjustment for Changing Industries (5'	85.7	66.6	58.5	45.5	40.1	34.5
Step 3 - Adj. for Number of Households (1.83)[2]	46.8	36.4	31.9	24.9	21.9	18.9
Step 4 - Occupation Distribution [3]						
Management Occupations	4.0%	4.0%	3.9%	3.9%	4.0%	4.0%
Business and Financial Operations	3.7%	3.7%	3.6%	3.6%	3.6%	3.6%
Computer and Mathematical	1.0%	1.0%	1.1%	1.1%	1.1%	1.1%
Architecture and Engineering	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Life, Physical, and Social Science	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%
Community and Social Services	2.2%	2.2%	2.1%	2.1%	2.0%	2.0%
Legal	0.8%	0.8%	0.8%	0.8%	0.7%	0.7%
Education, Training, and Library	4.4%	4.4%	3.2%	3.2%	2.7%	2.7%
Arts, Design, Entertainment, Sports, and Me	1.8%	1.8%	1.6%	1.6%	1.5%	1.5%
Healthcare Practitioners and Technical	7.3%	7.3%	8.2%	8.2%	8.6%	8.6%
Healthcare Support	4.4%	4.4%	4.9%	4.9%	5.2%	5.2%
Protective Service	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
Food Preparation and Serving Related	15.9%	15.9%	16.7%	16.7%	16.8%	16.8%
Building and Grounds Cleaning and Maint.	6.5%	6.5%	6.2%	6.2%	6.2%	6.2%
Personal Care and Service	5.6%	5.6%	5.5%	5.5%	5.3%	5.3%
Sales and Related	14.9%	14.9%	14.6%	14.6%	14.0%	14.0%
Office and Administrative Support	15.1%	15.1%	15.2%	15.2%	15.4%	15.4%
Farming, Fishing, and Forestry	0.1%	0.1%	0.3%	0.3%	0.3%	0.3%
Construction and Extraction	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Installation, Maintenance, and Repair	3.2%	3.2%	3.3%	3.3%	3.5%	3.5%
Production	1.8%	1.8%	1.7%	1.7%	1.7%	1.7%
Transportation and Material Moving	4.8%	4.8%	4.6%	4.6%	4.7%	4.7%
Totals	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Management Occupations	1.9	1.4	1.2	1.0	0.9	0.8
Business and Financial Operations	1.7	1.3	1.2	0.9	0.8	0.7
Computer and Mathematical	0.5	0.4	0.3	0.3	0.2	0.2
Architecture and Engineering	0.2	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	0.1
Community and Social Services	1.0	0.8	0.7	0.5	0.4	0.4
Legal	0.4	0.3	0.2	0.2	0.2	0.1
Education, Training, and Library	2.1	1.6	1.0	0.8	0.6	0.5
Arts, Design, Entertainment, Sports, and Me	0.8	0.7	0.5	0.4	0.3	0.3
Healthcare Practitioners and Technical	3.4	2.7	2.6	2.0	1.9	1.6
Healthcare Support	2.1	1.6	1.6	1.2	1.1	1.0
Protective Service	0.5	0.4	0.3	0.3	0.2	0.2
Food Preparation and Serving Related	7.4	5.8	5.3	4.1	3.7	3.2
Building and Grounds Cleaning and Maint.	3.0	2.4	2.0	1.5	1.4	1.2
Personal Care and Service	2.6	2.0	1.7	1.4	1.2	1.0
Sales and Related	7.0	5.4	4.6	3.6	3.1	2.6
Office and Administrative Support	7.1	5.5	4.9	3.8	3.4	2.9
Farming, Fishing, and Forestry	0.0	0.0	0.1	0.1	0.1	0.1
Construction and Extraction	0.4	0.3	0.3	0.2	0.2	0.2
Installation, Maintenance, and Repair	1.5	1.2	1.0	0.8	0.8	0.7
Production	0.8	0.6	0.6	0.4	0.4	0.3
Transportation and Material Moving	2.2	1.7	1.5	1.2	1.0	0.9
Totals	46.8	36.4	31.9	24.9	21.9	18.9

Notes:

[1] Estimated employment generated by expenditures of households within 100 prototypical market rate units. Employment estimates based on economic model,

[2] Adjustment from number of workers to households using average of 1.83 workers per worker household derived from the U.S. Census American Community Survey 2010 to 2012.

[3] See Appendix B Tables III-2 through III-4 for additional information on Major Occupation Categories.

APPENDIX B TABLE III-2
AVERAGE ANNUAL WORKER COMPENSATION, 2013
SERVICES TO HOUSEHOLDS EARNING $75,000 TO $100,000
RESIDENTIAL NEXUS ANALYSIS
COUNTY OF SANTA CRUZ, CA

DRAFT FOR REVIEW BY STAFF ONLY

Occupation [3]	2013 Avg. Compensation [1]	% of Total Occupation Group [2]	% of Total Resident Services Workers
Page 1 of 4			
Management Occupations			
Chief Executives	$181,900	3.7%	0.1%
General and Operations Managers	$105,600	33.4%	1.3%
Sales Managers	$111,700	4.8%	0.2%
Administrative Services Managers	$97,900	3.9%	0.2%
Financial Managers	$113,500	6.9%	0.3%
Food Service Managers	$46,800	6.7%	0.3%
Medical and Health Services Managers	$126,900	7.5%	0.3%
Property, Real Estate, and Community Association Managers	$88,200	9.7%	0.4%
Social and Community Service Managers	$66,300	4.1%	0.2%
All other Management Occupations (Avg. All Categories)	$102,800	19.2%	0.7%
Weighted Mean Annual Wage	***$102,800***	**100.0%**	**3.9%**
Business and Financial Operations Occupations			
Human Resources Specialists	$65,500	5.6%	0.2%
Management Analysts	$119,600	6.7%	0.2%
Training and Development Specialists	$65,300	4.1%	0.1%
Market Research Analysts and Marketing Specialists	$60,800	6.8%	0.2%
Business Operations Specialists, All Other	$87,200	12.3%	0.4%
Accountants and Auditors	$72,200	19.9%	0.7%
Financial Analysts	$85,500	5.0%	0.2%
Personal Financial Advisors	$76,200	6.3%	0.2%
Loan Officers	$75,400	4.3%	0.2%
All Other Business and Financial Operations Occupations (Avg. All Categories)	$78,800	29.0%	1.0%
Weighted Mean Annual Wage	***$78,800***	**100.0%**	**3.5%**
Education, Training, and Library Occupations			
Vocational Education Teachers, Postsecondary	$63,800	5.1%	0.1%
Preschool Teachers, Except Special Education	$31,600	9.1%	0.2%
Elementary School Teachers, Except Special Education	$64,200	11.0%	0.3%
Middle School Teachers, Except Special and Career/Technical Education	$57,000	4.9%	0.1%
Secondary School Teachers, Except Special and Career/Technical Education	$67,700	7.6%	0.2%
Self-Enrichment Education Teachers	$52,400	12.6%	0.3%
Substitute Teachers	$34,200	5.3%	0.1%
Teachers and Instructors, All Other, Except Substitute Teachers	$62,400	8.4%	0.2%
Teacher Assistants	$31,100	15.7%	0.4%
All Other Education, Training, and Library Occupations (Avg. All Categories)	$49,800	20.4%	0.5%
Weighted Mean Annual Wage	***$49,800***	**100.0%**	**2.6%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, IMPLAN
Keyser Marston Associates, Inc.
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APPENDIX B TABLE III-2
AVERAGE ANNUAL WORKER COMPENSATION, 2013
SERVICES TO HOUSEHOLDS EARNING $75,000 TO $100,000
RESIDENTIAL NEXUS ANALYSIS
COUNTY OF SANTA CRUZ, CA

DRAFT FOR REVIEW BY STAFF ONLY

Occupation [3]	2013 Avg. Compensation [1]	% of Total Occupation Group [2]	% of Total Resident Services Workers
Healthcare Practitioners and Technical Occupations			
Pharmacists	$132,300	3.6%	0.3%
Physicians and Surgeons, All Other	$152,100	4.8%	0.4%
Physical Therapists	$84,700	3.2%	0.3%
Registered Nurses	$99,400	28.7%	2.4%
Dental Hygienists	$102,700	4.6%	0.4%
Pharmacy Technicians	$39,600	4.8%	0.4%
Licensed Practical and Licensed Vocational Nurses	$53,100	9.4%	0.8%
All Other Healthcare Practitioners and Technical Occupations (Avg. All Categories)	$93,000	40.9%	3.4%
Weighted Mean Annual Wage	***$93,000***	**100.0%**	**8.4%**
Healthcare Support Occupations			
Home Health Aides	$26,500	22.4%	1.1%
Nursing Assistants	$28,500	28.6%	1.4%
Dental Assistants	$36,800	11.8%	0.6%
Medical Assistants	$39,000	18.8%	1.0%
All Other Healthcare Support Occupations (Avg. All Categories)	$31,600	18.4%	0.9%
Weighted Mean Annual Wage	***$31,600***	**100.0%**	**5.1%**
Food Preparation and Serving Related Occupations			
First-Line Supervisors of Food Preparation and Serving Workers	$31,500	7.0%	1.1%
Cooks, Fast Food	$19,700	4.9%	0.8%
Cooks, Restaurant	$24,500	9.2%	1.5%
Food Preparation Workers	$24,100	6.2%	1.0%
Bartenders	$21,200	4.8%	0.8%
Combined Food Preparation and Serving Workers, Including Fast Food	$20,500	26.4%	4.3%
Counter Attendants, Cafeteria, Food Concession, and Coffee Shop	$20,600	3.5%	0.6%
Waiters and Waitresses	$21,100	21.3%	3.5%
Dining Room and Cafeteria Attendants and Bartender Helpers	$20,400	3.2%	0.5%
Dishwashers	$19,100	4.4%	0.7%
Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop	$19,300	3.2%	0.5%
All Other Food Preparation and Serving Related Occupations (Avg. All Categories)	$22,000	6.0%	1.0%
Weighted Mean Annual Wage	***$22,000***	**100.0%**	**16.4%**
Building and Grounds Cleaning and Maintenance Occupations			
First-Line Supervisors of Housekeeping and Janitorial Workers	$42,900	3.4%	0.2%
First-Line Supervisors of Landscaping, Lawn Service, and Groundskeeping Workers	$48,000	3.0%	0.2%
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	$24,900	51.2%	3.1%
Maids and Housekeeping Cleaners	$19,500	11.3%	0.7%
Landscaping and Groundskeeping Workers	$27,700	25.4%	1.5%
All Other Building and Grounds Cleaning and Maintenance Occupations (Avg. All Cat	$26,400	5.6%	0.3%
Weighted Mean Annual Wage	***$26,400***	**100.0%**	**6.1%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, IMPLAN
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APPENDIX B TABLE III-2
AVERAGE ANNUAL WORKER COMPENSATION, 2013
SERVICES TO HOUSEHOLDS EARNING $75,000 TO $100,000
RESIDENTIAL NEXUS ANALYSIS
COUNTY OF SANTA CRUZ, CA

DRAFT FOR REVIEW BY STAFF ONLY

Occupation [3]	2013 Avg. Compensation [1]	% of Total Occupation Group [2]	% of Total Resident Services Workers
Personal Care and Service Occupations			
First-Line Supervisors of Personal Service Workers	$40,700	3.5%	0.2%
Nonfarm Animal Caretakers	$24,300	5.4%	0.3%
Amusement and Recreation Attendants	$20,300	6.7%	0.4%
Hairdressers, Hairstylists, and Cosmetologists	$29,900	16.7%	0.9%
Manicurists and Pedicurists	$20,000	3.0%	0.2%
Childcare Workers	$22,900	8.6%	0.4%
Personal Care Aides	$24,300	30.1%	1.6%
Fitness Trainers and Aerobics Instructors	$50,800	4.8%	0.3%
Recreation Workers	$24,100	4.9%	0.3%
All Other Personal Care and Service Occupations (Avg. All Categories)	$27,000	16.1%	0.8%
Weighted Mean Annual Wage	***$27,000***	**100.0%**	**5.2%**
Sales and Related Occupations			
First-Line Supervisors of Retail Sales Workers	$43,600	9.9%	1.4%
Cashiers	$26,100	26.4%	3.6%
Counter and Rental Clerks	$29,900	4.7%	0.6%
Retail Salespersons	$27,800	38.1%	5.2%
Sales Representatives, Services, All Other	$65,600	3.0%	0.4%
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientifi	$65,300	4.4%	0.6%
Real Estate Sales Agents	$43,800	3.0%	0.4%
All Other Sales and Related Occupations (Avg. All Categories)	$32,800	10.5%	1.4%
Weighted Mean Annual Wage	***$32,800***	**100.0%**	**13.7%**
Office and Administrative Support Occupations			
First-Line Supervisors of Office and Administrative Support Workers	$57,000	6.6%	1.0%
Billing and Posting Clerks	$39,400	3.3%	0.5%
Bookkeeping, Accounting, and Auditing Clerks	$43,400	7.8%	1.2%
Customer Service Representatives	$37,700	8.4%	1.3%
Receptionists and Information Clerks	$30,400	8.9%	1.3%
Stock Clerks and Order Fillers	$26,900	10.2%	1.5%
Executive Secretaries and Executive Administrative Assistants	$46,900	3.4%	0.5%
Medical Secretaries	$38,300	5.4%	0.8%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	$35,500	10.4%	1.6%
Office Clerks, General	$32,800	14.0%	2.1%
All Other Office and Administrative Support Occupations (Avg. All Categories)	$37,000	21.7%	3.3%
Weighted Mean Annual Wage	***$37,000***	**100.0%**	**15.0%**
Installation, Maintenance, and Repair Occupations			
First-Line Supervisors of Mechanics, Installers, and Repairers	$69,800	7.9%	0.3%
Automotive Body and Related Repairers	$51,000	6.1%	0.2%
Automotive Service Technicians and Mechanics	$50,500	20.6%	0.7%
Maintenance and Repair Workers, General	$38,400	34.5%	1.2%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	$46,700	30.9%	1.1%
Weighted Mean Annual Wage	***$46,700***	**100.0%**	**3.4%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, IMPLAN
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APPENDIX B TABLE III-2
AVERAGE ANNUAL WORKER COMPENSATION, 2013
SERVICES TO HOUSEHOLDS EARNING $75,000 TO $100,000
RESIDENTIAL NEXUS ANALYSIS
COUNTY OF SANTA CRUZ, CA **DRAFT FOR REVIEW BY STAFF ONLY**

Occupation [3]	2013 Avg. Compensation [1]	% of Total Occupation Group [2]	% of Total Resident Services Workers
Page 4 of 4			
Transportation and Material Moving Occupations			
Bus Drivers, School or Special Client	$31,500	5.5%	0.3%
Driver/Sales Workers	$38,400	8.9%	0.4%
Heavy and Tractor-Trailer Truck Drivers	$44,900	11.1%	0.5%
Light Truck or Delivery Services Drivers	$37,900	11.5%	0.5%
Taxi Drivers and Chauffeurs	$25,900	3.4%	0.2%
Parking Lot Attendants	$26,600	5.1%	0.2%
Industrial Truck and Tractor Operators	$33,100	3.5%	0.2%
Cleaners of Vehicles and Equipment	$24,200	7.3%	0.3%
Laborers and Freight, Stock, and Material Movers, Hand	$25,000	22.9%	1.0%
Packers and Packagers, Hand	$21,100	7.7%	0.4%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	$31,100	13.2%	0.6%
Weighted Mean Annual Wage	***$31,100***	**100.0%**	**4.5%**
			87.9%

[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 2012 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2012 Occupational Employment Survey data for Santa Cruz County, updated by the California Employment Development Department to 2013 wage levels.

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

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, IMPLAN
Keyser Marston Associates, Inc.
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APPENDIX B TABLE III-3
AVERAGE ANNUAL WORKER COMPENSATION, 2013
SERVICES TO HOUSEHOLDS EARNING $100,000 TO $150,000
RESIDENTIAL NEXUS ANALYSIS
COUNTY OF SANTA CRUZ, CA

DRAFT FOR REVIEW BY STAFF ONLY

Occupation [3]	2013 Avg. Compensation [1]	% of Total Occupation Group [2]	% of Total Resident Services Workers
Page 1 of 4			
Management Occupations			
Chief Executives	$181,900	3.8%	0.1%
General and Operations Managers	$105,600	34.1%	1.3%
Sales Managers	$111,700	4.8%	0.2%
Administrative Services Managers	$97,900	4.0%	0.2%
Financial Managers	$113,500	7.1%	0.3%
Food Service Managers	$46,800	6.7%	0.3%
Medical and Health Services Managers	$126,900	7.3%	0.3%
Property, Real Estate, and Community Association Managers	$88,200	7.5%	0.3%
Social and Community Service Managers	$66,300	4.5%	0.2%
Managers, All Other	$118,700	3.0%	0.1%
All other Management Occupations (Avg. All Categories)	$103,600	17.2%	0.7%
Weighted Mean Annual Wage	***$103,600***	**100.0%**	**3.8%**
Business and Financial Operations Occupations			
Human Resources Specialists	$65,500	5.6%	0.2%
Management Analysts	$119,600	6.7%	0.2%
Training and Development Specialists	$65,300	4.2%	0.1%
Market Research Analysts and Marketing Specialists	$60,800	6.6%	0.2%
Business Operations Specialists, All Other	$87,200	12.4%	0.4%
Accountants and Auditors	$72,200	19.5%	0.7%
Financial Analysts	$85,500	5.1%	0.2%
Personal Financial Advisors	$76,200	6.6%	0.2%
Loan Officers	$75,400	4.4%	0.2%
All Other Business and Financial Operations Occupations (Avg. All Categories)	$78,800	28.9%	1.0%
Weighted Mean Annual Wage	***$78,800***	**100.0%**	**3.5%**
Community and Social Service Occupations			
Substance Abuse and Behavioral Disorder Counselors	$32,200	4.4%	0.1%
Educational, Guidance, School, and Vocational Counselors	$56,400	5.3%	0.1%
Mental Health Counselors	$35,900	7.1%	0.1%
Rehabilitation Counselors	$33,300	7.2%	0.1%
Child, Family, and School Social Workers	$45,000	12.2%	0.3%
Healthcare Social Workers	$50,900	7.4%	0.2%
Mental Health and Substance Abuse Social Workers	$43,100	6.6%	0.1%
Social and Human Service Assistants	$29,500	23.7%	0.5%
Community and Social Service Specialists, All Other	$65,000	5.2%	0.1%
Clergy	$55,600	5.1%	0.1%
All Other Community and Social Service Occupations (Avg. All Categories)	$41,200	16.0%	0.3%
Weighted Mean Annual Wage	***$41,200***	**100.0%**	**2.1%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, IMPLAN
Keyser Marston Associates, Inc.
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APPENDIX B TABLE III-3
AVERAGE ANNUAL WORKER COMPENSATION, 2013
SERVICES TO HOUSEHOLDS EARNING $100,000 TO $150,000
RESIDENTIAL NEXUS ANALYSIS
COUNTY OF SANTA CRUZ, CA

DRAFT FOR REVIEW BY STAFF ONLY

Occupation [3]	2013 Avg. Compensation [1]	% of Total Occupation Group [2]	% of Total Resident Services Workers
Page 2 of 4			
Education, Training, and Library Occupations			
Vocational Education Teachers, Postsecondary	$63,800	5.3%	0.2%
Preschool Teachers, Except Special Education	$31,600	9.1%	0.3%
Elementary School Teachers, Except Special Education	$64,200	10.9%	0.3%
Middle School Teachers, Except Special and Career/Technical Education	$57,000	4.9%	0.2%
Secondary School Teachers, Except Special and Career/Technical Education	$67,700	7.5%	0.2%
Self-Enrichment Education Teachers	$52,400	12.5%	0.4%
Substitute Teachers	$34,200	5.1%	0.2%
Teachers and Instructors, All Other, Except Substitute Teachers	$62,400	8.5%	0.3%
Teacher Assistants	$31,100	15.6%	0.5%
All Other Education, Training, and Library Occupations (Avg. All Categories)	$49,800	20.5%	0.6%
Weighted Mean Annual Wage	***$49,800***	**100.0%**	**3.1%**
Healthcare Practitioners and Technical Occupations			
Pharmacists	$132,300	3.9%	0.3%
Physicians and Surgeons, All Other	$152,100	4.8%	0.4%
Physical Therapists	$84,700	3.1%	0.3%
Registered Nurses	$99,400	28.4%	2.3%
Dental Hygienists	$102,700	4.5%	0.4%
Pharmacy Technicians	$39,600	5.3%	0.4%
Licensed Practical and Licensed Vocational Nurses	$53,100	9.3%	0.7%
All Other Healthcare Practitioners and Technical Occupations (Avg. All Categories)	$92,700	40.7%	3.3%
Weighted Mean Annual Wage	***$92,700***	**100.0%**	**8.0%**
Healthcare Support Occupations			
Home Health Aides	$26,500	23.1%	1.1%
Nursing Assistants	$28,500	28.3%	1.4%
Dental Assistants	$36,800	11.6%	0.6%
Medical Assistants	$39,000	18.5%	0.9%
All Other Healthcare Support Occupations (Avg. All Categories)	$31,500	18.5%	0.9%
Weighted Mean Annual Wage	***$31,500***	**100.0%**	**4.8%**
Food Preparation and Serving Related Occupations			
First-Line Supervisors of Food Preparation and Serving Workers	$31,500	7.0%	1.1%
Cooks, Fast Food	$19,700	4.9%	0.8%
Cooks, Restaurant	$24,500	9.1%	1.5%
Food Preparation Workers	$24,100	6.3%	1.0%
Bartenders	$21,200	4.8%	0.8%
Combined Food Preparation and Serving Workers, Including Fast Food	$20,500	26.5%	4.3%
Counter Attendants, Cafeteria, Food Concession, and Coffee Shop	$20,600	3.5%	0.6%
Waiters and Waitresses	$21,100	21.2%	3.5%
Dining Room and Cafeteria Attendants and Bartender Helpers	$20,400	3.2%	0.5%
Dishwashers	$19,100	4.4%	0.7%
Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop	$19,300	3.1%	0.5%
All Other Food Preparation and Serving Related Occupations (Avg. All Categories)	$22,000	6.0%	1.0%
Weighted Mean Annual Wage	***$22,000***	**100.0%**	**16.3%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, IMPLAN
Keyser Marston Associates, Inc.
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APPENDIX B TABLE III-3
AVERAGE ANNUAL WORKER COMPENSATION, 2013
SERVICES TO HOUSEHOLDS EARNING $100,000 TO $150,000
RESIDENTIAL NEXUS ANALYSIS
COUNTY OF SANTA CRUZ, CA

DRAFT FOR REVIEW BY STAFF ONLY

Occupation [3]	2013 Avg. Compensation [1]	% of Total Occupation Group [2]	% of Total Resident Services Workers
Page 3 of 4			
Building and Grounds Cleaning and Maintenance Occupations			
First-Line Supervisors of Housekeeping and Janitorial Workers	$42,900	3.4%	0.2%
First-Line Supervisors of Landscaping, Lawn Service, and Groundskeeping Workers	$48,000	3.0%	0.2%
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	$24,900	51.4%	3.1%
Maids and Housekeeping Cleaners	$19,500	10.9%	0.7%
Landscaping and Groundskeeping Workers	$27,700	25.5%	1.5%
All Other Building and Grounds Cleaning and Maintenance Occupations (Avg. All Cat	$26,400	5.7%	0.3%
Weighted Mean Annual Wage	***$26,400***	**100.0%**	**6.0%**
Personal Care and Service Occupations			
First-Line Supervisors of Personal Service Workers	$40,700	3.5%	0.2%
Nonfarm Animal Caretakers	$24,300	5.6%	0.3%
Amusement and Recreation Attendants	$20,300	6.7%	0.4%
Hairdressers, Hairstylists, and Cosmetologists	$29,900	15.8%	0.8%
Childcare Workers	$22,900	9.6%	0.5%
Personal Care Aides	$24,300	30.3%	1.6%
Fitness Trainers and Aerobics Instructors	$50,800	4.9%	0.3%
Recreation Workers	$24,100	4.9%	0.3%
All Other Personal Care and Service Occupations (Avg. All Categories)	$27,200	18.6%	1.0%
Weighted Mean Annual Wage	***$27,200***	**100.0%**	**5.3%**
Sales and Related Occupations			
First-Line Supervisors of Retail Sales Workers	$43,600	10.4%	1.5%
Cashiers	$26,100	27.2%	3.9%
Counter and Rental Clerks	$29,900	4.1%	0.6%
Retail Salespersons	$27,800	39.9%	5.7%
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientifi	$65,300	3.4%	0.5%
All Other Sales and Related Occupations (Avg. All Categories)	$30,800	15.0%	2.1%
Weighted Mean Annual Wage	***$30,800***	**100.0%**	**14.2%**
Office and Administrative Support Occupations			
First-Line Supervisors of Office and Administrative Support Workers	$57,000	6.6%	1.0%
Billing and Posting Clerks	$39,400	3.2%	0.5%
Bookkeeping, Accounting, and Auditing Clerks	$43,400	7.7%	1.1%
Customer Service Representatives	$37,700	8.5%	1.3%
Receptionists and Information Clerks	$30,400	8.6%	1.3%
Stock Clerks and Order Fillers	$26,900	10.9%	1.6%
Executive Secretaries and Executive Administrative Assistants	$46,900	3.4%	0.5%
Medical Secretaries	$38,300	5.1%	0.8%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	$35,500	10.2%	1.5%
Office Clerks, General	$32,800	13.8%	2.0%
All Other Office and Administrative Support Occupations (Avg. All Categories)	$36,900	22.1%	3.3%
Weighted Mean Annual Wage	***$36,900***	**100.0%**	**14.9%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, IMPLAN
Keyser Marston Associates, Inc.
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APPENDIX B TABLE III-3
AVERAGE ANNUAL WORKER COMPENSATION, 2013
SERVICES TO HOUSEHOLDS EARNING $100,000 TO $150,000
RESIDENTIAL NEXUS ANALYSIS
COUNTY OF SANTA CRUZ, CA

DRAFT FOR REVIEW BY STAFF ONLY

Occupation [3]	2013 Avg. Compensation [1]	% of Total Occupation Group [2]	% of Total Resident Services Workers
Installation, Maintenance, and Repair Occupations			
First-Line Supervisors of Mechanics, Installers, and Repairers	$69,800	8.0%	0.3%
Automotive Body and Related Repairers	$51,000	6.4%	0.2%
Automotive Service Technicians and Mechanics	$50,500	22.3%	0.7%
Bus and Truck Mechanics and Diesel Engine Specialists	$49,700	3.0%	0.1%
Tire Repairers and Changers	$26,300	3.0%	0.1%
Maintenance and Repair Workers, General	$38,400	31.2%	1.0%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	$46,500	26.0%	0.8%
Weighted Mean Annual Wage	***$46,500***	**100.0%**	**3.2%**
Transportation and Material Moving Occupations			
Bus Drivers, School or Special Client	$31,500	6.2%	0.3%
Driver/Sales Workers	$38,400	8.7%	0.4%
Heavy and Tractor-Trailer Truck Drivers	$44,900	10.7%	0.5%
Light Truck or Delivery Services Drivers	$37,900	11.4%	0.5%
Taxi Drivers and Chauffeurs	$25,900	3.6%	0.2%
Parking Lot Attendants	$26,600	5.2%	0.2%
Industrial Truck and Tractor Operators	$33,100	3.3%	0.2%
Cleaners of Vehicles and Equipment	$24,200	7.3%	0.3%
Laborers and Freight, Stock, and Material Movers, Hand	$25,000	22.3%	1.0%
Packers and Packagers, Hand	$21,100	7.9%	0.4%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	$31,000	13.3%	0.6%
Weighted Mean Annual Wage	***$31,000***	**100.0%**	**4.5%**
			89.9%

[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 2012 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2012 Occupational Employment Survey data for Santa Cruz County, updated by the California Employment Development Department to 2013 wage levels.

[3] Including occupations representing 3% or more of the major occupation group.

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, IMPLAN
Keyser Marston Associates, Inc.
\\Sf-fs2\wp\19\19174\002\App B Tab III-3 100k-150k Santa Cruz 4-22-14; 6/26/2014; dd

APPENDIX B TABLE III-4
AVERAGE ANNUAL WORKER COMPENSATION, 2013
SERVICES TO HOUSEHOLDS EARNING $150,000 AND ABOVE
RESIDENTIAL NEXUS ANALYSIS
COUNTY OF SANTA CRUZ, CA

DRAFT FOR REVIEW BY STAFF ONLY

Occupation [3]	2013 Avg. Compensation [1]	% of Total Occupation Group [2]	% of Total Resident Services Workers
Page 1 of 4			
Management Occupations			
Chief Executives	$181,900	3.9%	0.2%
General and Operations Managers	$105,600	34.5%	1.3%
Sales Managers	$111,700	4.7%	0.2%
Administrative Services Managers	$97,900	4.0%	0.2%
Financial Managers	$113,500	7.1%	0.3%
Food Service Managers	$46,800	6.3%	0.2%
Medical and Health Services Managers	$126,900	6.3%	0.2%
Property, Real Estate, and Community Association Managers	$88,200	6.5%	0.3%
Social and Community Service Managers	$66,300	4.8%	0.2%
Managers, All Other	$118,700	3.1%	0.1%
All other Management Occupations (Avg. All Categories)	$103,800	18.9%	0.7%
Weighted Mean Annual Wage	***$103,800***	**100.0%**	**3.9%**
Business and Financial Operations Occupations			
Human Resources Specialists	$65,500	5.4%	0.2%
Management Analysts	$119,600	6.6%	0.2%
Fundraisers	$47,700	3.3%	0.1%
Training and Development Specialists	$65,300	4.5%	0.2%
Market Research Analysts and Marketing Specialists	$60,800	6.5%	0.2%
Business Operations Specialists, All Other	$87,200	12.7%	0.5%
Accountants and Auditors	$72,200	18.9%	0.7%
Financial Analysts	$85,500	5.1%	0.2%
Personal Financial Advisors	$76,200	6.7%	0.2%
Loan Officers	$75,400	4.4%	0.2%
All Other Business and Financial Operations Occupations (Avg. All Categories)	$77,400	25.8%	0.9%
Weighted Mean Annual Wage	***$77,400***	**100.0%**	**3.6%**
Community and Social Service Occupations			
Substance Abuse and Behavioral Disorder Counselors	$32,200	4.0%	0.1%
Educational, Guidance, School, and Vocational Counselors	$56,400	6.6%	0.1%
Mental Health Counselors	$35,900	6.4%	0.1%
Rehabilitation Counselors	$33,300	7.1%	0.2%
Child, Family, and School Social Workers	$45,000	12.8%	0.3%
Healthcare Social Workers	$50,900	6.7%	0.1%
Mental Health and Substance Abuse Social Workers	$43,100	6.1%	0.1%
Social and Human Service Assistants	$29,500	23.7%	0.5%
Community and Social Service Specialists, All Other	$65,000	5.5%	0.1%
Clergy	$55,600	5.0%	0.1%
All Other Community and Social Service Occupations (Avg. All Categories)	$41,500	16.1%	0.3%
Weighted Mean Annual Wage	***$41,500***	**100.0%**	**2.1%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, IMPLAN
Keyser Marston Associates, Inc.
\\Sf-fs2\wp\19\19174\002\App B Tab III-4 150k plus Santa Cruz 4-22-14; 6/26/2014; dd

APPENDIX B TABLE III-4
AVERAGE ANNUAL WORKER COMPENSATION, 2013
SERVICES TO HOUSEHOLDS EARNING $150,000 AND ABOVE
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DRAFT FOR REVIEW BY STAFF ONLY

Occupation [3]	2013 Avg. Compensation [1]	% of Total Occupation Group [2]	% of Total Resident Services Workers
Page 2 of 4			
Education, Training, and Library Occupations			
Vocational Education Teachers, Postsecondary	$63,800	5.7%	0.2%
Preschool Teachers, Except Special Education	$31,600	8.8%	0.4%
Elementary School Teachers, Except Special Education	$64,200	10.9%	0.5%
Middle School Teachers, Except Special and Career/Technical Education	$57,000	4.9%	0.2%
Secondary School Teachers, Except Special and Career/Technical Education	$67,700	7.6%	0.3%
Self-Enrichment Education Teachers	$52,400	12.2%	0.5%
Substitute Teachers	$34,200	5.0%	0.2%
Teachers and Instructors, All Other, Except Substitute Teachers	$62,400	8.8%	0.4%
Teacher Assistants	$31,100	15.3%	0.7%
All Other Education, Training, and Library Occupations (Avg. All Categories)	$50,100	20.8%	0.9%
Weighted Mean Annual Wage	***$50,100***	**100.0%**	**4.3%**
Healthcare Practitioners and Technical Occupations			
Pharmacists	$132,300	4.4%	0.3%
Physicians and Surgeons, All Other	$152,100	4.6%	0.3%
Physical Therapists	$84,700	3.1%	0.2%
Registered Nurses	$99,400	27.8%	2.0%
Dental Hygienists	$102,700	4.4%	0.3%
Pharmacy Technicians	$39,600	6.1%	0.4%
Licensed Practical and Licensed Vocational Nurses	$53,100	9.1%	0.6%
All Other Healthcare Practitioners and Technical Occupations (Avg. All Categories)	$92,200	40.6%	2.9%
Weighted Mean Annual Wage	***$92,200***	**100.0%**	**7.1%**
Healthcare Support Occupations			
Home Health Aides	$26,500	24.0%	1.0%
Nursing Assistants	$28,500	27.8%	1.2%
Dental Assistants	$36,800	11.2%	0.5%
Medical Assistants	$39,000	18.0%	0.8%
All Other Healthcare Support Occupations (Avg. All Categories)	$31,400	19.0%	0.8%
Weighted Mean Annual Wage	***$31,400***	**100.0%**	**4.3%**
Food Preparation and Serving Related Occupations			
First-Line Supervisors of Food Preparation and Serving Workers	$31,500	7.0%	1.1%
Cooks, Fast Food	$19,700	4.8%	0.7%
Cooks, Restaurant	$24,500	9.1%	1.4%
Food Preparation Workers	$24,100	6.4%	1.0%
Bartenders	$21,200	4.9%	0.8%
Combined Food Preparation and Serving Workers, Including Fast Food	$20,500	26.4%	4.1%
Counter Attendants, Cafeteria, Food Concession, and Coffee Shop	$20,600	3.6%	0.6%
Waiters and Waitresses	$21,100	21.1%	3.3%
Dining Room and Cafeteria Attendants and Bartender Helpers	$20,400	3.2%	0.5%
Dishwashers	$19,100	4.4%	0.7%
Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop	$19,300	3.1%	0.5%
All Other Food Preparation and Serving Related Occupations (Avg. All Categories)	$22,000	6.0%	0.9%
Weighted Mean Annual Wage	***$22,000***	**100.0%**	**15.4%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, IMPLAN
Keyser Marston Associates, Inc.
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APPENDIX B TABLE III-4
AVERAGE ANNUAL WORKER COMPENSATION, 2013
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Occupation [3]	2013 Avg. Compensation [1]	% of Total Occupation Group [2]	% of Total Resident Services Workers
Page 3 of 4			
Building and Grounds Cleaning and Maintenance Occupations			
First-Line Supervisors of Housekeeping and Janitorial Workers	$42,900	3.4%	0.2%
First-Line Supervisors of Landscaping, Lawn Service, and Groundskeeping Workers	$48,000	3.1%	0.2%
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	$24,900	51.7%	3.3%
Maids and Housekeeping Cleaners	$19,500	10.2%	0.6%
Landscaping and Groundskeeping Workers	$27,700	25.8%	1.6%
All Other Building and Grounds Cleaning and Maintenance Occupations (Avg. All Cat	$26,500	5.8%	0.4%
Weighted Mean Annual Wage	***$26,500***	**100.0%**	**6.3%**
Personal Care and Service Occupations			
First-Line Supervisors of Personal Service Workers	$40,700	3.5%	0.2%
Nonfarm Animal Caretakers	$24,300	5.9%	0.3%
Amusement and Recreation Attendants	$20,300	7.3%	0.4%
Hairdressers, Hairstylists, and Cosmetologists	$29,900	14.0%	0.8%
Childcare Workers	$22,900	11.9%	0.7%
Personal Care Aides	$24,300	28.9%	1.6%
Fitness Trainers and Aerobics Instructors	$50,800	5.3%	0.3%
Recreation Workers	$24,100	4.8%	0.3%
All Other Personal Care and Service Occupations (Avg. All Categories)	$27,100	18.3%	1.0%
Weighted Mean Annual Wage	***$27,100***	**100.0%**	**5.5%**
Sales and Related Occupations			
First-Line Supervisors of Retail Sales Workers	$43,600	10.6%	1.5%
Cashiers	$26,100	27.5%	4.0%
Counter and Rental Clerks	$29,900	3.9%	0.6%
Retail Salespersons	$27,800	40.7%	5.9%
All Other Sales and Related Occupations (Avg. All Categories)	$29,400	17.4%	2.5%
Weighted Mean Annual Wage	***$29,400***	**100.0%**	**14.5%**
Office and Administrative Support Occupations			
First-Line Supervisors of Office and Administrative Support Workers	$57,000	6.5%	1.0%
Bookkeeping, Accounting, and Auditing Clerks	$43,400	7.8%	1.1%
Customer Service Representatives	$37,700	8.6%	1.3%
Receptionists and Information Clerks	$30,400	8.1%	1.2%
Stock Clerks and Order Fillers	$26,900	11.3%	1.7%
Executive Secretaries and Executive Administrative Assistants	$46,900	3.5%	0.5%
Medical Secretaries	$38,300	4.5%	0.7%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	$35,500	10.5%	1.5%
Office Clerks, General	$32,800	13.9%	2.0%
All Other Office and Administrative Support Occupations (Avg. All Categories)	$36,800	25.3%	3.7%
Weighted Mean Annual Wage	***$36,800***	**100.0%**	**14.7%**

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, IMPLAN
Keyser Marston Associates, Inc.
\\Sf-fs2\wp\19\19174\002\App B Tab III-4 150k plus Santa Cruz 4-22-14; 6/26/2014; dd

APPENDIX B TABLE III-4
AVERAGE ANNUAL WORKER COMPENSATION, 2013
SERVICES TO HOUSEHOLDS EARNING $150,000 AND ABOVE
RESIDENTIAL NEXUS ANALYSIS
COUNTY OF SANTA CRUZ, CA

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Occupation [3]	2013 Avg. Compensation [1]	% of Total Occupation Group [2]	% of Total Resident Services Workers
Installation, Maintenance, and Repair Occupations			
First-Line Supervisors of Mechanics, Installers, and Repairers	$69,800	8.0%	0.2%
Automotive Body and Related Repairers	$51,000	6.3%	0.2%
Automotive Service Technicians and Mechanics	$50,500	22.7%	0.7%
Bus and Truck Mechanics and Diesel Engine Specialists	$49,700	3.2%	0.1%
Tire Repairers and Changers	$26,300	3.2%	0.1%
Maintenance and Repair Workers, General	$38,400	30.2%	0.9%
Installation, Maintenance, and Repair Workers, All Other	$40,900	3.0%	0.1%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	$46,300	23.3%	0.7%
Weighted Mean Annual Wage	***$46,300***	**100.0%**	**3.1%**
Transportation and Material Moving Occupations			
Bus Drivers, School or Special Client	$31,500	7.9%	0.4%
Driver/Sales Workers	$38,400	8.2%	0.4%
Heavy and Tractor-Trailer Truck Drivers	$44,900	10.5%	0.5%
Light Truck or Delivery Services Drivers	$37,900	11.1%	0.5%
Taxi Drivers and Chauffeurs	$25,900	4.0%	0.2%
Parking Lot Attendants	$26,600	5.5%	0.3%
Industrial Truck and Tractor Operators	$33,100	3.1%	0.1%
Cleaners of Vehicles and Equipment	$24,200	6.9%	0.3%
Laborers and Freight, Stock, and Material Movers, Hand	$25,000	21.4%	1.0%
Packers and Packagers, Hand	$21,100	7.6%	0.4%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	$31,000	13.7%	0.6%
Weighted Mean Annual Wage	***$31,000***	**100.0%**	**4.7%**
			89.5%

[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 2012 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2012 Occupational Employment Survey data for Santa Cruz County, updated by the California Employment Development Department to 2013 wage levels.

[3] Including occupations representing 3% or more of the major occupation group.

Sources: U.S. Bureau of Labor Statistics, California Employment Development Department, IMPLAN
Keyser Marston Associates, Inc.
\\Sf-fs2\wp\19\19174\002\App B Tab III-4 150k plus Santa Cruz 4-22-14; 6/26/2014; dd

APPENDIX B TABLE III-5
EXTREMELY LOW-INCOME EMPLOYEE HOUSEHOLDS[1] GENERATED
RESIDENTIAL NEXUS ANALYSIS **WORKING DRAFT FOR REVIEW BY STAFF ONLY**
SANTA CRUZ COUNTY

Per 100 Market Rate Units

	Prototype 1: Individual Single Family Home	Prototype 2: Single Family - Large Lot	Prototype 3: Single Family - Smaller Lot	Prototype 4: Lower Density Townhome	Prototype 5: Higher Density Townhome	Prototype 6: Rental Apartment
Step 5 & 6 - Extremely Low Income Households (under 30% AMI) within Major Occupation Categories [2]						
Management	0.00	0.00	0.00	0.00	0.00	0.00
Business and Financial Operations	0.00	0.00	0.00	0.00	0.00	0.00
Computer and Mathematical	-	-	-	-	-	-
Architecture and Engineering	-	-	-	-	-	-
Life, Physical and Social Science	-	-	-	-	-	-
Community and Social Services	0.08	0.06	0.05	0.04	-	-
Legal	-	-	-	-	-	-
Education Training and Library	0.09	0.07	0.05	0.04	0.03	0.02
Arts, Entertainment, Sports, & Media	-	-	-	-	-	-
Healthcare Practitioners & Technical	0.00	0.00	0.00	0.00	0.00	0.00
Healthcare Support	0.27	0.21	0.20	0.16	0.14	0.12
Protective Service	-	-	-	-	-	-
Food Preparation and Serving Relatec	2.97	2.31	2.14	1.67	1.48	1.27
Building Grounds and Maintenance	0.82	0.64	0.54	0.42	0.38	0.32
Personal Care and Service	0.67	0.52	0.44	0.35	0.31	0.26
Sales and Related	1.57	1.22	1.00	0.78	0.61	0.53
Office and Admin	0.57	0.44	0.39	0.30	0.26	0.23
Farm, Fishing, and Forestry	-	-	-	-	-	-
Construction and Extraction	-	-	-	-	-	-
Installation Maintenance and Repair	0.06	0.05	0.04	0.03	0.03	0.02
Production	-	-	-	-	-	-
Transportation and Material Moving	0.42	0.32	0.28	0.22	0.19	0.17
ELI Households - Major Occupations	7.52	5.85	5.14	4.00	3.43	2.95
ELI Households[1] - all other occupatior	0.89	0.69	0.58	0.45	0.47	0.41
Total ELI Households[1]	**8.41**	**6.54**	**5.72**	**4.45**	**3.90**	**3.36**

Notes:

[1] Includes households earning from zero through 30% of Santa Cruz County Area Median Income.

[2] See Appendix B Tables III-2 through III-4 for additional information on Major Occupation Categories. Note that the model places individual employees into households. Many households have multiple income sources. The distribution of the number of workers per worker household and the distribution of household size are based on American Community Survey data.

APPENDIX B TABLE III-6
IMPACT ANALYSIS SUMMARY
EMPLOYEE HOUSEHOLDS GENERATED
RESIDENTIAL NEXUS ANALYSIS
SANTA CRUZ COUNTY **WORKING DRAFT FOR REVIEW BY STAFF ONLY**

RESIDENTIAL UNIT DEMAND IMPACTS
PER 100 MARKET RATE UNITS

Number of New Households[1]	**Prototype 1: Individual Single Family**	**Prototype 2: Single Family -**	**Prototype 3: Single Family -**	**Prototype 4: Lower Density**	**Prototype 5: Higher Density**	**Prototype 6: Rental**
Under 30% Area Median Income	8.4	6.5	5.7	4.5	3.9	3.4
30% to 50% Area Median Income	13.4	10.4	9.1	7.1	6.1	5.3
50% to 80% Area Median Income	11.9	9.2	8.0	6.3	5.5	4.7
80% to 100% Area Median Income	1.5	1.2	1.0	0.8	0.7	0.6
100% to 120% Area Median Income	3.1	2.4	2.1	1.7	1.5	1.3
Subtotal through 120% of Median	38.4	29.8	26.0	20.3	17.7	15.2
Over 120% Area Median Income	8.4	6.5	5.9	4.6	4.2	3.6
Total Employee Households	46.8	36.4	31.9	24.9	21.9	18.9
Percent of New Households[1]						
Under 30% Area Median Income	18%	18%	18%	18%	18%	18%
30% to 50% Area Median Income	29%	29%	28%	28%	28%	28%
50% to 80% Area Median Income	25%	25%	25%	25%	25%	25%
80% to 100% Area Median Income	3%	3%	3%	3%	3%	3%
100% to 120% Area Median Income	7%	7%	7%	7%	7%	7%
Subtotal through 120% of Median	82%	82%	81%	81%	81%	81%
Over 120% Area Median Income	18%	18%	19%	19%	19%	19%
Total Employee Households	100%	100%	100%	100%	100%	100%

Notes
[1] Households of retail, education, healthcare and other workers that serve residents of new market rate units.

	Prototype 1: Individual Single Family Home	Prototype 2: Single Family - Large Lot	Prototype 3: Single Family - Smaller Lot	Prototype 4: Lower Density Townhome	Prototype 5: Higher Density Townhome	Prototype 6: Rental Apartment
Supported Inclusionary Requirement						
Per 100 Market Rate Units - Cumulative Through						
30% OF MEDIAN INCOME	8.4 Units	6.5 Units	5.7 Units	4.5 Units	3.9 Units	3.4 Units
50% OF MEDIAN INCOME	21.8 Units	17.0 Units	14.8 Units	11.5 Units	10.1 Units	8.7 Units
80% OF MEDIAN INCOME	33.7 Units	26.2 Units	22.8 Units	17.8 Units	15.5 Units	13.4 Units
100% OF MEDIAN INCOME	35.3 Units	27.4 Units	23.9 Units	18.6 Units	16.2 Units	14.0 Units
120% OF MEDIAN INCOME	38.4 Units	29.8 Units	26.0 Units	20.3 Units	17.7 Units	15.2 Units
Supported Inclusionary Percentage - Cumulative Through [1]						
30% OF MEDIAN INCOME	7.8%	6.1%	5.4%	4.3%	3.8%	N/A
50% OF MEDIAN INCOME	17.9%	14.5%	12.9%	10.3%	9.1%	N/A
80% OF MEDIAN INCOME	25.2%	20.8%	18.6%	15.1%	13.4%	N/A
100% OF MEDIAN INCOME	26.1%	21.5%	19.3%	15.7%	14.0%	N/A
120% OF MEDIAN INCOME	27.7%	23.0%	20.6%	16.8%	15.0%	N/A

Notes:
[1] Calculated by dividing the supported number of affordable units by the total number of units (supported affordable units + 100 market rate units).

IV. 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 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 Santa Cruz County, known as the 'affordability gap.' Affordability gaps are calculated for four of the categories of area median income: Extremely Low (under 30% of median), Very Low (30% - 50% of median), Low (50% to 80%), and Moderate (80% to 120%). The Median Income category is combined with the Moderate Income category for the purposes of the affordability gaps and the affordable units are priced to be affordable to households earning 100% of median income. The following summarizes the analysis of mitigation cost, which is based on the affordability gap or net cost to deliver units that are affordable to worker households in the lower income tiers. More detail on the Affordability Gap calculations can be found in Appendix C.

A. County Assisted Affordable Unit 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 County practices and policies. The analysis assumes that the County will assist households earning between 80% and 120% of Area Median Income with ownership units. The prototype affordable ownership unit is a three-bedroom townhome unit. The analysis assumes households earning 80% of Area Median Income or less will be assisted in rental units. The analysis uses a two bedroom affordable rental prototype, based on recent affordable housing developments.

For the purposes of estimating the affordability gaps, we assume that the rental projects will receive federal and state low income housing tax credits. Assuming that this funding is available in the future reduces the affordability gap and makes the analysis more conservative.

B. Development Costs

KMA prepared an estimate of total development cost for a typical two bedroom affordable rental unit (inclusive of land, all fees and permits, financing and other indirect costs) based on a review of development pro formas for recent affordable tax credit projects. KMA concluded that on average, the new affordable rental units would have a total development cost per unit of $310,000.

For ownership units, total development costs for a typical three bedroom, 1,350 square foot townhome are estimated at $472,500 unit ($350 per square foot).

C. Unit Values

For affordable ownership units, unit values are the affordable purchase prices. Affordable purchase prices for ownership units are calculated based on the County's methodology. The Median/Moderate Income units are calculated assuming 100% of Santa Cruz County area median income. For a three-bedroom unit, KMA calculated the affordable sales price at $343,000 for Median/Moderate units. Details of the calculation are discussed in Appendix C.

For rental units, unit values are based upon the Net Operating Income (NOI) generated by the units at the restricted rents and the resulting investment supported. For Low-Income households, affordable rents are based on households earning 60% of the Santa Cruz County median; for Very Low Income households, rents are based on households earning 50% of median; for Extremely Low Income households, rents are based on households earning 30% of median. These income levels are based on the requirements of the tax credit program. The NOI is computed based on the affordable rents less vacancy and operating and maintenance expenses.

The Net Operating Income is used to estimate the amount of permanent debt the project can support. This is added to the estimated market value of the tax credits to calculate total Sources of Funds, or the Unit Value. Altogether, these Sources of Funds total $139,000 for Extremely Low income units, $179,000 for Very Low income units and $200,000 for Low Income units.

Maximum Affordable Sales Prices and Unit Values			
Income Group	*Unit Tenure / Type*	*Household Size*	*Unit Values / Sales Price*
Extremely Low Income	Rental	3 persons	$139,000
Very Low Income	Rental	3 persons	$179,000
Low Income	Rental	3 persons	$200,000
Median/Moderate Income	Ownership	4 persons	$343,000

D. Affordability Gap

The affordability gap is the difference between the cost of developing a residential unit and the unit values at the affordable rents or sales prices.

The resulting affordability gaps are as follows:

Affordability Gaps			
Income Level	*Unit Value*	*Development Cost*	*Affordability Gap*
Extremely Low Income	$139,000	$310,000	$171,000
Very Low Income	$179,000	$310,000	$131,000
Low Income	$200,000	$310,000	$110,000
Moderate Income	$343,000	$472,500	$129,500

Appendix C presents the detailed affordability gap calculations.

E. Total Linkage Costs

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

Appendix B Table IV-1 summarizes the analysis. The Affordability Gaps are drawn from the prior discussion (more detail is presented in Appendix C). The "Total 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 Appendix B Table III-6 in the previous section and is adjusted to a per-unit basis from the 100 unit building module.)

The total nexus costs for each of the prototypes are as follows:

Nexus Per Market Rate Unit							
Income Category	*Affordability Gap*	*Individual Single Family*	*Single Family – Large Lot*	*Single Family - Smaller Lot*	*Lower Density Townhome*	*Higher Density Townhome*	*Rental*
Extremely Low (under 30% AMI)	$171,000	$14,400	$11,200	$9,800	$7,600	$6,700	$5,700
Very Low (30%- 50% AMI)	$131,000	$17,600	$13,700	$11,900	$9,300	$8,100	$6,900
Low (50%-80% AMI)	$110,000	$13,100	$10,200	$8,800	$6,900	$6,000	$5,200
Moderate (80%-120% AMI)	$129,500	$6,000	$4,700	$4,100	$3,200	$2,800	$2,400
Total Nexus Costs		**$51,100**	**$39,800**	**$34,600**	**$27,000**	**$23,600**	**$20,200**

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. Again, see Appendix A for more discussion of the prototypes. The results per square foot of building area are as follows:

Total Nexus Cost Per Sq. Ft.							
Income Category	*Affordability Gap*	*Individual Single Family*	*Single Family – Large Lot*	*Single Family - Smaller Lot*	*Lower Density Townhome*	*Higher Density Townhome*	*Rental*
Prototype Size		*3,200 SF*	*2,600 SF*	*2,200 SF*	*1,700 SF*	*1,150 SF*	*850 SF*
Extremely Low (under 30% AMI)	$171,000	$4.50	$4.30	$4.50	$4.50	$5.80	$6.70
Very Low (30%- 50% AMI)	$131,000	$5.50	$5.30	$5.40	$5.50	$7.00	$8.10
Low (50%-80% AMI)	$110,000	$4.10	$3.90	$4.00	$4.10	$5.20	$6.10
Moderate (80%-120% AMI)	$129,500	$1.90	$1.80	$1.90	$1.90	$2.40	$2.80
Total Nexus Costs		**$16.00**	**$15.30**	**$15.80**	**$16.00**	**$20.40**	**$23.70**

These costs express the total linkage or nexus costs for the six prototype developments in the County of Santa Cruz. These total nexus costs are the maximum that may be charged if the fees must be justified by a nexus study. **The totals are not recommended levels for fees; they represent only the maximums established by this nexus analysis.**

TOTAL NEXUS COST PER MARKET RATE UNIT

			Nexus Cost Per Market Rate Unit [3]					
Household Income Level	Affordability Gap [1]		Prototype 1: Individual Single Family Home	Prototype 2: Single Family - Large Lot	Prototype 3: Single Family - Smaller Lot	Prototype 4: Lower Density Townhome	Prototype 5: Higher Density Townhome	Prototype 6: Rental Apartment
Under 30% Area Median Income	$171,000	1	$14,400	$11,200	$9,800	$7,600	$6,700	$5,700
30% to 50% Area Median Income	$131,000	1	$17,600	$13,700	$11,900	$9,300	$8,100	$6,900
50% to 80% Area Median Income	$110,000	1	$13,100	$10,200	$8,800	$6,900	$6,000	$5,200
80% to 120% Area Median Income	$129,500	2	$6,000	$4,700	$4,100	$3,200	$2,800	$2,400
Total Supported Fee / Nexus			**$51,100**	**$39,800**	**$34,600**	**$27,000**	**$23,600**	**$20,200**

TOTAL NEXUS COST PER SQUARE FOOT OF BUILDING AREA [4]

		Nexus Cost Per Square Foot (Net Rentable / Sellable) [4]					
		Prototype 1: Individual Single Family Home	Prototype 2: Single Family - Large Lot	Prototype 3: Single Family - Smaller Lot	Prototype 4: Lower Density Townhome	Prototype 5: Higher Density Townhome	Prototype 6: Rental Apartment
Household Income Level	Unit Size (SF)	3,200 SF	2,600 SF	2,200 SF	1,700 SF	1,150 SF	850 SF
Under 30% Area Median Income		$4.50	$4.30	$4.50	$4.50	$5.80	$6.70
30% to 50% Area Median Income		$5.50	$5.30	$5.40	$5.50	$7.00	$8.10
50% to 80% Area Median Income		$4.10	$3.90	$4.00	$4.10	$5.20	$6.10
80% to 120% Area Median Income		$1.90	$1.80	$1.90	$1.90	$2.40	$2.80
Total Supported Fee / Nexus		**$16.00**	**$15.30**	**$15.80**	**$16.00**	**$20.40**	**$23.70**

Notes:
[1] Assumes affordable rental units. Reflects remaining affordability gap after tax credit financing.
[2] Affordability gap for Moderate Income households based on ownership units (townhome) priced at 100% of median.
[3] Nexus cost per unit computed by multiplying affordable unit demand per 100 units from Appendix B Table III-6 by the affordability gap and dividing by 100
[4] Computed by dividing the nexus cost per unit by the square footage of the unit.

ADDENDUM: ADDITIONAL BACKGROUND AND NOTES ON SPECIFIC ASSUMPTIONS

No Excess Supply of Affordable Housing

An assumption of this residential nexus analysis is that there is no excess supply of affordable housing available to absorb or offset new demand; therefore, new affordable units are needed to mitigate the new affordable housing demand generated by development of new market rate residential units. Based on a review of the County's current Housing Element, conditions in Santa Cruz County are consistent with this underlying assumption. According to the Housing Element for the 2007 to 2014 period, approximately 40% of all households in the County were paying more than thirty percent of their income on housing. Current Census data (2010 to 2012 ACS) indicates that this percentage has now climbed to almost 50% of households that are spending more than 30% of their income on housing.

Affordability Gap

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; the type of unit to be delivered depends on the income/affordability level. In Santa Cruz County, the County is anticipated to assist in the development of rental units for household incomes less than 80% of median income and ownership units for median and moderate income households.

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 an industry profit (non-profit developers receive a development 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 the recent housing downturn, sales prices were depressed such that they were not high enough to cover total development costs and there is no profit. Projects are not feasible during these periods.

Excess Capacity of Labor Force

In the context of economic downturns such as the recent severe recession, the question is sometimes 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. Recessions are temporary conditions; a healthy economy will return and the impacts will be experienced. The economic cycle also 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, economic conditions will have likely improved.

The Burden of Paying for Affordable Housing

The County of Santa Cruz's inclusionary/impact fee program will not place all burden for the creation of affordable housing on new residential construction. The County is also considering a Housing Impact Fee that applies to commercial development. 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 play a large role in affordable housing. In addition, 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.

APPENDIX C: AFFORDABILITY GAP ANALYSIS

A key component of the nexus analysis is the size of the gap between what households can afford and the cost of producing new housing in Santa Cruz County, known as the "affordability gap." In this appendix, we document the calculation of the affordability gaps used in the residential and non-residential nexus analyses.

In a nexus-based impact analysis, the affordability gap represents the cost to mitigate the affordable housing impacts of the new development (residential or non-residential). Therefore, the affordability gap should reflect how the County intends to spend fee revenues to increase the supply of affordable housing in the County. To this end, KMA worked with the County to create prototypes of affordable housing units likely to be assisted by the County.

I. COUNTY-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 County practices and policies. The County intends to assist in the production of rental units for households in the Extremely Low (less than 30% of median income), Very Low (between 30 and 50% of median income) and Low (50 – 80% of median income) income categories, and the production of ownership units for households in the Median/Moderate (80% - 120% of median income) category.

KMA reviewed the development program for two recent County-assisted affordable rental housing developments, and four additional recent tax credit projects in the local area. Based on these recent projects, KMA concluded that, on average, the new affordable rental units have 2.0 bedrooms. For ownership units, KMA based the development program on a recent affordable townhome project that was partially funded by the County. The affordable ownership units are assumed to be townhome units with 3.0 bedrooms per unit.

The analysis assumes that tax credit financing is available for the rental income units. The level of tax credit equity per unit represents a blend of 4% and 9% tax credit projects, based on the sample pro formas reviewed.

II. AFFORDABLE RENT LEVELS

Affordable rent levels are a function of the income level for which the unit is aimed to be affordable. KMA utilized the maximum rents published by the California Tax Credit Allocation Committee. Since the published rents include utilities, KMA subtracted out a utility allowance based on figures from the Santa Cruz County Housing Authority. See Appendix C Tables 1 through 3 for more detail on the calculation of these rent levels for the three lowest income categories.

III. AFFORDABLE SALES PRICE

For the ownership units, KMA utilized Santa Cruz County's affordable sales price methodology. Median/Moderate sales prices are calculated at the 100% of median level. KMA assumes a $250 allowance for HOA dues. The County's methodology assumes that households spend 30% of their income on housing expenses.

The maximum affordable sales price for a 3.0 bedroom unit at 100% of Area Median Income is $343,000.

IV. AFFORDABILITY GAPS

In a nexus study, the affordability gap is the amount of subsidy dollars required to bridge the difference between total development costs and the value of the affordable unit. The unit value of an affordable ownership unit is the affordable sales price.

For the rental units, the affordability gap is calculated slightly differently because we assume that these units will receive tax credit financing. For these units, KMA estimates the total sources of funds (including permanent debt, tax credits and a deferred developer fee) and compares that to the total development costs; the difference is the affordability gap, or the amount of additional subsidy dollars necessary to make the project feasible.

a) Development Costs

For the purposes of the nexus analysis, KMA prepared an estimate of total development cost for typical affordable rental units. Total development costs include land, direct construction, all fees and permits, financing and other indirect costs, including profit. KMA drew this estimate from the total costs in the development pro forma for the recent tax credit projects in the local area.

The County recently assisted two tax credit rental projects, Schapiro Knolls (formerly Minto Place) and Aptos Blue; the average development cost of these two projects exceeds $400,000 per unit. Based on discussion with County staff, however, the cost experience of these two projects is not expected to be typical going forward. Therefore, KMA did not base the cost estimate on these two projects . Instead, KMA based the development costs on three tax credit projects in Watsonville and Castroville; the average development cost for these units was $310,000.

For purposes of the nexus analysis KMA utilized the $310,000 development cost level for a new affordable rental unit. This lower cost estimate results in a lower affordability gap, and therefore a more conservative (lower) nexus amount.

The County recently assisted with the development of affordable ownership units in the Canterbury Townhomes project. However, the development cost experience of these units was also not typical. The County believes future assisted projects will be less expensive to develop. For the purposes of the affordability gap, KMA assumes that the 1,300 square foot 3 bedroom townhome unit will cost $472,500 to build, or $350 per square foot.

Again, for many new developments, particularly County-assisted developments, total development costs could be higher than those estimated here. The conservative estimate of development costs results in a lower supportable nexus amount.

b) Unit Values

To calculate the value of the restricted rental units, KMA first estimated the Net Operating Income generated by the units. The first step is to convert monthly gross rent to an annual gross rent by multiplying by 12. Annual gross rent is then adjusted for vacancy rates during turnover, and then operating costs are netted out. Lost income due to vacancy is estimated at 5% of gross rents. Operating costs cover management, property taxes, and certain other expenses. The operating expenses are estimated at $6,250 per unit per year including replacement reserves but excluding property taxes; this estimate is based on the Schapiro Knolls (Minto Place) pro forma. The rental units are assumed to be owned by a non-profit general partner and therefore exempt from property taxes. Net Operating Income is calculated by netting out vacancy, operating costs and property taxes from the gross income generated by the unit.

The Net Operating Income is used to estimate the amount of permanent debt the project can support, given the underwriting assumptions in the Aptos Blue project with a slightly higher interest rate to reflect a more typical market (5.5% interest for 15 years with a 1.2 debt coverage ratio). An additional source of funds is the market value of the tax credits (estimated at $140,000 per unit based on a blend of 4% and 9% projects). Altogether, these Sources of Funds total $139,000 for Extremely Low income units, $179,000 for Very Low income units and $200,000 for Low Income units.

For the Moderate Income units, the unit value is the affordable sales price, or $343,000.

The results are summarized below and shown in Appendix C Tables 1 through 4.

Supported Unit Values		
	Net Operating Income	*Unit Value*
Extremely Low Income	$(139) per year	$139,000*
Very Low Income	$4,626 per year	$179,000*
Low Income	$7,020 per year	$200,000*
Median/Moderate Income	n/a	$343,000

**Total Sources of Funds, which includes permanent debt and tax credits.*

As shown in the table above, the affordable units do not generate enough value to cover the total development costs of the unit. The resulting gap between unit value and development costs is referred to as the Affordability Gap.

c) Affordability Gaps

The affordability gap conclusions are presented in Appendix C Tables 1 through 4, and summarized below.

Affordability Gaps			
Income Level	*Unit Value*	*Development Cost*	*Affordability Gap*
Extremely Low Income	$139,000	$310,000	$171,000
Very Low Income	$179,000	$310,000	$131,000
Low Income	$200,000	$310,000	$110,000
Moderate Income	$343,000	$472,500	$129,500

These affordability gaps represent the mitigation cost to the City per affordable unit, by income level. They are entered into the nexus analyses to calculate the maximum supported impact fees.

Appendix C Table 1
Affordability Gap: Extremely Low-Income Households **WORKING DRAFT**
After Tax Credit Financing
Residential and Non-Residential Nexus Analyses
Santa Cruz County, CA

		30% AMI
I. Affordable Rent		
Average Number of Bedrooms[1]		2.0
Maximum Rent per CTCAC		$628
(Less) Utility Allowance[2]		($103)
Maximum Monthly Rent per CTCAC		$525
II. Net Operating Income (NOI)		Per Unit
Gross Scheduled Income (GSI)		
Monthly		$525
Annual		$6,300
Other Income		$120
(Less) Vacancy	5%	($321)
Effective Gross Income (EGI)		$6,099
(Less) Operating Expenses[3]		($6,250)
(Less) Property Taxes	1.25%	exempt [4]
Net Operating Income (NOI)		($151)
III. Capitalized Value and Affordability Gap		
I. Net Operating Income (NOI)		($151)
II. Sources of Funds		
Supportable Debt		($1,000)
Market Value of Tax Credits[5]		$140,000
III. Total Sources of Funds		$139,000
IV. (Less) Total Development Costs[6]		($310,000)
V. Affordability Gap		**($171,000)**

(1) Average number of bedrooms based on the Aptos Blue and Shapiro Knolls projects.
(2) Utility allowances from Santa Cruz County Housing Authority.
(3) Includes replacement reserves.
(4) Assumes non-profit general partner.
(5) Average tax credits received for three recent tax credit projects in greater Santa Cruz region. Two projects received 9% tax credits and one received 4% credits. Does not include Shapiro Knolls or Aptos Blue.
(6) Development costs based on average costs for three recent tax credit projects in the greater Santa Cruz area. Does not include Shapiro Knolls or Aptos Blue.

Appendix C Table 2
Affordability Gap: Very Low-Income Households **WORKING DRAFT**
After Tax Credit Financing
Residential and Non-Residential Nexus Analyses
Santa Cruz County, CA

		50% AMI
I. Affordable Rent		
Average Number of Bedrooms[1]		2.0
Maximum Rent per CTCAC		$1,047
(Less) Utility Allowance[2]		($103)
Maximum Monthly Rent per CTCAC		$944
II. Net Operating Income (NOI)		Per Unit
Gross Scheduled Income (GSI)		
Monthly		$944
Annual		$11,328
Other Income		$120
(Less) Vacancy	5%	($572)
Effective Gross Income (EGI)		$10,876
(Less) Operating Expenses[3]		($6,250)
(Less) Property Taxes	1.25%	exempt [4]
Net Operating Income (NOI)		$4,626
III. Capitalized Value and Affordability Gap		
I. Net Operating Income (NOI)		$4,626
II. Sources of Funds		
Supportable Debt		$39,000
Market Value of Tax Credits[5]		$140,000
III. Total Sources of Funds		$179,000
IV. (Less) Total Development Costs[6]		($310,000)
V. Affordability Gap		**($131,000)**

(1) Average based on the Aptos Blue and Minto Place projects.
(2) Utility allowances from Santa Cruz County Housing Authority.
(3) Includes replacement reserves.
(4) Assumes non-profit general partner.

(5) Average tax credits received for three recent tax credit projects in greater Santa Cruz region. Two projects received 9% tax credits and one received 4% credits. Does not include Shapiro Knolls or Aptos Blue.

(6) Development costs based on average costs for three recent tax credit projects in the greater Santa Cruz area. Does not include Shapiro Knolls or Aptos Blue.

Appendix C Table 3
Affordability Gap: Low-Income Households **WORKING DRAFT**
After Tax Credit Financing
Residential and Non-Residential Nexus Analyses
Santa Cruz County, CA

		60% AMI
I. Affordable Rent		
Average Number of Bedrooms[(1)]		2.0
Maximum Rent per CTCAC		$1,257
(Less) Utility Allowance[(2)]		($103)
Maximum Monthly Rent per CTCAC		$1,154
II. Net Operating Income (NOI)		Per Unit
Gross Scheduled Income (GSI)		
Monthly		$1,154
Annual		$13,848
Other Income		$120
(Less) Vacancy	5%	($698)
Effective Gross Income (EGI)		$13,270
(Less) Operating Expenses[(3)]		($6,250)
(Less) Property Taxes	1.25%	exempt [(4)]
Net Operating Income (NOI)		$7,020
III. Capitalized Value and Affordability Gap		
I. Net Operating Income (NOI)		$7,020
II. Sources of Funds		
Supportable Debt		$60,000
Market Value of Tax Credits[(5)]		$140,000
III. Total Sources of Funds		$200,000
IV. (Less) Total Development Costs[(6)]		($310,000)
V. Affordability Gap		**($110,000)**

(1) Average based on the Aptos Blue and Minto Place projects.
(2) Utility allowances from Santa Cruz County Housing Authority.
(3) Includes replacement reserves.
(4) Assumes non-profit general partner.

(5) Average tax credits received for three recent tax credit projects in greater Santa Cruz region. Two projects received 9% tax credits and one received 4% credits. Does not include Shapiro Knolls or Aptos Blue.

(6) Development costs based on average costs for three recent tax credit projects in the greater Santa Cruz area. Does not include Shapiro Knolls or Aptos Blue.

I. County-Assisted Affordable For-Sale Prototype

Building Type	Townhomes
Units Per Acre	11 du/ac
Number of Bedrooms	3
Unit Size	1,350 SF
Development Cost	$472,500

II. Affordable Sales Price

Household Size	4 person HH

	Median, Moderate Income (100% AMI)
Maximum Affordable Sales Price[1]	$343,000

III. Affordability Gap

	Median, Moderate Income (100% AMI)
Market Rate Sale Price	$472,500
(Less) Affordable Price	($343,000)
Affordability Gap	$129,500

[1] Santa Cruz County price calculations.

APPENDIX D: FINANCIAL FEASIBILITY ANALYSIS

One of the County's primary objectives for its affordable housing program is that it be an effective tool for creating new affordable housing. In order for the program to be effective, it must not burden new development to such a degree that it renders new development financially infeasible. Since the recession began in 2008, new construction and the program have been stressed due to the contraction of the housing market. Given this experience and the County's objectives, evaluating the financial feasibility of new development is an important part of this effort.

A series of analyses testing the financial feasibility of residential development under various assumptions regarding affordable housing obligations have been undertaken. The objective of the financial feasibility analyses is to understand the general development economics of each prototype, the profit margins associated with market rate construction, and the impact that a range of affordable housing obligations has on the financial feasibility of new development. The Measure J 15% on-site requirement and fee levels supported by the nexus analysis have been evaluated along with the County's requirements for properties within the Regional Housing Need R Combining Districts and properties that are rezoned from non-residential to residential.

I. Prototypes

The prototypes that have been analyzed are generally the same prototypes that have been analyzed in the nexus analysis, with two exceptions. The first is that the economics of a one-unit single family residence has not been evaluated because these are often built by homeowners – not developers and the homes that are built by developers are typically luxury homes. The second exception is that we have added a higher density rental prototype with an assumed floor to area ratio (FAR) of 1. While this density level is not currently permitted in the County, market forces are trending toward higher densities because of operational efficiencies of projects with larger unit counts, the desire to add additional residential units to mixed use projects, and the ability to spread land costs across more units. Therefore, there is an interest in understanding the economics of this type of product.

Prototypes Analyzed for Financial Feasibility

	Density	Average Unit Size
Ownership Prototypes		
Single Family – Large Lot	5 du/acre	2,600 sq. ft.
Single Family – Smaller Lot	10 du/acre	2,200 sq. ft.
Lower Density Townhome	12 du/acre	1,700 sq. ft.
Higher Density Townhome	24 du/acre	1,150 sq. ft.
Rental Prototypes		
Walk-up	20 du/acre	850 sq. ft.
Podium	41 du/acre	850 sq. ft.

II. Methodology

A ''residual value" approach to valuation has been used for this analysis. Under this approach, estimated per unit development costs are subtracted from per unit sales prices to yield an estimate of the magnitude of profit yielded by the construction of each home. The profit margins are then compared with the profit margins that are generally required by the development community. If the estimated profit margins are consistent with industry standard profit margins, then the analysis indicates that the specific type of development project is financially feasible. Conversely, if estimated development costs exceed supported home prices, then the analysis indicates that the development project is not currently financially feasible. The third finding is for profit margins to be positive, but less than industry targets. The feasibility of that case is inconclusive. A project might or might not be feasible, depending on the specific considerations of the project, property owner, etc.

The development costs, land costs, and price assumptions used in this analysis are based on a review of the experiences of other similar projects in the market area, a survey of recent land sales, and a survey of current home prices and rental rates. Given that the assumptions are a based on a survey of market data, the findings should be viewed as an indicator of financial feasibility, rather than a precise measure of financial feasibility. The costs and revenues of any specific project could be significantly different than the assumptions contained in this analysis. Additionally, the analysis does not reflect differences in geographic location within the County. As noted in the "Market Survey", there is a significant difference in home prices across the County, with prices generally higher in the northern communities.

a. Home Price/Rental Assumptions

The financial feasibility analyses reflect the following price/rent assumptions:

Prototype Rent/Price Estimate	Size	Sale Price/ Rent	Price/Rent PSF
Single Family – Large Lot	2,600 sq. ft.	$845,000	$325
Single Family – Smaller Lot	2,200 sq. ft.	$726,000	$330
Lower Density Townhome	1,700 sq. ft.	$553,000	$325
Higher Density Townhome	1,150 sq. ft.	$450,000	$390
Walk-up	850 sq. ft.	$2,125/month	$2.50
Podium	850 sq. ft.	$2,423/month	$2.85

These prices are based on: 1) the prices being achieved by specific new developments (Appendix D Table 1); 2) a review of home prices of homes built since 2009 (Appendix D Table 2); and 3) reported median home prices within each community of the County (Appendix D Table 3). Market rate prices and the assumed prices for each of the prototypes are detailed in Appendix A.

b. Development Cost Assumptions

Development costs include the cost to acquire land, prepare architectural and engineering drawings, construct the units, and fund “soft” costs, such as building permit fees, impact fees, and financing costs. Land cost estimates are based on a review of available data on land sale transactions. As shown on Appendix D Table 4, a number of the sales correspond with specific prototype projects. Development cost estimates are based on a review of the experiences of projects in Santa Cruz and Santa Clara County and building permit and impact fee schedules. Based on this review, the cost estimates used in the financial feasibility analysis for each prototype are as follows:

	Single Family, Large Lots		Single Family, Smaller Lots		Lower Density Townhome		Higher Density Townhome	
	per sf	*per du*	*per sf*	*per du*	*per sf*	*per du*	*per sf*	*per du*
Land	$62	$160,000	$50	$110,000	$50	$85,000	$54	$62,000
Direct Construction Costs	$145	$377,000	$150	$330,000	$160	$272,000	$195	$224,250
Fees and Permits	$18	$47,000	$20	$45,000	$22	$37,000	$26	$30,000
Soft & Financing Costs	$45	$118,000	$46	$100,000	$51	$87,000	$57	$65,000
Total Development Costs	**$270**	**$702,000**	**$266**	**$585,000**	**$283**	**$481,000**	**$332**	**$381,000**

	Apartments		Multi-Family FAR of 1	
	per sf	*per du*	*per sf*	*per du*
Land	$76	$65,000	$67	$57,000
Direct Construction Costs	$185	$157,250	$245	$208,250
Fees and Permits	$34	$29,000	$34	$29,000
Soft & Financing Costs	$56	$48,000	$61	$52,000
Total Development Costs	**$352**	**$299,000**	**$407**	**$346,000**

c. Residual Profit Margins and Assessment of Financial Feasibility

The findings of the analyses are summarized on the following chart. The analysis of each inclusionary/affordable housing scenario is provided in Appendix D Tables 5 through 12.

	Single Family – Large Lot	*Single Family – Smaller Lot*	*Lower Density Townhome*	*Higher Density Townhome*	*Rental*	*Higher Density Rental*
100% Market Rate	Feasible. Profit = 16%	Feasible. Profit = 20%	Feasible. Profit = 11%	Feasible. Profit = 14%	Marginal. 6% return on cost	Marginal. 6% return on cost
15% on-site requirement priced @ 100% of AMI	Marginal. Profit = 6%	Likely Feasible. Profit = 11%	Marginal. Profit = 4%	Marginal. Profit = 9%	NA	NA
15% on-site requirement priced @ 120% of AMI	Marginal. Profit = 8%	Feasible. Profit = 13%	Marginal. Profit = 7%	Feasible. Profit = 11%		
Market rate with $15.00 per square foot impact fee	Feasible. Profit = 11%	Feasible. Profit = 14%	Marginal. Profit = 5%	Marginal. Profit = 9%	Infeasible. Negative Profit	Marginal. Profit = 4%; ROC = 6%
Market rate with impact fee set at 4% of market rate price	Feasible. Profit = 11%	Feasible. Profit = 15%	Marginal. Profit = 6%	Marginal. Profit = 9%	NA	NA
SCC Current in-Lieu Fee Structure	Marginal. Profit = 8%	Feasible. Profit = 11%	Marginal. Profit = 4%	Marginal. Profit = 7%	NA	NA
R Combining District requirements (15% priced at 100% of AMI and 25% priced at 120% of AMI)	Infeasible w/o subsidy. Negative Profit	Infeasible w/o subsidy Negative Profit	Infeasible w/o subsidy. Negative Profit	Marginal. Profit = 4%	NA	NA
Zoning Change Requirement of 40% Very Low to Mod.[11]	Infeasible w/o subsidy. No profit.	Generally infeasible. Marginal profit.	Infeasible w/o subsidy. No profit.	Marginal profit.	Infeasible w/o subsidy. Negative Profit.	Infeasible w/o subsidy. Negative Profit.

As shown, the development of market rate single family homes is currently financially feasible in the County. While the lower density townhome product generates a positive profit margin, the level of return is not currently robust. However, it is anticipated that the returns on attached units will improve as the market strengthens. Rental projects are currently marginally financially feasible, even at higher densities.

Impact of on-site Inclusionary requirements on financial feasibility

The imposition of affordable housing requirements significantly impacts development profit margins. Measure J's 15% inclusionary requirement (prices set at 100% of AMI) generates substandard returns for all ownership prototypes, except for the small-lot single family development. To enhance feasibility, we are recommending that the price limit on inclusionary units be raised to 110% of AMI.

[11] Ownership projects with less than 100 units, must provide 20% of units priced at 70% of AMI and 20% of units priced at 100% of AMI. Ownership projects with 100+ units must provide 10% of units priced at 50% AMI, 10% priced at 70% AMI, and 20% priced at 100% AMI. Rental projects with less than 100 units must provide 40% of units leased at 80% AMI. Rental projects with 100+ units must provide 10% of units leased at 50% of AMI and 30% leased at 80% AMI.

Impact of affordable housing fees on financial feasibility

We tested three fee structures supported by the nexus analysis: 1) a $15 per square foot fee; 2) a fee equivalent to 4% of market rate prices; and 3) the County's current fee structure. All three fee structures are less burdensome on detached products than the 15% inclusionary requirement. The analysis indicates that new detached development can absorb the cost of such a fee without rendering new development infeasible. The economics of attached product are more challenged and these types of projects would experience substandard returns with a $15 per square foot or 4% of value fee. However, profit margins would still likely be positive. The analysis indicates that a fee of $15 per square foot would render new apartment construction infeasible.

Impact of Regional Housing Need R- Combining District requirements on financial feasibility

The analysis indicates that the imposition of the additional 25% inclusionary requirement (priced at 120% of AMI) generally renders new development infeasible. In order to be financially feasible, projects would likely need either some special development standards that would reduce construction costs or financial assistance.

Feasibility of Zoning Change Projects

The County's ordinance requires new residential projects built on property that has been rezoned from non-residential to residential to restrict 40% of the units as affordable units, with 20% of the units priced at 70% of median income and 20% priced at 100% of median income[12].

The analysis indicates that this requirement generally renders such projects infeasible. Land sales data indicate that potential savings from reduced land costs are generally not sufficient to off-set the additional affordable housing burden. The financial feasibility analysis indicates that development of four residential prototypes would yield zero or negative profit margins and substandard profit margins are estimated for two prototypes. In order for new single family development to achieve standard profit margins, the non-residential land would need to be valued at approximately at less than $9,500 per unit or $1.10 to $3.60 per square foot of land area. It would be unusual for commercial sites improved with infrastructure to be valued at such low levels.

[12] These inclusionary requirements apply to ownership projects of less than 100 units. Projects with 100+ units must provide 10% Very Low Income units, 10% Low Income units, and 20% Moderate Income units. Rental projects with 100+ units must provide 10% Very Low Income and 30% Low Income units. Rental projects with fewer than 100 units must provide 40% Low Income units.

APPENDIX D TABLE 1
EXAMPLES OF PROTOTYPES
AFFORDABLE HOUSING REGULATIONS UPDATE
SANTA CRUZ COUNTY

		Avg SF	Avg Price	Per SF
Single Residences	Three Beds	2,093	$851,174	$423
	Four beds	3,415	$1,041,205	$337
	Five or Six Beds	3,288	$1,475,000	$404
	Overall	2,367	$878,071	$409
Lower Density, SF Detached	De Laveaga, Santa Cruz	2,000	$800,000	$400
	Mar Sereno in Aptos	4,000	$1.3 to $1.5 mil	$367
	Falcon Ridge, Scotts Valley	3,500	$975,000	$282
Higher Density, SF Detached	Branciforte Creek	2,450	$718,000	$293
	Pearson Court, Capitola	1,500	$660,000	$440
Lower Density, Attached SF	Silver Oaks and Cabrillo Commons, Aptos	1,620	$530,000	$332
	Silver Oaks, Recent Sales	1,620	$595,000	$367
	Scotts Valley	2,305	$544,000	$236
Higher Density Condominium Apartments	2030 North Pacific, Santa Cruz	934	$390,000	$418
	Capitola Condos	742	$355,000	$479
	Santa Cruz			$2.50 to $3.00

APPENDIX D TABLE 2
NEWER RESIDENTIAL UNITS IN SANTA CRUZ COUNTY (BUILT 2009-2014)
AFFORDABLE HOUSING REGULATIONS UPDATE
SANTA CRUZ COUNTY

	Average Size	Average # of BRs	Average Sales Price	Average Price/SF	Number of Records
Multifamily Units*	**1,723 SF**	**2.8**	**$516,591**	**$304**	**33**
Aptos	1,577 SF	2.7	$488,120	$308	25
Santa Cruz	1,984 SF	2.5	$682,000	$355	4
Scotts Valley	2,305 SF	4.0	$529,125	$230	4
** Condominiums and townhomes.*					
Single Family Units	**2,188 SF**	**3.1**	**$777,115**	**$376**	**191**
Aptos	2,539 SF	3.2	$1,180,382	$473	17
Boulder Creek	1,588 SF	3.0	$488,000	$307	1
Capitola	1,699 SF	2.7	$662,646	$415	24
Felton	3,811 SF	4.7	$315,000	$122	3
Freedom	1,952 SF	3.3	$382,333	$197	3
La Selva Beach	2,798 SF	3.0	$1,275,000	$444	2
Santa Cruz	2,100 SF	3.1	$743,476	$374	127
Scotts Valley	3,298 SF	3.4	$904,722	$270	9
Soquel	2,085 SF	3.0	$800,000	$385	2
Watsonville	2,972 SF	3.7	$1,055,000	$344	3

Source: Dataquick

APPENDIX D TABLE 3
MEDIAN HOME SALE PRICE, 2011-2013
AFFORDABLE HOUSING REGULATIONS UPDATE
SANTA CRUZ COUNTY

	2011	2012	2013	% Change 2012-2013	Homes Sold in 2012	Homes Sold in 2013
Santa Cruz County	**$385,000**	**$429,500**	**$505,000**	**17.60%**	**2,415**	**2,530**
North Coast						
Ben Lomond	$360,000	$382,750	$430,000	12.30%	65	82
Boulder Creek	$225,000	$235,000	$320,000	36.20%	146	154
Brookdale	$240,000	$312,250	$407,500	30.50%	10	9
Felton	$260,000	$319,500	$347,500	8.80%	92	85
Urban Core						
Santa Cruz	$500,000	$521,000	$610,000	17.10%	821	856
Scotts Valley	$516,000	$546,500	$591,000	8.10%	186	189
Capitola	$428,000	$419,250	$439,500	4.80%	125	167
Aptos	$501,500	$564,500	$599,000	6.10%	376	442
Soquel	$450,000	$457,000	$608,500	33.20%	62	57
South County						
Watsonville	$260,000	$277,000	$334,000	20.60%	477	414
Freedom	$239,000	$235,750	$300,500	27.50%	33	40
Santa Clara County	**$472,500**	**$525,000**	**$645,000**	**22.90%**	**20,940**	**20,700**
Monterey County	**$240,500**	**$277,500**	**$355,000**	**27.90%**	**3,805**	**3,517**

Source: Dataquick

APPENDIX D TABLE 4
RECENT RESIDENTIAL LAND SALES
AFFORDABLE HOUSING REGULATIONS UPDATE
SANTA CRUZ COUNTY

Address	Project	Sales Date	Site size (sf)	Planned Units	Density-Du/acre	Sales Price	$/SF	$/Unit
201 Pacific Blvd., Watsonville		11-Mar	41,715	20	21	$995,000	$24	$49,750
Minto Road, Watsonville	Shapiro Knolls	7-Apr	192,100	88	20	$3,100,000	$16	$35,227
350 Ocean Street, Santa Cruz		10-May	61,050	59	42	$3,088,626	$51	$52,350
706 Frederick Street, Santa Cruz		11-Feb	25,943	22	37	$1,000,000	$39	$45,455
110 Lindberg Street, Santa Cruz		12-Sep	30,194	22	32	$1,350,000	$45	$61,364
De Laveaga Park, Santa Cruz		12-Jun	79,279	13	7	$1,300,000	$16	$100,000
Mattison Lane		NA	196,891	11	2	$1,750,000	$9	$159,091
727 Frederick Street	mixed use	12-Feb	6,900	4	25	$212,000	$31	$53,000
2234 Mission Street	mixed use	12-Feb	10,132	9	39	$500,000	$49	$55,556
Town Center Homes, Scotts Valley		11-Jun	106,100	46	19	$4,017,500	$38	$87,337
220 Laurel Street, Santa Cruz		12-Jun	9,147	16	76	$775,000	$85	$48,438
Mora Street, Santa Cruz		14-Jan	27,677	NA	NA	$695,000	$25	NA
Aptos Rancho Road	Canterbury		72,310	19	11	$1,650,000	$23	$86,842
Aptos Rancho Road	Aptos Blue		95,832	40	18	$3,150,000	$33	$78,750
	Walnut Commons		14,000	19	59	$900,000	$64	$47,368

Appendix D, Table 5 *DRAFT - For Internal Review Only*
Preliminary Pro forma Analysis - Base Pricing - 100% market rate - No Affordable Housing Fee/No Inclusionary
Update of Affordable Housing Regulations
Santa Cruz County

	Single Family, Large Lots		**Single Family, Smaller Lots**		**Townhome 1**		**Higher Density Townhome**		**Multi Family Apartments**		**Multi-Family FAR of 1**	
Product Description	Large Lot SFD		Small Lot SFD		Townhome		2 to 3 -story		Two Story Walk-up		2 to 3 story wood on podium	
Density	5 du/acre		10 du/acre		12 du/acre		24 du/acre		20 du/acre		41 du/acre	
Average Unit Size	2,600 sf		2,200 sf		1,700 sf		1,150 sf		850 sf		850 sf	
Average Number of Bedrooms	4.0		3.5		3.0		2.0		2.0		2.0	
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 *	$62	$160,000	$50	$110,000	$50	$85,000	$54	$62,000	$76	$65,000	$67	$57,000
Hard Construction (no PW)	$145	$377,000	$150	$330,000	$160	$272,000	$195	$224,250	$185	$157,250	$245	$208,250
Fees & Permits	$18	$47,000	$20	$45,000	$22	$37,000	$26	$30,000	$34	$29,000	$34	$29,000
Other Soft Costs	$35	$91,000	$35	$77,000	$40	$68,000	$40	$46,000	$40	$34,000	$40	$34,000
Development Mgmt. (4%)	$5.80	$15,080	$6.00	$13,200	$6.40	$10,880	$7.80	$8,970	$7.40	$6,290	$9.80	$8,330
Construction Financing	$4.51	$11,716	$4.67	$10,283	$5.05	$8,577	$8.91	$10,246	$8.84	$7,516	$10.89	$9,256
Total Development Costs	$270	$701,796	$266	$585,483	$283	$481,457	$332	$381,466	$352	$299,056	$407	$345,836
Revenue	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**
Market Rate Units (100%)	$325	$845,000	$330	$726,000	$325	$552,500	$391	$450,000	$2.50	$24,735	$2.85	$28,198
Total Gross Sales	$325	$845,000	$330	$726,000	$325	$552,500	$391	$450,000	$3	$24,735	$3	$28,198
<Less> Sales Expense	($11)	($29,575)	($12)	($25,410)	($11)	($19,338)	($14)	($15,750)	Exp:	($8,000)	Exp:	($8,000)
Sales Net of Sales Expenses	$314	$815,425	$318	$700,590	$314	$533,163	$378	$434,250	NOI	$16,735	NOI	$20,198
									Cap rate:	5.3%	Cap rate:	5.3%
									Value	*$309,199*	Value	*$373,180*
<Less> Development Costs	($270)	($701,796)	($266)	($585,483)	($283)	($481,457)	($332)	($381,466)		($299,056)		($345,836)
<Less> Affordable Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Revenues	$44	$113,629	$52	$115,107	$30	$51,706	$46	$52,784		$10,143		$27,344
As % of Total Costs		*16.2%*		*19.7%*		*10.7%*		*13.8%*		*3.4%*		*7.9%*
As % of Gross Sales		*13.4%*		*15.9%*		*9.4%*		*11.7%*		*3.3%*		*7.3%*
Annual Return on Cost										5.6%		5.8%
* Land Value per Acre		$800,000		$1,100,000		$1,020,000		$1,488,000		$1,300,000		$2,336,866
Land Value per DU		$160,000		$110,000		$85,000		$62,000		$65,000		$57,000
Land Value per SF of Land		$18.37		$25.25		$23.42		$34.16		$29.84		$53.65

Prepared by Keyser Marston Associates, Inc.
\\Sf-fs2\wp\19\19174\002\Appendix D Tables 5-11; base; 7/2/2014

Appendix D, Table 6
Preliminary Pro forma Analysis - Base Pricing - 100% market rate - With SCC Current In-Lieu Fee Structure
Update of Affordable Housing Regulations
Santa Cruz County

	Single Family, Large		Single Family,		Townhome 1		Higher Density	
Product Description	Large Lot SFD		Small Lot SFD		Townhome		2 to 3 -story	
Density	5 du/acre		10 du/acre		12 du/acre		24 du/acre	
Average Unit Size	2,600 sf		2,200 sf		1,700 sf		1,150 sf	
Average Number of Bedrooms	4.0		3.5		3.0		2.0	
Development Costs	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**
Land *	$62	$160,000	$50	$110,000	$50	$85,000	$11	$62,000
Hard Construction (no PW)	$145	$377,000	$150	$330,000	$160	$272,000	$195	$224,250
Fees & Permits	$18	$47,000	$20	$45,000	$22	$37,000	$26	$30,000
Other Soft Costs	$35	$91,000	$35	$77,000	$40	$68,000	$40	$46,000
Development Mgmt. (4%)	$5.80	$15,080	$6.00	$13,200	$6.40	$10,880	$7.80	$8,970
Construction Financing	$4.51	$11,716	$4.67	$10,283	$5.05	$8,577	$8.91	$10,246
Total Development Costs	$270	$701,796	$266	$585,483	$283	$481,457	$332	$381,466
Revenue	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**
Market Rate Units (100%)	$325	$845,000	$330	$726,000	$325	$552,500	$391	$450,000
Total Gross Sales	$325	$845,000	$330	$726,000	$325	$552,500	$391	$450,000
<Less> Sales Expense	($11)	($29,575)	($12)	($25,410)	($11)	($19,338)	($14)	($15,750)
Sales Net of Sales Expenses	$314	$815,425	$318	$700,590	$314	$533,163	$378	$434,250
<Less> Development Costs	($270)	($701,796)	($266)	($585,483)	($283)	($481,457)	($332)	($381,466)
<Less> Affordable Fee	($22)	($57,038)	($22)	($49,005)	($20)	($33,150)	($23)	($27,000)
Net Revenues	$22	$56,591	$30	$66,102	$11	$18,556	$22	$25,784
As % of Total Costs		*8.1%*		*11.3%*		*3.9%*		*6.8%*
As % of Gross Sales		*6.7%*		*9.1%*		*3.4%*		*5.7%*
Annual Return on Cost								
* Land Value per Acre		$800,000		$1,100,000		$1,020,000		$1,488,000
Land Value per DU		$160,000		$110,000		$85,000		$62,000
Land Value per SF of Land		$18.37		$25.25		$23.42		$34.16

Appendix D, Table 7
Preliminary Pro forma Analysis - Base Pricing - 100% market rate - With 15% On-Site Affordable Units
Update of Affordable Housing Regulations
Santa Cruz County

	Single Family, Large Lots		**Single Family, Smaller Lots**		**Townhome 1**		**Higher Density Townhome**	
Product Description	Large Lot SFD		Small Lot SFD		Townhome		2 to 3 -story	
Density	5	du/acre	10	du/acre	12	du/acre	24	du/acre
Average Unit Size	2,600	sf	2,200	sf	1,700	sf	1,150	sf
Average Number of Bedrooms	4.0		3.5		3.0		2.0	
Development Costs	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**
Land *	$62	$160,000	$50	$110,000	$50	$85,000	$54	$62,000
Hard Construction (no PW)	$145	$377,000	$150	$330,000	$160	$272,000	$195	$224,250
Fees & Permits	$18	$47,000	$20	$45,000	$22	$37,000	$26	$30,000
Other Soft Costs	$35	$91,000	$35	$77,000	$40	$68,000	$40	$46,000
Development Mgmt. (4%)	$5.80	$15,080	$6.00	$13,200	$6.40	$10,880	$7.80	$8,970
Construction Financing	$4.51	$11,716	$4.67	$10,283	$5.05	$8,577	$8.91	$10,246
Total Development Costs	$270	$701,796	$266	$585,483	$283	$481,457	$332	$381,466
Revenue	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**
Market Rate Units (100%)	$325	$845,000	$330	$726,000	$325	$552,500	$391	$450,000
Affordable Units	$142	$368,000	$162	$355,500	$202	$343,000	$269	$309,000
Blended (85% Market, 15% Afford)	$297	$773,450	$305	$670,425	$307	$521,075	$373	$428,850
Total Gross Sales	$297	$773,450	$305	$670,425	$307	$521,075	$373	$428,850
<Less> Sales Expense	($10)	($27,071)	($11)	($23,465)	($11)	($18,238)	($13)	($15,010)
Sales Net of Sales Expenses	$287	$746,379	$294	$646,960	$296	$502,837	$360	$413,840
<Less> Development Costs	($270)	($701,796)	($266)	($585,483)	($283)	($481,457)	($332)	($381,466)
<Less> Affordable Fee	$0	$0	$0	$0	$0	$0	$0	$0
Net Revenues	$17	$44,583	$28	$61,477	$13	$21,381	$28	$32,374
As % of Total Costs		*6.4%*		*10.5%*		*4.4%*		*8.5%*
As % of Gross Sales		*5.8%*		*9.2%*		*4.1%*		*7.5%*
Annual Return on Cost								
* Land Value per Acre		$800,000		$1,100,000		$1,020,000		$1,488,000
Land Value per DU		$160,000		$110,000		$85,000		$62,000
Land Value per SF of Land		$18.37		$25.25		$23.42		$34.16

Appendix D, Table 8
Preliminary Pro forma Analysis - Base Pricing - 100% market rate - With $15.00 Per SF Impact Fee
Update of Affordable Housing Regulations
Santa Cruz County

	Single Family, Large Lots		**Single Family, Smaller Lots**		**Townhome 1**		**Higher Density Townhome**		**Multi Family Apartments**		**Multi-Family FAR of 1**	
Product Description	Large Lot SFD		Small Lot SFD		Townhome		2 to 3 -story		Two Story Walk-up		2 to 3 story wood on	
Density	5 du/acre		10 du/acre		12 du/acre		24 du/acre		20 du/acre		41 du/acre	
Average Unit Size	2,600 sf		2,200 sf		1,700 sf		1,150 sf		850 sf		850 sf	
Average Number of Bedrooms	4.0		3.5		3.0		2.0		2.0		2.0	
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 *	$62	$160,000	$50	$110,000	$50	$85,000	$54	$62,000	$76	$65,000	$67	$57,000
Hard Construction (no PW)	$145	$377,000	$150	$330,000	$160	$272,000	$195	$224,250	$185	$157,250	$245	$208,250
Fees & Permits	$18	$47,000	$20	$45,000	$22	$37,000	$26	$30,000	$34	$29,000	$34	$29,000
Other Soft Costs	$35	$91,000	$35	$77,000	$40	$68,000	$40	$46,000	$40	$34,000	$40	$34,000
Development Mgmt. (4%)	$5.80	$15,080	$6.00	$13,200	$6.40	$10,880	$7.80	$8,970	$7.40	$6,290	$9.80	$8,330
Construction Financing	$4.51	$11,716	$4.67	$10,283	$5.05	$8,577	$8.91	$10,246	$8.84	$7,516	$10.89	$9,256
Total Development Costs	$270	$701,796	$266	$585,483	$283	$481,457	$332	$381,466	$352	$299,056	$407	$345,836
Revenue	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**
Market Rate Units (100%)	$325	$845,000	$330	$726,000	$325	$552,500	$391	$450,000	$2.50	$24,735	$2.85	$28,198
Total Gross Sales	$325	$845,000	$330	$726,000	$325	$552,500	$391	$450,000	$3	$24,735	$3	$28,198
<Less> Sales Expense	($11)	($29,575)	($12)	($25,410)	($11)	($19,338)	($14)	($15,750)	Exp:	($8,000)	Exp:	($8,000)
Sales Net of Sales Expenses	$314	$815,425	$318	$700,590	$314	$533,163	$378	$434,250	NOI	$16,735	NOI	$20,198
									Cap rate:	5.3%	Cap rate:	5.3%
									Value	*$309,199*	Value	*$373,180*
<Less> Development Costs	($270)	($701,796)	($266)	($585,483)	($283)	($481,457)	($332)	($381,466)		($299,056)		($345,836)
<Less> Affordable Fee	($15.0)	($39,000)	($15.0)	($33,000)	($15.0)	($25,500)	($15.0)	($17,250)	($15.0)	($12,750)	($15.0)	($12,750)
Net Revenues	$29	$74,629	$37	$82,107	$15	$26,206	$31	$35,534		($2,607)		$14,594
As % of Total Costs		*10.6%*		*14.0%*		*5.4%*		*9.3%*		*-0.9%*		*4.2%*
As % of Gross Sales		*8.8%*		*11.3%*		*4.7%*		*7.9%*		*-0.8%*		*3.9%*
Annual Return on Cost										5.4%		5.6%
* Land Value per Acre		$800,000		$1,100,000		$1,020,000		$1,488,000		$1,300,000		$2,336,866
Land Value per DU		$160,000		$110,000		$85,000		$62,000		$65,000		$57,000
Land Value per SF of Land		$18.37		$25.25		$23.42		$34.16		$29.84		$53.65

Appendix D, Table 9
Preliminary Pro forma Analysis - Base Pricing - 100% market rate - With Impact Fee as a % of Price
Update of Affordable Housing Regulations
Santa Cruz County

	Single Family, Large		**Single Family,**		**Townhome 1**		**Higher Density**	
Product Description	Large Lot SFD		Small Lot SFD		Townhome		2 to 3 -story	
Density	5 du/acre		10 du/acre		12 du/acre		24 du/acre	
Average Unit Size	2,600 sf		2,200 sf		1,700 sf		1,150 sf	
Average Number of Bedrooms	4.0		3.5		3.0		2.0	
Development Costs	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**
Land *	$62	$160,000	$50	$110,000	$50	$85,000	$54	$62,000
Hard Construction (no PW)	$145	$377,000	$150	$330,000	$160	$272,000	$195	$224,250
Fees & Permits	$18	$47,000	$20	$45,000	$22	$37,000	$26	$30,000
Other Soft Costs	$35	$91,000	$35	$77,000	$40	$68,000	$40	$46,000
Development Mgmt. (4%)	$5.80	$15,080	$6.00	$13,200	$6.40	$10,880	$7.80	$8,970
Construction Financing	$4.51	$11,716	$4.67	$10,283	$5.05	$8,577	$8.91	$10,246
Total Development Costs	$270	$701,796	$266	$585,483	$283	$481,457	$332	$381,466
Revenue	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**
Market Rate Units (100%)	$325	$845,000	$330	$726,000	$325	$552,500	$391	$450,000
Total Gross Sales	$325	$845,000	$330	$726,000	$325	$552,500	$391	$450,000
<Less> Sales Expense	($11)	($29,575)	($12)	($25,410)	($11)	($19,338)	($14)	($15,750)
Sales Net of Sales Expenses	$314	$815,425	$318	$700,590	$314	$533,163	$378	$434,250
<Less> Development Costs	($270)	($701,796)	($266)	($585,483)	($283)	($481,457)	($332)	($381,466)
<Less> Affordable Fee	($13)	($33,800)	($13)	($29,040)	($13)	($22,100)	($16)	($18,000)
Net Revenues	$31	$79,829	$39	$86,067	$17	$29,606	$30	$34,784
As % of Total Costs		*11.4%*		*14.7%*		*6.1%*		*9.1%*
As % of Gross Sales		*9.4%*		*11.9%*		*5.4%*		*7.7%*
Annual Return on Cost								
* Land Value per Acre		$800,000		$1,100,000		$1,020,000		$1,488,000
Land Value per DU		$160,000		$110,000		$85,000		$62,000
Land Value per SF of Land		$18.37		$25.25		$23.42		$34.16

Appendix D, Table 10
Preliminary Pro forma Analysis - R Combining Districts (15% at 100% AMI and 25% at 120%)
Update of Affordable Housing Regulations
Santa Cruz County

	Single Family, Large		Single Family,		Townhome 1		Higher Density	
Product Description	Large Lot SFD		Small Lot SFD		Townhome		2 to 3 -story	
Density	5 du/acre		10 du/acre		12 du/acre		24 du/acre	
Average Unit Size	2,600 sf		2,200 sf		1,700 sf		1,150 sf	
Average Number of Bedrooms	4.0		3.5		3.0		2.0	
Development Costs	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**
Land *	$62	$160,000	$50	$110,000	$50	$85,000	$54	$62,000
Hard Construction (no PW)	$145	$377,000	$150	$330,000	$160	$272,000	$195	$224,250
Fees & Permits	$18	$47,000	$20	$45,000	$22	$37,000	$26	$30,000
Other Soft Costs	$35	$91,000	$35	$77,000	$40	$68,000	$40	$46,000
Development Mgmt. (4%)	$5.80	$15,080	$6.00	$13,200	$6.40	$10,880	$7.80	$8,970
Construction Financing	$4.51	$11,716	$4.67	$10,283	$5.05	$8,577	$8.91	$10,246
Total Development Costs	$270	$701,796	$266	$585,483	$283	$481,457	$332	$381,466
Revenue	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**
Market Rate Units - 60%	$325	$845,000	$330	$726,000	$325	$552,500	$391	$450,000
Affordable Units, Mod. - 15%	$142	$368,000	$162	$355,500	$202	$343,000	$269	$309,000
Afford. E Mod - 25%	$173	$450,000	$198	$435,000	$247	$420,000	$329	$378,000
Blended	$260	$674,700	$272	$597,675	$287	$487,950	$357	$410,850
Total Gross Sales	$260	$674,700	$272	$597,675	$287	$487,950	$357	$410,850
<Less> Sales Expense	($9)	($23,615)	($10)	($20,919)	($10)	($17,078)	($13)	($14,380)
Sales Net of Sales Expenses	$250	$651,086	$262	$576,756	$277	$470,872	$345	$396,470
<Less> Development Costs	($270)	($701,796)	($266)	($585,483)	($283)	($481,457)	($332)	($381,466)
<Less> Affordable Fee	$0	$0	$0	$0	$0	$0	$0	$0
Net Revenues	($20)	($50,711)	($4)	($8,727)	($6)	($10,585)	$13	$15,004
As % of Total Costs		*-7.2%*		*-1.5%*		*-2.2%*		*3.9%*
As % of Gross Sales		*-7.5%*		*-1.5%*		*-2.2%*		*3.7%*
Annual Return on Cost								
* Land Value per Acre		$800,000		$1,100,000		$1,020,000		$1,488,000
Land Value per DU		$160,000		$110,000		$85,000		$62,000
Land Value per SF of Land		$18.37		$25.25		$23.42		$34.16

Prepared by Keyser Marston Associates, Inc.
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Appendix D, Table 11
Preliminary Pro forma Analysis - Change of Zoning (20% at 70%; 20% at 100%) Assumes Less than 100 units
Update of Affordable Housing Regulations
Santa Cruz County

	Single Family, Large		Single Family,		Townhome 1		Higher Density		Multi Family		Multi-Family FAR of 1	
Product Description	Large Lot SFD		Small Lot SFD		Townhome		2 to 3 -story		Two Story Walk-up		2 to 3 story wood on	
Density	5	du/acre	10	du/acre	12	du/acre	24	du/acre	20	du/acre	41	du/acre
Average Unit Size	2,600	sf	2,200	sf	1,700	sf	1,150	sf	850	sf	850	sf
Average Number of Bedrooms	4.0		3.5		3.0		2.0		2.0		2.0	
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 *	$24	$62,000	$14	$31,000	$15	$26,000	$11	$13,000	$18	$15,000	$9	$8,000
Hard Construction	$145	$377,000	$150	$330,000	$160	$272,000	$195	$224,250	$185	$157,250	$245	$208,250
Fees & Permits	$18	$48,000	$21	$46,000	$22	$38,000	$27	$31,000	$35	$30,000	$35	$30,000
Other Soft Costs	$35	$91,000	$35	$77,000	$40	$68,000	$40	$46,000	$40	$34,000	$40	$34,000
Development Mgmt. (4%)	$5.80	$15,080	$6.00	$13,200	$6.40	$10,880	$7.80	$8,970	$7.40	$6,290	$9.80	$8,330
Construction Financing	$4.52	$11,739	$4.68	$10,306	$5.06	$8,600	$8.94	$10,280	$8.88	$7,550	$10.93	$9,291
Total Development Costs	$233	$604,819	$231	$507,506	$249	$423,480	$290	$333,500	$294	$250,090	$350	$297,871
Revenue	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**
Market Rate Units - 60%	$325	$845,000	$330	$726,000	$325	$552,500	$391	$450,000	$2.50	$24,735	$2.85	$28,198
Affordable Units, Mod. - 20%	$142	$368,000	$162	$355,500	$202	$343,000	$269	$309,000				
Afford. Low - 20%	$94	$245,000	$108	$237,000	$135	$229,000	$179	$206,000	$1.84	$18,792	$1.84	$18,792
Blended	$242	$629,600	$252	$554,100	$262	$445,900	$324	$373,000	$2.24	$22,358	$2.45	$24,436
Total Gross Sales	$242	$629,600	$252	$554,100	$262	$445,900	$324	$373,000	$2.24	$22,358	$2.45	$24,436
<Less> Sales Expense	($8)	($22,036)	($9)	($19,394)	($9)	($15,607)	($11)	($13,055)	Exp:	($8,000)	Exp:	($8,000)
Sales Net of Sales Expenses	$234	$607,564	$243	$534,707	$253	$430,294	$313	$359,945	NOI	$14,358	NOI	$16,436
									Cap rate:	5.8%	Cap rate:	5.8%
									Value	*$242,210*	Value	*$277,260*
<Less> Development Costs	($233)	($604,819)	($231)	($507,506)	($249)	($423,480)	($290)	($333,500)		($250,090)		($297,871)
<Less> Affordable Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Revenues	$1	$2,745	$12	$27,201	$4	$6,814	$23	$26,445		($7,880)		($20,610)
As % of Total Costs		*0.5%*		*5.4%*		*1.6%*		*7.9%*		*-3.2%*		*-6.9%*
As % of Gross Sales		*0.4%*		*4.9%*		*1.5%*		*7.1%*		*-3.3%*		*-7.4%*
Annual Return on Cost										5.7%		5.5%
Land Value per Acre - See Appendix I*		$309,048		$309,048		$309,048		$309,048		$309,048		$309,030
Land Value per DU - See Appendix I*		$61,810		$30,905		$25,754		$12,877		$15,452		$7,538
Land Value per SF of Land - See Appendix I		$7.09		$7.09		$7.09		$7.09		$7.09		$7.09

Appendix D, Table 12
Preliminary Pro forma Analysis - Change of Zoning (20% at 70%; 20% at 100%) Assumes Less than 100 units - Required Land Costs to Yield 10% Profit (or $0 land costs)
Update of Affordable Housing Regulations
Santa Cruz County

	Single Family, Large		Single Family,		Townhome 1		Higher Density		Multi Family		Multi-Family FAR of 1	
Product Description	Large Lot SFD		Small Lot SFD		Townhome		2 to 3 -story		Two Story Walk-up		2 to 3 story wood on	
Density	5	du/acre	10	du/acre	12	du/acre	24	du/acre	20	du/acre	41	du/acre
Average Unit Size	2,600	sf	2,200	sf	1,700	sf	1,150	sf	850	sf	850	sf
Average Number of Bedrooms	4.0		3.5		3.0		2.0		2.0		2.0	
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 *	$4	$9,400	$4	$9,400	$0	$0	$6	$6,600	$0	$0	$0	$0
Hard Construction	$145	$377,000	$150	$330,000	$160	$272,000	$195	$224,250	$185	$157,250	$245	$208,250
Fees & Permits	$18	$48,000	$21	$46,000	$22	$38,000	$27	$31,000	$35	$30,000	$35	$30,000
Other Soft Costs	$35	$91,000	$35	$77,000	$40	$68,000	$40	$46,000	$40	$34,000	$40	$34,000
Development Mgmt. (4%)	$5.80	$15,080	$6.00	$13,200	$6.40	$10,880	$7.80	$8,970	$7.40	$6,290	$9.80	$8,330
Construction Financing	$4.52	$11,739	$4.68	$10,306	$5.06	$8,600	$8.94	$10,280	$8.88	$7,550	$10.93	$9,291
Total Development Costs	$212	$552,219	$221	$485,906	$234	$397,480	$284	$327,100	$277	$235,090	$341	$289,871
Revenue	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**	**Per SF**	**Per Unit**
Market Rate Units - 60%	$325	$845,000	$330	$726,000	$325	$552,500	$391	$450,000	$2.50	$24,735	$2.85	$28,198
Affordable Units, Mod. - 20%	$142	$368,000	$162	$355,500	$202	$343,000	$269	$309,000				
Afford. Low - 20%	$94	$245,000	$108	$237,000	$135	$229,000	$179	$206,000	$1.84	$18,792	$1.84	$18,792
Blended	$242	$629,600	$252	$554,100	$262	$445,900	$324	$373,000	$2.24	$22,358	$2.45	$24,436
Total Gross Sales	$242	$629,600	$252	$554,100	$262	$445,900	$324	$373,000	$2.24	$22,358	$2.45	$24,436
<Less> Sales Expense	($8)	($22,036)	($9)	($19,394)	($9)	($15,607)	($11)	($13,055)	Exp:	($8,000)	Exp:	($8,000)
Sales Net of Sales Expenses	$234	$607,564	$243	$534,707	$253	$430,294	$313	$359,945	NOI	$14,358	NOI	$16,436
									Cap rate:	5.8%	Cap rate:	5.8%
									Value	*$242,210*	Value	*$277,260*
<Less> Development Costs	($212)	($552,219)	($221)	($485,906)	($234)	($397,480)	($284)	($327,100)		($235,090)		($289,871)
<Less> Affordable Fee	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Revenues	$21	$55,345	$22	$48,801	$19	$32,814	$29	$32,845		$7,120		($12,610)
As % of Total Costs		*10.0%*		*10.0%*		*8.3%*		*10.0%*		*3.0%*		*-4.4%*
As % of Gross Sales		*8.8%*		*8.8%*		*7.4%*		*8.8%*		*2.9%*		*-4.5%*
Annual Return on Cost										6.1%		5.7%
Land Value per Acre - See Appendix I*		$47,000		$94,000		$0		$158,400		$0		$0
Land Value per DU - See Appendix I*		$9,400		$9,400		$0		$6,600		$0		$0
Land Value per SF of Land - See Appendix I		$1.08		$2.16		$0.00		$3.64		$0.00		$0.00

APPENDIX E: NON RESIDENTIAL NEXUS ANALYSIS

INTRODUCTION

This Appendix summarizes an analysis of the linkages between non-residential development in Santa Cruz County and the demand for additional affordable housing. The analysis, which demonstrates support for a Housing Impact Fee, has been prepared by Keyser Marston Associates for the County of Santa Cruz in accordance with a contractual agreement.

The County of Santa Cruz does not currently have a housing impact fee levied on non-residential development. Residential development in Santa Cruz County is subject to the 'Measure J' Program, which was adopted in 1978, establishing a County policy that 15 percent of new residences by affordable to households earning average or below average incomes. This residential program is being updated and altered to meet recent changes in the real estate and legal environment. KMA prepared a Residential Nexus Analysis as part of the revision and update program (see Appendix B). This non-residential analysis supports expansion of the affordable housing program to include fees on non-residential development.

Purpose

The purpose of a nexus analysis is to quantify and document the linkages among construction of new work place buildings (office, retail, etc.), the employees that work in them, and the demand for affordable housing. Since jobs in all buildings cover a range in compensation levels, and the households of the workers range in size, there are needs at all affordability levels. This analysis quantifies the need at the moderate and lower income affordability levels associated with each type of workplace building. Such analyses are called linkage or nexus analyses.

Analysis Scope and Organization

The workplace buildings that are the subject of this analysis represent a cross section of typical commercial buildings developed in Santa Cruz County in recent years and expected to be built in the near term future. For purposes of the analysis, the following building types were identified:

- Office
- Hotel
- Retail / Restaurant
- Manufacturing / Industrial

The household income categories addressed in the analysis are the same as those in the current inclusionary housing program and the Residential Nexus Analysis also being prepared by KMA.

Data Sources and Qualifications

The analyses in this report have been prepared using the best and most recent data available. Local and current data was used whenever possible. Sources such as the American Community

Survey of the U.S. Census, the 2010 Census, and California Employment Department data were used extensively. Other sources and analyses when used are noted in the text and footnotes. While we believe all sources utilized are sufficiently accurate for the purposes of the analyses, we cannot guarantee their accuracy. Keyser Marston Associates, Inc. assumes no liability for information from these and other sources.

I. THE NEXUS CONCEPT

Introduction

This section outlines the nexus concept and some of the key issues surrounding the linking of new non-residential development to the demand for affordable residential units in the County of Santa Cruz. The nexus analysis and discussion focus on the relationships among development, growth, employment, income of workers and demand for affordable housing. The analysis yields a connection between new construction of the types of buildings in which there are workers and the need for additional affordable housing, a connection that is quantified both in terms of number of units and the amount of subsidy assistance needed to make the units affordable.

The Legal Basis and Context

The first jobs-housing linkage programs were adopted in the cities of San Francisco and Boston in the mid-1980s. To support the linkage, the City of San Francisco commissioned an analysis to show the relationships, or what might now be characterized as an early version of a nexus analysis. Since that time there have been several court cases and California statutes that affect what local jurisdictions must demonstrate when imposing impact fees on development projects. The most important U.S. Supreme Court cases are *Nollan v. California Coastal Commission* and *Dolan v. City of Tigard* (Oregon). The rulings on these cases, and others, help clarify what governments must find in the way of the nature of the relationship between the problem to be mitigated and the action contributing to the problem. Here, the problem is the lack of affordable housing and the action contributing to the problem is building workspaces that mean more jobs and worker households needing more affordable housing.

The only court case that specifically evaluated housing linkage fees was *Commercial Builders of Northern California v. City of Sacramento*. The commercial builders of Sacramento sued the City following the City's adoption of a housing linkage fee. Both the U.S. District Court and the Ninth Circuit Court of Appeals upheld the City of Sacramento and rejected the builders' petition. The U.S. Supreme Court denied a petition to hear the case, letting stand the lower court's opinion.

Since the Sacramento case in 1991 there have been several additional court rulings reaffirming and clarifying the ability of California cities to adopt impact fees relating to housing. In *San Remo Hotel v. the City and County of San Francisco*, the California Supreme Court upheld the impact fee levied by the City and County on the conversion of residence hotels to tourist hotels and other uses. In 2010, the California Court of Appeal upheld most of the impact fees levied by the City of Lemoore, in Southern California. Of note relevant to housing impact fees was the judges' opinion that a "fee" may be "established for a broad class of projects by legislation of general applicability… the fact that specific construction plans are not in place does not render the fee unreasonable." In other words, local jurisdictions do not have to identify specific affordable housing projects to be constructed at the time of adoption of housing impact fees.

The Nexus Methodology

An overview of the basic nexus concept and methodology is helpful to understand the discussion and concepts presented in this section. This overview consists of a quick "walk through" of the major steps of the analysis. The nexus analysis links new commercial buildings with new workers in the County; these workers demand additional housing in proximity to the jobs, a portion of which needs to be affordable to the workers in lower income households.

The methodology utilized in this analysis is a "micro" analysis that examines individual buildings. The micro nexus analysis readily lends itself to quantification that serves as a basis for the nexus cost, or the maximum fee amount for each building type.

To illustrate the micro nexus analysis, very simply, we can walk through the major calculations of the analysis. We begin by assuming a 100,000 square foot building (for ease of presentation) and then make calculations as follows:

- We estimate the total number of employees working in the building based on average employment density data.
- We use occupation and income information for typical job types in the building to calculate how many of those jobs pay compensation at the levels addressed in the analysis. Compensation data is from the California Employment Development Department (EDD) and is specific to Santa Cruz County as of 2013. Worker occupations by building type are derived from the 2012 Occupational Employment Survey by the U.S. Bureau of Labor Statistics.
- We know from the Census that many workers are members of households where more than one person is employed and there is also a range of household sizes; we use factors derived from the Census to translate the number of workers into households of various size represented in each income category.
- Then, we calculate how many Extremely, Very Low-, Low-, Median- and Moderate-Income households are associated with the building and divide by the building size to arrive at coefficients of housing units per square foot of building area.
- In the last step, we multiply the number of lower income households per square foot by the costs of delivering housing units affordable to these income groups.

Discount for Changing Industries

The local economy, like that of the U.S. as a whole, is constantly evolving. In Santa Cruz County over the past twenty years, employment in manufacturing sectors of the economy has continued to decline along with employment in the Information and Mining, Logging, and

Construction sectors. Jobs lost over the last decade in these declining sectors were replaced by job growth in other industry sectors. For the most park, the industries that experienced job losses over the past decade are believed to have stabilized and declines should lesser going forward.

The nexus model makes an adjustment to take these declines, changes and shifts within all sectors of the economy into account recognizing that jobs added are not 100% net new in all cases. A 5% adjustment is utilized based on the long term shifts in employment that have occurred in some sectors of the local economy and the likelihood of continuing changes in the future. Long term declines in employment experienced in some sectors of the economy mean that some of the new jobs are being filled by workers that have been displaced from another industry and who are presumed to already have housing locally. Existing workers downsized from declining industries are assumed to be available to fill a portion of the new retail, restaurant, health care, and other jobs associated with services to residents. This is a conservative assumption given some displaced workers may exit the workforce entirely by retiring rather than seek a new job in one of the industries serving new residents.

Other Factors and Assumptions

An addendum to this Appendix provides a discussion of other specific factors in relation to the nexus concept including housing needs of the existing population, multiplier effects, non-duplication between a residential housing impact fee and a non-residential housing impact fee, changes in labor force participation, commuting, and economic cycles.

II. JOBS HOUSING NEXUS ANALYSIS

This section presents a summary of the analysis of the linkage between four types of workplace buildings and the estimated number of worker households in the income categories that will, on average, be employed within those buildings. This section should not be read or reproduced without the narrative presented in the previous sections.

Analysis Approach and Framework

The analysis establishes the jobs housing linkages for individual building types or land use activities, quantifying the connection between employment growth in Santa Cruz County and affordable housing demand.

The analysis approach is to examine the employment associated with the development of workplace building prototypes. 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 households related to building area. In the final step, we convert the numbers of households for an entire building to the number of households per square foot level.

For ease of understanding, KMA conducts the analysis on 100,000 square foot buildings.

The four land use categories – Office, Hotel, Retail and Manufacturing/Industrial – each cover a wide variety of building types and together, the four categories are designed to encompass most new buildings to be constructed by the private sector in the near-term future in Santa Cruz. The Office category is designed to represent the range of office tenants locating in the County, from small professional offices and medical offices to headquarters of companies. The Retail / Restaurant category encompasses the full range of retail categories and restaurants types. The Hotel category also includes motels and extended stay hotels. The Manufacturing/Industrial category covers light industrial, production and manufacturing buildings.

Household Income Limits

The analysis estimates demand for affordable housing focusing on five household income categories: Extremely Low, Very Low, Low, Median and Moderate Income. Household income criteria for these affordability categories are published by the California Department of Housing and Community Development (HCD), based on income limits established by the US Department of Housing & Urban Development (HUD). The income limits for Santa Cruz County are shown below, by household size and income tier.

2014 Income Limits for Santa Cruz County						
	Household Size (Persons)					
	1	2	3	4	5	6 +
Extremely Low (30% AMI)	$21,200	$24,200	$27,250	$30,250	$32,700	$35,100
Very Low (50% AMI)	$35,300	$40,350	$45,400	$50,400	$54,450	$58,500
Low (80% AMI)	$56,500	$64,550	$72,600	$80,650	$87,150	$93,600
Median (100% of Median)	*$60,900*	*$69,600*	*$78,300*	*$87,000*	*$93,950*	*$100,900*
Moderate (120% AMI)	$73,100	$83,500	$93,950	$104,400	$112,750	$121,100

Source: California Department of Housing and Community Development.

The above income categories are set and utilized by HUD and HCD for most housing programs.

When workers form households, their income, either alone or in combination with other workers, produces the household income. In addition, of course, there may be children and/or other household members who are not employed. According to HUD, as published by HCD, the annual median income of a four-person household in Santa Cruz County for 2013 was $87,000.

Analysis Steps

The analysis is conducted using a model that KMA has developed for application in many jurisdictions for which the firm has conducted similar analyses. The model inputs are all local data to the extent possible, and are fully documented.

Appendix E Tables II-1 through II-4 at the end of this section summarize the nexus analysis steps for the four building types; Appendix E Table II-5 through II-12 provide additional background information. Following is a description of each step of the analysis:

Step 1 – Estimate of Total New Employees

The first step in Appendix E Table II-1 identifies the total number of direct employees who will work at or in the building type being analyzed. Average employment density factors are used to make the conversion. The following employment densities are utilized in the analysis:

- *Office* – 300 square feet per employee. While office space densities can go much higher than this – up to 150 square feet per employee – this represents a moderate estimate designed to reflect the range of office buildings in the County.

- *Hotel* – 1,000 square feet per employee. This reflects an assumption of one employee for every two rooms at 500 square feet per room. This rate reflects an emphasis on lower service hotels with less staff and smaller rooms, with some higher end hotels where average room size (inclusive of the meeting space) is larger and the number of employees per room is higher.

- *Retail / Restaurant* – 350 square feet per employee. This reflects a mix of retail and restaurant space. Restaurant space typically has a very high employment density, in the 150 to 250 square foot per employee range, depending on the level of service provided. Retail space ranges widely depending on the type of retail.

- *Manufacturing / Industrial* – 750 square feet per employee. This category includes industrial parks, general light industrial uses, food products, manufacturing, building and equipment contractors, building materials and machine shops. County staff anticipates a range of Industrial land uses, from small technology start-ups, to metal working and alternative energy technologies. A density of 750 square feet per employee reflects an average of much higher density uses and much lower density uses.

All density factors are averages and individual uses can be expected to be fairly divergent from the average from time to time. The County may wish to include a provision in the ordinance for a waiver or a custom impact fee in cases where employment densities vary greatly from the average.

As discussed above, KMA conducted the analysis on 100,000 square foot buildings. This facilitates the presentation of the nexus findings, as it allows us to count jobs and housing units in whole numbers that can be readily communicated and understood. At the conclusion of the analysis, the findings are divided by building size to express the linkages per square foot, which are very small fractions of housing units.

Step 2 – Adjustment for Changing Industries

This step is an adjustment to take into account any declines, changes and shifts within all sectors of the economy and to recognize that new space is not always 100% equivalent to net new employees. As discussed in Section I, a 5% adjustment is utilized to recognize the long-term shifts going forward in employment occurring in Santa Cruz County and the likelihood of continuing changes to the local economy.

For demolition of existing structures, the County may wish to provide a credit or offset to the fee when demolition of existing structures occurs as part of a project. Typically, the fee would only be charged against net new space added by a project.

Step 3 – Adjustment from Employees to Employee Households

This step (Appendix E Table II-1) converts the number of employees to the number of employee households that will work at or in the building type being analyzed. This step recognizes that there is, on average, more than one worker per household, and thus the number of housing units in demand for new workers must be reduced.

The workers per household characteristic provides the link between the number of employees and the number of households associated with the employees. Worker households are defined as those households with one or more persons with work related income, including the self-employed, as reported in the 2010-2012 American Community Survey (ACS). In other words, worker households are distinguished from total households in that the universe of worker households does not include elderly or other households in which members are retired or do not work for other reasons. Student households and unemployed households on public assistance are also excluded from worker households.

The number of workers per household in a given geographic area is a function of household size, labor force participation rate and employment availability, as well as other factors. According to the 2010-2012 ACS, the number of workers per worker household in Santa Cruz County was 1.83. Since workers in the unincorporated County live throughout the County and beyond, the County average including the incorporated cities is used in the analysis.

Step 4 – Occupational Distribution of Employees

The occupational breakdown of employees is the first step to arriving at income levels. Using the 2012 National Industry-Specific Occupational Estimates, a cross matrix of “industries” and occupations, produced by the Bureau of Labor Statistics (BLS), we are able to estimate the occupational composition of employees in the five types of buildings. The occupations that reflect the expected mix of activities in the new buildings are presented in Appendix E Tables II-5 through II-8.

- Office buildings’ “industry” mix has been customized based on employment by industry sector in Santa Cruz County using California Employment Development Department data. Occupation categories applicable to the Office industry mix in Santa Cruz County encompass a range of management, business and financial, computer and mathematical, and sales occupations, among others. Administrative support occupations comprise 24% of all Office related employment.

- Retail and restaurant employment consists primarily of food preparation and serving occupations (40%) and sales occupations (29%). The remaining occupations include management, office administrative positions, and other occupations.

- Hotels employ workers primarily from three main occupation categories: building and grounds cleaning and maintenance (maid service, etc.), food preparation and serving related, and office and administrative support, which together make up 77% of Hotel workers. Other Hotel occupations include personal care, management, sales, production and maintenance and repair.

- Manufacturing/Industrial occupations include production occupations (33%), construction and extraction occupations (16%), and office and administration occupations (11%). Other occupations include management, transportation, and installation, maintenance and repair occupations.

The numbers in Step #4 (Appendix E Table II-1) indicate both the percentage of total employee households and the number of employee households in the prototype buildings.

Step 5 – Estimated Employee Household Income

In this step, occupation is translated to income based on recent Santa Cruz County wage and salary information for the occupations associated with each building type. This step in the analysis calculates the number of employee households that fall into each income category for each size household.

The following is a summary of the worker compensation levels for the three top occupation groups by building type. The percentages refer to the share of employment within the building in the occupation group. Appendix E Tables II-9 through II-12 show the more detailed wage and salary information that were used as the income inputs to the model. Worker compensations used in the analysis assume full time employment (40 hours per week).

Santa Cruz County Worker Compensations by Building Type (2013)

Building Type	Major Occupation Group	% of Employment in Building	Average Annual Worker Compensation (based on full time)
Office	Office and administrative support	24%	$38,900
	Business and Financial	19%	$80,000
	Computer and Mathematical	11%	$83,000
Retail/Restaurant	Food preparation and serving	40%	$22,000
	Sales and related occupations	29%	$29,600
	Office and administrative support	9%	$33,300
Hotel	Building and grounds cleaning and maintenance	32%	$21,500
	Food preparation and serving	25%	$22,900
	Office and administrative support	20%	$29,600
Manufacturing/ Industrial	Production	33%	$34,100
	Construction & Extraction	16%	$58,500
	Office & Administrative Support	11%	$37,600

Source: California Employment Development Department, 2012 Occupational Employment Statistics Survey, Wages 1st Quarter 2013.

The occupations with the lowest compensation levels are in Retail / Restaurant and Hotel buildings.

Individual *employee* income data was used to calculate the number of *households* that fall into these income categories by assuming that multiple earner households are, on average, formed of individuals with similar incomes.

The model recognizes some households have multiple incomes while others do not. 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 Household Size Distribution

In this step, household size distribution is input into the model in order to estimate the income and household size combinations that meet the income definitions established by HUD and the State, as used by the County. The household size distribution utilized in the analysis is that of worker households in Santa Cruz County derived using American Community Survey (ACS) data.

Step 7 – Estimate of Households that meet HUD Size and Income Criteria

For this step the KMA model incorporates a 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 household income and size level. This step is performed for each occupational category and multiplied by the number of households.

Appendix E Table II-2 shows the results for the Extremely Low Income tier after completing Steps #5, #6, and #7.

Summary by Income Level

Appendix E Table II-3 indicates the results of the analysis for all of the income categories for the four prototypical buildings. The table presents the number of households in each affordability category, the total number up to 120% of median, and the remaining households earning over 120% of median.

Appendix E Table II-3 also presents the percentage of total new worker households that fall into each income category. As indicated, over 95% of Retail / Restaurant and 94% of Hotel worker households are below the 120% of median income level. By contrast, in Office buildings, only about 52% of worker households fall below 120% of median and in Manufacturing/Industrial buildings, only 70% of worker households.

Summary by Square Foot Building Area

The analysis thus far has worked with prototypical buildings. In this step, the conclusions are translated to a per-square-foot level and expressed as coefficients. These coefficients state the portion of a household, or housing unit, by affordability level for which each square foot of building area is associated (see Appendix E Table II-4).

This is the summary of the housing nexus analysis, or the linkage from buildings to employees to housing demand, by income level. We believe that it is a conservative approximation (understates at the low end) of the households by income/affordability level associated with these building types.

APPENDIX E TABLE II-1
NET NEW HOUSEHOLDS AND OCCUPATION DISTRIBUTION BY BUILDING TYPE
JOBS HOUSING NEXUS ANALYSIS
SANTA CRUZ COUNTY, CA

DRAFT FOR REVIEW BY STAFF

Per 100,000 SF Building	OFFICE	HOTEL	RETAIL/ RESTAURANT	MANUFACT. / INDUSTRIAL
Step 1 - Estimate of Number of Employees				
Employment Density (SF/Employee)	300	1,000	350	750
Number of Employees (100,000 SF Building)	333	100	286	133
Step 2 - Number of Employees after Declining Industries Adjustment (5%)	317	95	271	127
Step 3 - Adjustment for Number of Households (1.83)	172.9	51.9	148.2	69.2
Step 4 - Occupation Distribution(1)				
Management Occupations	10.5%	4.5%	2.2%	6.1%
Business and Financial Operations	18.5%	1.5%	0.6%	3.7%
Computer and Mathematical	11.0%	0.1%	0.1%	2.8%
Architecture and Engineering	6.1%	0.0%	0.0%	6.0%
Life, Physical, and Social Science	3.8%	0.0%	0.0%	0.2%
Community and Social Services	0.3%	0.0%	0.0%	0.0%
Legal	3.5%	0.0%	0.0%	0.0%
Education, Training, and Library	0.2%	0.0%	0.0%	0.0%
Arts, Design, Entertainment, Sports, and Media	1.9%	0.3%	0.3%	0.9%
Healthcare Practitioners and Technical	2.3%	0.0%	1.9%	0.1%
Healthcare Support	0.8%	0.4%	0.3%	0.0%
Protective Service	0.6%	1.8%	0.2%	0.1%
Food Preparation and Serving Related	0.4%	24.7%	40.0%	0.8%
Building and Grounds Cleaning and Maint.	1.9%	32.0%	0.7%	0.7%
Personal Care and Service	0.7%	4.0%	2.6%	0.0%
Sales and Related	8.1%	2.1%	29.1%	4.6%
Office and Administrative Support	24.3%	20.2%	8.9%	11.1%
Farming, Fishing, and Forestry	0.0%	0.0%	0.1%	0.2%
Construction and Extraction	0.5%	0.1%	0.2%	15.9%
Installation, Maintenance, and Repair	3.2%	5.0%	4.1%	7.9%
Production	0.8%	2.1%	2.9%	33.2%
Transportation and Material Moving	0.6%	1.1%	5.8%	5.7%
Totals	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Management Occupations	18.1	2.4	3.2	4.2
Business and Financial Operations	32.0	0.8	0.8	2.6
Computer and Mathematical	19.0	0.0	0.2	2.0
Architecture and Engineering	10.5	0.0	0.0	4.2
Life, Physical, and Social Science	6.6	0.0	0.0	0.2
Community and Social Services	0.6	0.0	0.0	0.0
Legal	6.0	0.0	0.0	0.0
Education, Training, and Library	0.4	0.0	0.0	0.0
Arts, Design, Entertainment, Sports, and Media	3.3	0.2	0.4	0.6
Healthcare Practitioners and Technical	4.0	0.0	2.8	0.1
Healthcare Support	1.4	0.2	0.5	0.0
Protective Service	1.0	0.9	0.3	0.0
Food Preparation and Serving Related	0.7	12.8	59.3	0.6
Building and Grounds Cleaning and Maint.	3.3	16.6	1.0	0.5
Personal Care and Service	1.2	2.1	3.9	0.0
Sales and Related	14.0	1.1	43.2	3.2
Office and Administrative Support	42.1	10.5	13.2	7.7
Farming, Fishing, and Forestry	0.1	0.0	0.2	0.1
Construction and Extraction	0.9	0.1	0.3	11.0
Installation, Maintenance, and Repair	5.5	2.6	6.0	5.5
Production	1.4	1.1	4.3	23.0
Transportation and Material Moving	1.0	0.6	8.6	3.9
Totals	**172.9**	**51.9**	**148.2**	**69.2**

Notes:

(1) Appendix E Tables II-5 through II-12 contain more information on how the percentages were derived.

APPENDIX E TABLE II-2
ESTIMATE OF QUALIFYING HOUSEHOLDS BY INCOME LEVEL
JOBS HOUSING NEXUS ANALYSIS **DRAFT FOR REVIEW BY STAFF**
SANTA CRUZ COUNTY, CA

Analysis for Households Earning up to 30% of Median

	OFFICE	HOTEL	RETAIL/ RESTAURANT	MANUFACT. / INDUSTRIAL
Per 100,000 SF Building				
Step 5, 6, & 7 - Households Earning up to 30% of Median [1]				
Management	0.00	0.00	0.02	0.00
Business and Financial Operations	0.03	0.00	0.00	0.00
Computer and Mathematical	0.00	0.00	0.00	0.00
Architecture and Engineering	0.00	0.00	0.00	0.00
Life, Physical and Social Science	0.07	0.00	0.00	0.00
Community and Social Services	0.00	0.00	0.00	0.00
Legal	0.00	0.00	0.00	0.00
Education Training and Library	0.00	0.00	0.00	0.00
Arts, Design, Entertainment, Sports, and Media	0.00	0.00	0.00	0.00
Healthcare Practitioners and Technical	0.04	0.00	0.00	0.00
Healthcare Support	0.00	0.00	0.00	0.00
Protective Service	0.00	0.00	0.00	0.00
Food Preparation and Serving Related	0.00	5.12	24.37	0.00
Building Grounds and Maintenance	0.00	7.44	0.00	0.00
Personal Care and Service	0.00	0.57	0.95	0.00
Sales and Related	1.02	0.00	10.04	0.27
Office and Admin	2.69	2.40	2.01	0.67
Farm, Fishing, and Forestry	0.00	0.00	0.00	0.00
Construction and Extraction	0.00	0.00	0.00	0.03
Installation Maintenance and Repair	0.40	0.20	0.22	0.16
Production	0.00	0.00	0.78	3.69
Transportation and Material Moving	0.00	0.00	2.10	0.87
HH earning up to 30% of Median - major occupations	4.26	15.74	40.48	5.69
HH earning up to 30% of Median - all other occupations	0.41	1.67	1.85	0.17
Total Households Earning up to 30% of Median	**4.7**	**17.4**	**42.3**	**5.9**

Notes:
(1) Appendix E Tables II-5 through II-8 contain additional information on Major Occupation Categories.

APPENDIX E TABLE II-3
WORKER HOUSEHOLDS BY AFFORDABILITY LEVEL
JOBS HOUSING NEXUS ANALYSIS **DRAFT FOR REVIEW BY STAFF**
SANTA CRUZ COUNTY, CA

Per 100,000 S.F. Building

	OFFICE	HOTEL	RETAIL/ RESTAURANT	MANUFACT. / INDUSTRIAL
NUMBER OF HOUSEHOLDS BY INCOME TIER (1)				
Up to 30% Median Income	4.7	17.4	42.3	5.9
30% to 50% Median Income	21.4	17.6	52.6	14.0
50% to 80% Median Income	37.8	11.5	36.0	19.0
80% to 100% Median Income	7.1	0.8	3.5	3.0
100% to 120% Median Income	18.6	1.4	5.7	6.7
Subtotal to 120% AMI	**89.5**	**48.8**	**140.2**	**48.6**
Above 120% of Median	83.4	3.1	8.0	20.6
Total New Worker Households	**172.9**	**51.9**	**148.2**	**69.2**
PERCENTAGE OF HOUSEHOLDS BY INCOME TIER				
Up to 30% Median Income	2.7%	33.5%	28.6%	8.5%
30% to 50% Median Income	12.3%	34.0%	35.5%	20.2%
50% to 80% Median Income	21.9%	22.2%	24.3%	27.5%
80% to 100% Median Income	4.1%	1.5%	2.4%	4.4%
100% to 120% Median Income	10.7%	2.7%	3.9%	9.7%
Subtotal to 120% AMI	**51.8%**	**94.0%**	**94.6%**	**70.3%**
Above 120% of Median	48.2%	6.0%	5.4%	29.7%
Total	**100%**	**100%**	**100%**	**100%**

Notes:
(1) See Appendix E Tables II-9 through II-12 for compensation levels.

APPENDIX E TABLE II-4
HOUSING DEMAND NEXUS FACTORS PER SQ.FT. OF BUILDING AREA
JOBS HOUSING NEXUS ANALYSIS **DRAFT FOR REVIEW BY STAFF**
SANTA CRUZ COUNTY, CA

	Number of Housing Units per Square Foot of Building Area[1]			
	OFFICE	**HOTEL**	**RETAIL/ RESTAURANT**	**MANUFACT. / INDUSTRIAL**
Up to 30% Median Income	0.00004666	0.00017402	0.00042328	0.00005861
30% to 50% Median Income	0.00021352	0.00017634	0.00052639	0.00013972
50% to 80% Median Income	0.00037783	0.00011530	0.00036007	0.00018992
80% to 100% Median Income	0.00007145	0.00000795	0.00003486	0.00003045
100% to 120% Median Income	0.00018562	0.00001426	0.00005712	0.00006732
Total	**0.00089507**	**0.00048787**	**0.00140172**	**0.00048601**

Notes:
[1] Calculated by dividing number of household in Appendix E Table II-3 by 100,000 square feet to convert to households per square foot of building.

APPENDIX E TABLE II-5
2012 NATIONAL OFFICE WORKER DISTRIBUTION BY OCCUPATION
JOBS HOUSING NEXUS ANALYSIS
SANTA CRUZ COUNTY, CA

DRAFT - for Internal Review Only

Major Occupations (2% or more)	2012 National Office Industry Occupation Distribution	
Management Occupations	1,331,590	*10.5%*
Business and Financial Operations Occupations	2,353,431	*18.5%*
Computer and Mathematical Occupations	1,396,016	*11.0%*
Architecture and Engineering Occupations	772,749	*6.1%*
Life, Physical, and Social Science Occupations	486,010	*3.8%*
Legal Occupations	439,074	*3.5%*
Healthcare Practitioners and Technical Occupations	293,525	*2.3%*
Sales and Related Occupations	1,027,274	*8.1%*
Office and Administrative Support Occupations	3,095,937	*24.3%*
Installation, Maintenance, and Repair Occupations	405,932	*3.2%*
All Other Office Occupations	1,117,667	*8.8%*
INDUSTRY TOTAL	12,719,204	100.0%

Industries weighted to reflect Santa Cruz County industry mix.

Source: Bureau of Labor Statistics; California Employment Development Department
Prepared by: Keyser Marston Associates, Inc.
Filename: \\Sf-fs2\wp\19\19174\002\App E Tab II-5, II-9 SC Office; Major Occupations Matrix; 6/25/2014; hr

APPENDIX E TABLE II-6
2012 NATIONAL HOTEL WORKER DISTRIBUTION BY OCCUPATION
JOBS HOUSING NEXUS ANALYSIS **DRAFT - for Internal Review Only**
SANTA CRUZ COUNTY, CA

Major Occupations (3% or more)	2012 National Hotel Occupation Distribution (1)	
Management Occupations	66,890	4.5%
Food Preparation and Serving Related Occupations	364,910	*24.7%*
Building and Grounds Cleaning and Maintenance Occupations	471,690	*32.0%*
Personal Care and Service Occupations	58,770	*4.0%*
Office and Administrative Support Occupations	298,170	*20.2%*
Installation, Maintenance, and Repair Occupations	74,180	*5.0%*
All Other Hotel Related Occupations	141,350	*9.6%*
INDUSTRY TOTAL	1,475,960	100.0%

Notes
(1) Excludes casino hotels

Source: Bureau of Labor Statistics
Prepared by: Keyser Marston Associates, Inc.
Filename: \\Sf-fs2\wp\19\19174\002\App E Tab II-6, II-10 SC Hotel;Major Occupations Matrix; 6/25/2014

APPENDIX E TABLE II-7
2012 NATIONAL RETAIL WORKER DISTRIBUTION BY OCCUPATION
JOBS HOUSING NEXUS ANALYSIS
COUNTY OF SANTA CRUZ, CA

DRAFT - for Internal Review Only

Major Occupations (2% or more)	2012 National Retail Industry Occupation Distribution	
Management Occupations	503,957	*2.2%*
Food Preparation and Serving Related Occupations	9,224,582	*40.0%*
Personal Care and Service Occupations	605,568	*2.6%*
Sales and Related Occupations	6,712,459	*29.1%*
Office and Administrative Support Occupations	2,053,149	*8.9%*
Installation, Maintenance, and Repair Occupations	938,334	*4.1%*
Production Occupations	669,012	*2.9%*
Transportation and Material Moving Occupations	1,337,313	*5.8%*
All Other Retail Occupations	1,006,345	*4.4%*
INDUSTRY TOTAL	23,050,719	100.0%

Industries weighted to reflect Santa Cruz County industry mix.

Source: Bureau of Labor Statistics; California Employment Development Department
Prepared by: Keyser Marston Associates, Inc.
Filename: \\Sf-fs2\wp\19\19174\002\App E Tab II-7, II-11 SC Retail; Major Occupations Matrix; 6/25/2014; dd

Major Occupations (2% or more)	**2012 National Manufacturing Industry Occupation Distribution**	
Management Occupations	376,539	*6.1%*
Business and Financial Operations Occupations	231,594	*3.7%*
Computer and Mathematical Occupations	175,051	*2.8%*
Architecture and Engineering Occupations	372,485	*6.0%*
Sales and Related Occupations	287,109	*4.6%*
Office and Administrative Support Occupations	687,746	*11.1%*
Construction and Extraction Occupations	984,369	*15.9%*
Installation, Maintenance, and Repair Occupations	491,770	*7.9%*
Production Occupations	2,060,194	*33.2%*
Transportation and Material Moving Occupations	353,467	*5.7%*
All Other Manufacturing Occupations	184,460	*3.0%*
INDUSTRY TOTAL	6,204,782	100.0%

Industries weighted to reflect Santa Cruz County industry mix.

APPENDIX E TABLE II-9
AVERAGE ANNUAL COMPENSATION, 2013
OFFICE WORKER OCCUPATIONS
JOBS HOUSING NEXUS ANALYSIS
SANTA CRUZ COUNTY, CA

DRAFT - for Internal Review Only

Occupation [1]	2013 Avg. Compensation [2]	% of Total Occupation Group [3]	% of Total Office Workers
Page 1 of 3			
Management Occupations			
Chief Executives	$181,900	4.9%	0.5%
General and Operations Managers	$105,600	26.0%	2.7%
Marketing Managers	$123,700	6.3%	0.7%
Sales Managers	$111,700	5.9%	0.6%
Administrative Services Managers	$97,900	4.3%	0.5%
Computer and Information Systems Managers	$121,400	9.9%	1.0%
Financial Managers	$113,500	15.6%	1.6%
Architectural and Engineering Managers	$159,000	4.9%	0.5%
Property, Real Estate, and Community Association Managers	$88,200	11.6%	1.2%
Managers, All Other	$118,700	7.2%	0.8%
All Other Management Occupations (Avg. All Categories)	$105,500	3.4%	0.4%
Weighted Mean Annual Wage	***$114,800***	**100.0%**	**10.5%**
Business and Financial Operations Occupations			
Claims Adjusters, Examiners, and Investigators	$53,500	4.9%	0.9%
Human Resources Specialists	$65,500	4.3%	0.8%
Management Analysts	$119,600	15.4%	2.8%
Market Research Analysts and Marketing Specialists	$60,800	8.4%	1.6%
Business Operations Specialists, All Other	$87,200	10.7%	2.0%
Accountants and Auditors	$72,200	19.2%	3.6%
Financial Analysts	$85,500	5.0%	0.9%
Loan Officers	$75,400	5.5%	1.0%
All Other Business and Financial Operations (Avg. All Categories)	$73,000	26.5%	4.9%
Weighted Mean Annual Wage	***$80,000***	**100.0%**	**18.5%**
Computer and Mathematical Occupations			
Computer Systems Analysts	$80,700	15.6%	1.7%
Computer Programmers	$85,800	9.5%	1.0%
Software Developers, Applications	$104,200	18.3%	2.0%
Software Developers, Systems Software	$97,800	12.1%	1.3%
Database Administrators	$80,200	3.2%	0.4%
Network and Computer Systems Administrators	$72,500	8.6%	0.9%
Computer Network Architects	$86,800	4.1%	0.4%
Computer User Support Specialists	$52,400	10.9%	1.2%
Computer Network Support Specialists	$67,100	3.8%	0.4%
Computer Occupations, All Other	$69,600	3.1%	0.3%
All Other Computer and Mathematical Occupations (Avg. All Categories)	$79,100	10.8%	1.2%
Weighted Mean Annual Wage	***$83,000***	**100.0%**	**11.0%**

Sources: Bureau of Labor Statistics; California Employment Development Department Compensation Data for Santa Cruz County.
Prepared by: Keyser Marston Associates, Inc.
Filename: \\Sf-fs2\wp\19\19174\002\App E Tab II-5, II-9 SC Office; Compensation; 6/25/2014

Occupation [1]	2013 Avg. Compensation [2]		% of Total Occupation Group [3]	% of Total Office Workers
Page 2 of 3				
Architecture and Engineering Occupations				
Architects, Except Landscape and Naval	$115,400		5.9%	0.4%
Aerospace Engineers	$124,600	4	4.4%	0.3%
Civil Engineers	$81,600		12.3%	0.7%
Computer Hardware Engineers	$98,100		4.2%	0.3%
Electrical Engineers	$89,900		5.9%	0.4%
Electronics Engineers, Except Computer	$126,200		4.7%	0.3%
Environmental Engineers	$75,100		4.1%	0.3%
Industrial Engineers	$94,300		6.1%	0.4%
Mechanical Engineers	$101,000		8.0%	0.5%
Engineers, All Other	$113,700	4	5.1%	0.3%
Architectural and Civil Drafters	$54,900		5.4%	0.3%
Electrical and Electronics Engineering Technicians	$65,500		3.8%	0.2%
All Other Architecture and Engineering Occupations (Avg. All Categories)	$83,800		30.1%	1.8%
Weighted Mean Annual Wage	***$91,100***		**100.0%**	**6.1%**
Life, Physical, and Social Science Occupations				
Biochemists and Biophysicists	$104,600	4	5.0%	0.2%
Medical Scientists, Except Epidemiologists	$90,500		13.4%	0.5%
Chemists	$80,200	4	8.8%	0.3%
Environmental Scientists and Specialists, Including Health	$67,400		9.8%	0.4%
Geoscientists, Except Hydrologists and Geographers	$87,100		3.3%	0.1%
Survey Researchers	$58,700	4	4.0%	0.2%
Biological Technicians	$35,300		7.3%	0.3%
Chemical Technicians	$46,500	4	5.4%	0.2%
Social Science Research Assistants	$32,100	4	4.4%	0.2%
Environmental Science and Protection Technicians, Including Health	$51,000	4	3.9%	0.1%
Life, Physical, and Social Science Technicians, All Other	$57,000		4.3%	0.2%
All Other Life, Physical, and Social Science Occupations (Avg. All Categories)	$69,000		30.6%	1.2%
Weighted Mean Annual Wage	***$68,200***		**100.0%**	**3.8%**
Legal Occupations				
Lawyers	$148,000		60.6%	2.1%
Paralegals and Legal Assistants	$54,800		30.6%	1.1%
Title Examiners, Abstractors, and Searchers	$59,600		6.1%	0.2%
All Other Legal Occupations (Avg. All Categories)	$107,500		2.7%	0.1%
Weighted Mean Annual Wage	***$113,000***		**100.0%**	**3.5%**

Sources: Bureau of Labor Statistics; California Employment Development Department Compensation Data for Santa Cruz County.
Prepared by: Keyser Marston Associates, Inc.
Filename: \\Sf-fs2\wp\19\19174\002\App E Tab II-5, II-9 SC Office; Compensation; 6/25/2014

Occupation [1]	2013 Avg. Compensation [2]		% of Total Occupation Group [3]	% of Total Office Workers
Page 3 of 3				
Healthcare Practitioners and Technical Occupations				
Veterinarians	$103,300		24.3%	0.6%
Registered Nurses	$99,400		13.8%	0.3%
Veterinary Technologists and Technicians	$36,800		36.6%	0.8%
Medical Records and Health Information Technicians	$47,100		5.3%	0.1%
Occupational Health and Safety Specialists	$88,300	4	4.5%	0.1%
All Other Healthcare Practitioners and Technical Occupations (Avg. All Categories)	$89,700		15.5%	0.4%
Weighted Mean Annual Wage	***$72,700***		**100.0%**	**2.3%**
Sales and Related Occupations				
First-Line Supervisors of Non-Retail Sales Workers	$69,100		3.3%	0.3%
Counter and Rental Clerks	$29,900		12.1%	1.0%
Insurance Sales Agents	$64,900		19.5%	1.6%
Securities, Commodities, and Financial Services Sales Agents	$69,500		16.1%	1.3%
Sales Representatives, Services, All Other	$65,600		14.5%	1.2%
Sales Representatives, Wholesale and Manufacturing, Technical and Scientific Proc	$83,500		5.0%	0.4%
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scienti	$65,300		5.6%	0.5%
Real Estate Sales Agents	$43,800		6.1%	0.5%
All Other Sales and Related Occupations (Avg. All Categories)	$36,900		17.7%	1.4%
Weighted Mean Annual Wage	***$56,400***		**100.0%**	**8.1%**
Office and Administrative Support Occupations				
First-Line Supervisors of Office and Administrative Support Workers	$57,000		7.3%	1.8%
Bookkeeping, Accounting, and Auditing Clerks	$43,400		8.4%	2.0%
Tellers	$29,000		13.1%	3.2%
Customer Service Representatives	$37,700		13.1%	3.2%
Receptionists and Information Clerks	$30,400		4.5%	1.1%
Executive Secretaries and Executive Administrative Assistants	$46,900		5.0%	1.2%
Legal Secretaries	$53,200		3.7%	0.9%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	$35,500		10.1%	2.5%
Insurance Claims and Policy Processing Clerks	$46,000		3.8%	0.9%
Office Clerks, General	$32,800		11.5%	2.8%
All Other Office and Administrative Support Occupations (Avg. All Categories)	$38,700		19.6%	4.8%
Weighted Mean Annual Wage	***$38,900***		**100.0%**	**24.3%**
Installation, Maintenance, and Repair Occupations				
First-Line Supervisors of Mechanics, Installers, and Repairers	$69,800		6.9%	0.2%
Maintenance and Repair Workers, General	$38,400		81.7%	2.6%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	$47,100		11.4%	0.4%
Weighted Mean Annual Wage	***$41,600***		**100.0%**	**3.2%**
Weighted Average Annual Wage - All Occupations	***$71,000***			91.2%

[1] Including occupations representing 3% or more of the major occupation group.

[2] 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.

[3] Occupation percentages are based on the 2012 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2012 Occupational Employment Survey data applicable to Santa Cruz County updated by the California Employment Development Department to 2013 wage levels.

[4] Wage data estimated from Santa Clara County wages because Santa Cruz County data not available for that occupation.

Sources: Bureau of Labor Statistics; California Employment Development Department Compensation Data for Santa Cruz County.
Prepared by: Keyser Marston Associates, Inc.
Filename: \\Sf-fs2\wp\19\19174\002\App E Tab II-5, II-9 SC Office; Compensation; 6/25/2014

APPENDIX E TABLE II-10
AVERAGE ANNUAL COMPENSATION, 2013
HOTEL WORKER OCCUPATIONS
JOBS HOUSING NEXUS ANALYSIS **DRAFT - for Internal Review Only**
SANTA CRUZ COUNTY, CA

Occupation [1]	2013 Avg. Compensation [2]	% of Total Occupation Group [3]	% of Total Hotel Workers
Page 1 of 2			
Management Occupations			
General and Operations Managers	$105,600	21.4%	1.0%
Sales Managers	$111,700	9.9%	0.4%
Administrative Services Managers	$97,900	4.0%	0.2%
Financial Managers	$113,500	4.3%	0.2%
Food Service Managers	$46,800	11.6%	0.5%
Lodging Managers	$54,300	39.2%	1.8%
Managers, All Other	$118,700	2.1%	0.1%
All Other Management Occupations (Avg. All Categories)	$105,500	7.5%	0.3%
Weighted Mean Annual Wage	***$79,600***	**100.0%**	**4.5%**
Food Preparation and Serving Related Occupations			
Chefs and Head Cooks	$48,400	2.7%	0.7%
First-Line Supervisors of Food Preparation and Serving Workers	$31,500	5.1%	1.3%
Cooks, Restaurant	$24,500	13.4%	3.3%
Food Preparation Workers	$24,100	3.5%	0.9%
Bartenders	$21,200	8.0%	2.0%
Combined Food Preparation and Serving Workers, Including Fast Food	$20,500	3.9%	1.0%
Waiters and Waitresses	$21,100	29.6%	7.3%
Food Servers, Nonrestaurant	$22,800	8.8%	2.2%
Dining Room and Cafeteria Attendants and Bartender Helpers	$20,400	9.5%	2.4%
Dishwashers	$19,100	6.5%	1.6%
Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop	$19,300	3.7%	0.9%
All Other Food Preparation and Serving Occupations (Avg. All Categories)	$22,400	5.3%	1.3%
Weighted Mean Annual Wage	***$22,900***	**100.0%**	**24.7%**
Building and Grounds Cleaning and Maintenance Occupations			
First-Line Supervisors of Housekeeping and Janitorial Workers	$42,900	5.9%	1.9%
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	$24,900	6.4%	2.0%
Maids and Housekeeping Cleaners	$19,500	84.8%	27.1%
Landscaping and Groundskeeping Workers	$27,700	2.6%	0.8%
All Other Building and Grounds Occupations (Avg. All Categories)	$27,000	0.4%	0.1%
Weighted Mean Annual Wage	***$21,500***	**100.0%**	**32.0%**
Personal Care and Service Occupations			
First-Line Supervisors of Personal Service Workers	$40,700	4.1%	0.2%
Amusement and Recreation Attendants	$20,300	15.2%	0.6%
Locker Room, Coatroom, and Dressing Room Attendants	$23,000 [4]	3.3%	0.1%
Baggage Porters and Bellhops	$22,300 [4]	35.1%	1.4%
Concierges	$32,900 [4]	18.1%	0.7%
Fitness Trainers and Aerobics Instructors	$50,800	3.3%	0.1%
Recreation Workers	$24,100	9.6%	0.4%
Personal Care and Service Workers, All Other	$33,300	3.0%	0.1%
All Other Personal Care and Service Occupations (Avg. All Categories)	$27,600	8.2%	0.3%
Weighted Mean Annual Wage	***$26,600***	**100.0%**	**4.0%**

Sources: Bureau of Labor Statistics; California Employment Development Department Compensation Data for Santa Cruz County.
Prepared by: Keyser Marston Associates, Inc.
Filename: \\Sf-fs2\wp\19\19174\002\App E Tab II-6, II-10 SC Hotel;Compensation; 6/25/2014

Occupation [1]	2013 Avg. Compensation [2]	% of Total Occupation Group [3]	% of Total Hotel Workers
Page 2 of 2			
Office and Administrative Support Occupations			
First-Line Supervisors of Office and Administrative Support Workers	$57,000	7.3%	1.5%
Bookkeeping, Accounting, and Auditing Clerks	$43,400	5.6%	1.1%
Customer Service Representatives	$37,700	2.0%	0.4%
Hotel, Motel, and Resort Desk Clerks	$23,900	71.1%	14.4%
Reservation and Transportation Ticket Agents and Travel Clerks	$38,100 [4]	2.3%	0.5%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	$35,500	2.0%	0.4%
Office Clerks, General	$32,800	2.3%	0.5%
All Other Office and Administrative Support Occupations (Avg. All Categories)	$38,700	7.3%	1.5%
Weighted Mean Annual Wage	***$29,600***	**100.0%**	**20.2%**
Installation, Maintenance, and Repair Occupations			
First-Line Supervisors of Mechanics, Installers, and Repairers	$69,800	7.9%	0.4%
Maintenance and Repair Workers, General	$38,400	89.6%	4.5%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	$47,100	2.5%	0.1%
Weighted Mean Annual Wage	***$41,100***	**100.0%**	**5.0%**
Weighted Average Annual Wage - All Occupations	***$28,000***		90.4%

1 Including occupations representing 2% or more of the major occupation group.

2 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.

3 Occupation percentages are based on the 2012 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2012 Occupational Employment Survey data applicable to Santa Cruz County updated by the California Employment Development Department to 2013 wage levels.

4 Wage data estimated from Santa Clara County wages because Santa Cruz County data not available for that occupation.

APPENDIX E TABLE II-11
AVERAGE ANNUAL COMPENSATION, 2013
RETAIL WORKER OCCUPATIONS
JOBS HOUSING NEXUS ANALYSIS **DRAFT - for Internal Review Only**
COUNTY OF SANTA CRUZ, CA

Occupation [1]	2013 Avg. Compensation [2]		% of Total Occupation Group [3]	% of Total Retail Workers
Page 1 of 3				
Management Occupations				
Chief Executives	$181,900		2.3%	0.1%
General and Operations Managers	$105,600		50.5%	1.1%
Sales Managers	$111,700		10.1%	0.2%
Food Service Managers	$46,800		28.4%	0.6%
All Other Management Occupations (Avg. All Categories)	$105,500		8.7%	0.2%
Weighted Mean Annual Wage	***$91,300***		**100.0%**	**2.2%**
Food Preparation and Serving Related Occupations				
First-Line Supervisors of Food Preparation and Serving Workers	$31,500		7.1%	2.9%
Cooks, Fast Food	$19,700		5.4%	2.2%
Cooks, Restaurant	$24,500		9.7%	3.9%
Food Preparation Workers	$24,100		6.5%	2.6%
Bartenders	$21,200		3.8%	1.5%
Combined Food Preparation and Serving Workers, Including Fast Food	$20,500		28.9%	11.6%
Counter Attendants, Cafeteria, Food Concession, and Coffee Shop	$20,600		3.1%	1.2%
Waiters and Waitresses	$21,100		21.9%	8.8%
Dining Room and Cafeteria Attendants and Bartender Helpers	$20,400		2.9%	1.2%
Dishwashers	$19,100		4.3%	1.7%
Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop	$19,300		3.4%	1.3%
All Other Food Preparation and Serving Related Occupations (Avg. All Categories)	$22,400		3.0%	1.2%
Weighted Mean Annual Wage	***$22,000***		**100.0%**	**40.0%**
Personal Care and Service Occupations				
First-Line Supervisors of Personal Service Workers	$40,700		4.0%	0.1%
Nonfarm Animal Caretakers	$24,300		17.5%	0.5%
Funeral Attendants	$31,200	[4]	3.5%	0.1%
Morticians, Undertakers, and Funeral Directors	$58,400	[4]	2.5%	0.1%
Hairdressers, Hairstylists, and Cosmetologists	$29,900		47.9%	1.3%
Manicurists and Pedicurists	$20,000	[4]	8.8%	0.2%
Skincare Specialists	$38,700		3.5%	0.1%
Personal Care and Service Workers, All Other	$33,300		2.1%	0.1%
All Other Personal Care and Service Occupations (Avg. All Categories)	$27,600		10.3%	0.3%
Weighted Mean Annual Wage	***$29,400***		**100.0%**	**2.6%**
Sales and Related Occupations				
First-Line Supervisors of Retail Sales Workers	$43,600		12.8%	3.7%
Cashiers	$26,100		39.1%	11.4%
Counter and Rental Clerks	$29,900		2.7%	0.8%
Retail Salespersons	$27,800		41.0%	11.9%
All Other Sales and Related Occupations (Avg. All Categories)	$36,900		4.3%	1.3%
Weighted Mean Annual Wage	***$29,600***		**100.0%**	**29.1%**

Sources: Bureau of Labor Statistics; California Employment Development Department Compensation Data for Santa Cruz County.
Prepared by: Keyser Marston Associates, Inc.
Filename: \\Sf-fs2\wp\19\19174\002\App E Tab II-7, II-11 SC Retail; Compensation; 6/25/201

Occupation [1]	2013 Avg. Compensation [2]	% of Total Occupation Group [3]	% of Total Retail Workers
Page 2 of 3			
Office and Administrative Support Occupations			
First-Line Supervisors of Office and Administrative Support Workers	$57,000	5.3%	0.5%
Bookkeeping, Accounting, and Auditing Clerks	$43,400	8.4%	0.7%
Customer Service Representatives	$37,700	10.5%	0.9%
Receptionists and Information Clerks	$30,400	3.8%	0.3%
Shipping, Receiving, and Traffic Clerks	$30,200	4.7%	0.4%
Stock Clerks and Order Fillers	$26,900	44.2%	3.9%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	$35,500	4.5%	0.4%
Office Clerks, General	$32,800	10.6%	0.9%
All Other Office and Administrative Support Occupations (Avg. All Categories)	$38,700	8.0%	0.7%
Weighted Mean Annual Wage	***$33,300***	**100.0%**	**8.9%**
Installation, Maintenance, and Repair Occupations			
First-Line Supervisors of Mechanics, Installers, and Repairers	$69,800	8.4%	0.3%
Computer, Automated Teller, and Office Machine Repairers	$41,700	2.6%	0.1%
Automotive Body and Related Repairers	$51,000	12.4%	0.5%
Automotive Service Technicians and Mechanics	$50,500	43.2%	1.8%
Bus and Truck Mechanics and Diesel Engine Specialists	$49,700	2.8%	0.1%
Tire Repairers and Changers	$26,300	6.6%	0.3%
Maintenance and Repair Workers, General	$38,400	4.7%	0.2%
Helpers--Installation, Maintenance, and Repair Workers	$27,700	3.4%	0.1%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	$47,100	16.0%	0.7%
Weighted Mean Annual Wage	***$48,500***	**100.0%**	**4.1%**
Production Occupations			
First-Line Supervisors of Production and Operating Workers	$53,600	6.9%	0.2%
Bakers	$27,200	14.8%	0.4%
Butchers and Meat Cutters	$35,100	25.5%	0.7%
Meat, Poultry, and Fish Cutters and Trimmers	$33,200	5.7%	0.2%
Laundry and Dry-Cleaning Workers	$21,400	15.3%	0.4%
Pressers, Textile, Garment, and Related Materials	$23,200	6.3%	0.2%
Painters, Transportation Equipment	$50,500	3.9%	0.1%
Photographic Process Workers and Processing Machine Operators	$27,000	2.3%	0.1%
All Other Production Occupations (Avg. All Categories)	$32,800	19.5%	0.6%
Weighted Mean Annual Wage	***$32,200***	**100.0%**	**2.9%**

Sources: Bureau of Labor Statistics; California Employment Development Department Compensation Data for Santa Cruz County.
Prepared by: Keyser Marston Associates, Inc.
Filename: \\Sf-fs2\wp\19\19174\002\App E Tab II-7, II-11 SC Retail; Compensation; 6/25/201

Occupation [1]	2013 Avg. Compensation [2]	% of Total Occupation Group [3]	% of Total Retail Workers
Page 3 of 3			
Transportation and Material Moving Occupations			
Driver/Sales Workers	$38,400	14.4%	0.8%
Heavy and Tractor-Trailer Truck Drivers	$44,900	2.9%	0.2%
Light Truck or Delivery Services Drivers	$37,900	13.8%	0.8%
Parking Lot Attendants	$26,600	7.8%	0.5%
Automotive and Watercraft Service Attendants	$23,200	4.7%	0.3%
Industrial Truck and Tractor Operators	$33,100	3.6%	0.2%
Cleaners of Vehicles and Equipment	$24,200	12.9%	0.7%
Laborers and Freight, Stock, and Material Movers, Hand	$25,000	16.4%	1.0%
Packers and Packagers, Hand	$21,100	17.4%	1.0%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	$33,600	6.0%	0.3%
Weighted Mean Annual Wage	***$29,400***	**100.0%**	**5.8%**
Weighted Average Annual Wage - All Occupations	***$29,000***		95.6%

[1] Including occupations representing 2% or more of the major occupation group.

[2] 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.

[3] Occupation percentages are based on the 2012 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2012 Occupational Employment Survey data applicable to Santa Cruz County updated by the California Employment Development Department to 2013 wage levels.

[4] Wage data estimated from Santa Clara County wages because Santa Cruz County data not available for that occupation.

Sources: Bureau of Labor Statistics; California Employment Development Department Compensation Data for Santa Cruz County.
Prepared by: Keyser Marston Associates, Inc.
Filename: \\Sf-fs2\wp\19\19174\002\App E Tab II-7, II-11 SC Retail; Compensation; 6/25/201

APPENDIX E TABLE II-12
AVERAGE ANNUAL COMPENSATION, 2013
MANUFACTURING WORKER OCCUPATIONS
JOBS HOUSING NEXUS ANALYSIS **DRAFT - for Internal Review Only**
SANTA CRUZ COUNTY, CA

Occupation [1]	2013 Avg. Compensation [2]	% of Total Occupation Group [3]	% of Total Manufacturing Workers
Page 1 of 3			
Management Occupations			
Chief Executives	$181,900	4.3%	0.3%
General and Operations Managers	$105,600	35.3%	2.1%
Marketing Managers	$123,700	3.6%	0.2%
Sales Managers	$111,700	5.9%	0.4%
Administrative Services Managers	$97,900	2.0%	0.1%
Computer and Information Systems Managers	$121,400	4.5%	0.3%
Financial Managers	$113,500	5.8%	0.4%
Industrial Production Managers	$101,700	11.4%	0.7%
Purchasing Managers	$75,300	2.4%	0.1%
Construction Managers	$110,700	8.2%	0.5%
Architectural and Engineering Managers	$159,000	9.8%	0.6%
Managers, All Other	$118,700	2.8%	0.2%
All Other Management Occupations (Avg. All Categories)	$105,500	4.1%	0.2%
Weighted Mean Annual Wage	***$115,700***	**100.0%**	**6.1%**
Business and Financial Operations Occupations			
Purchasing Agents, Except Wholesale, Retail, and Farm Products	$55,100	18.6%	0.7%
Cost Estimators	$70,700	18.2%	0.7%
Human Resources Specialists	$65,500	4.8%	0.2%
Logisticians	$61,800	4.3%	0.2%
Management Analysts	$119,600	4.4%	0.2%
Training and Development Specialists	$65,300	2.5%	0.1%
Market Research Analysts and Marketing Specialists	$60,800	8.7%	0.3%
Business Operations Specialists, All Other	$87,200	9.7%	0.4%
Accountants and Auditors	$72,200	17.7%	0.7%
Financial Analysts	$85,500	4.6%	0.2%
All Other Business and Financial Operations Occupations (Avg. All Categories)	$73,000	6.4%	0.2%
Weighted Mean Annual Wage	***$71,000***	**100.0%**	**3.7%**
Computer and Mathematical Occupations			
Computer Systems Analysts	$80,700	8.0%	0.2%
Computer Programmers	$85,800	7.1%	0.2%
Software Developers, Applications	$104,200	19.7%	0.6%
Software Developers, Systems Software	$97,800	35.0%	1.0%
Network and Computer Systems Administrators	$72,500	7.5%	0.2%
Computer Network Architects	$86,800	2.8%	0.1%
Computer User Support Specialists	$52,400	9.6%	0.3%
Computer Network Support Specialists	$67,100	2.8%	0.1%
Computer Occupations, All Other	$69,600	2.1%	0.1%
All Other Computer and Mathematical Occupations (Avg. All Categories)	$79,100	5.5%	0.2%
Weighted Mean Annual Wage	***$87,800***	**100.0%**	**2.8%**

Sources: Bureau of Labor Statistics; California Employment Development Department Compensation Data for Santa Cruz County.
Prepared by: Keyser Marston Associates, Inc.
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Occupation [1]	2013 Avg. Compensation [2]	% of Total Occupation Group [3]	% of Total Manufacturing Workers
Page 2 of 3			
Architecture and Engineering Occupations			
Aerospace Engineers	$124,600 [4]	2.3%	0.1%
Computer Hardware Engineers	$98,100	8.7%	0.5%
Electrical Engineers	$89,900	12.0%	0.7%
Electronics Engineers, Except Computer	$126,200	8.6%	0.5%
Industrial Engineers	$94,300	16.2%	1.0%
Mechanical Engineers	$101,000	11.9%	0.7%
Engineers, All Other	$113,700 [4]	3.4%	0.2%
Electrical and Electronics Drafters	$61,700	2.2%	0.1%
Mechanical Drafters	$59,000	2.6%	0.2%
Electrical and Electronics Engineering Technicians	$65,500	11.7%	0.7%
Industrial Engineering Technicians	$52,500	6.9%	0.4%
Mechanical Engineering Technicians	$55,100 [4]	2.9%	0.2%
All Other Architecture and Engineering Occupations (Avg. All Categories)	$83,800	10.6%	0.6%
Weighted Mean Annual Wage	***$88,900***	**100.0%**	**6.0%**
Sales and Related Occupations			
First-Line Supervisors of Non-Retail Sales Workers	$69,100	3.4%	0.2%
Cashiers	$26,100	9.9%	0.5%
Retail Salespersons	$27,800	14.8%	0.7%
Sales Representatives, Services, All Other	$65,600	6.9%	0.3%
Sales Representatives, Wholesale and Manufacturing, Technical and Scientific Pro	$83,500	10.4%	0.5%
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scien	$65,300	42.2%	2.0%
Demonstrators and Product Promoters	$29,200	4.3%	0.2%
Sales Engineers	$109,600	3.0%	0.1%
All Other Sales and Related Occupations (Avg. All Categories)	$36,900	5.1%	0.2%
Weighted Mean Annual Wage	***$56,300***	**100.0%**	**4.6%**
Office and Administrative Support Occupations			
First-Line Supervisors of Office and Administrative Support Workers	$57,000	5.3%	0.6%
Bookkeeping, Accounting, and Auditing Clerks	$43,400	12.2%	1.4%
Customer Service Representatives	$37,700	11.3%	1.2%
Order Clerks	$33,600	2.1%	0.2%
Receptionists and Information Clerks	$30,400	2.7%	0.3%
Production, Planning, and Expediting Clerks	$49,800	5.5%	0.6%
Shipping, Receiving, and Traffic Clerks	$30,200	10.1%	1.1%
Stock Clerks and Order Fillers	$26,900	6.9%	0.8%
Executive Secretaries and Executive Administrative Assistants	$46,900	3.7%	0.4%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	$35,500	11.6%	1.3%
Office Clerks, General	$32,800	18.2%	2.0%
All Other Office and Administrative Support Occupations (Avg. All Categories)	$38,700	10.4%	1.2%
Weighted Mean Annual Wage	***$37,600***	**100.0%**	**11.1%**
Construction and Extraction Occupations			
First-Line Supervisors of Construction Trades and Extraction Workers	$71,600	6.6%	1.0%
Carpenters	$68,400	1.1%	0.2%
Construction Laborers	$38,400	3.5%	0.5%
Operating Engineers and Other Construction Equipment Operators	$65,400	0.5%	0.1%
Electricians	$62,800	39.1%	6.2%
Plumbers, Pipefitters, and Steamfitters	$54,300	25.0%	4.0%
Sheet Metal Workers	$56,400	7.4%	1.2%
All Other Construction and Extraction Occupations (Avg. All Categories)	$53,800	16.8%	2.7%
Weighted Mean Annual Wage	***$58,500***	**100.0%**	**15.9%**

Sources: Bureau of Labor Statistics; California Employment Development Department Compensation Data for Santa Cruz County.
Prepared by: Keyser Marston Associates, Inc.
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Occupation [1]	2013 Avg. Compensation [2]	% of Total Occupation Group [3]	% of Total Manufacturing Workers
Page 3 of 3			
Installation, Maintenance, and Repair Occupations			
First-Line Supervisors of Mechanics, Installers, and Repairers	$69,800	7.4%	0.6%
Telecommunications Equipment Installers and Repairers, Except Line Installers	$66,800	5.6%	0.4%
Electrical and Electronics Repairers, Commercial and Industrial Equipment	$54,700	2.6%	0.2%
Security and Fire Alarm Systems Installers	$60,000 [4]	3.1%	0.2%
Heating, Air Conditioning, and Refrigeration Mechanics and Installers	$50,900	36.1%	2.9%
Industrial Machinery Mechanics	$42,300	8.1%	0.6%
Maintenance Workers, Machinery	$49,200	2.8%	0.2%
Millwrights	$53,900 [4]	2.6%	0.2%
Telecommunications Line Installers and Repairers	$61,300 [4]	4.8%	0.4%
Maintenance and Repair Workers, General	$38,400	12.2%	1.0%
Helpers--Installation, Maintenance, and Repair Workers	$27,700	3.7%	0.3%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	$47,100	11.1%	0.9%
Weighted Mean Annual Wage	***$50,600***	**100.0%**	**7.9%**
Production Occupations			
First-Line Supervisors of Production and Operating Workers	$53,600	6.8%	2.3%
Electrical and Electronic Equipment Assemblers	$35,100	5.6%	1.9%
Team Assemblers	$25,200	11.8%	3.9%
Bakers	$27,200	4.4%	1.5%
Food Batchmakers	$26,900	2.3%	0.8%
Computer-Controlled Machine Tool Operators, Metal and Plastic	$38,900	2.2%	0.7%
Machinists	$42,800	5.6%	1.8%
Molding, Coremaking, and Casting Machine Setters, Operators, and Tenders, Meta	$22,900	2.3%	0.8%
Welders, Cutters, Solderers, and Brazers	$42,100	2.8%	0.9%
Printing Press Operators	$47,700	4.1%	1.4%
Sewing Machine Operators	$37,300	4.5%	1.5%
Inspectors, Testers, Sorters, Samplers, and Weighers	$39,900	4.9%	1.6%
Packaging and Filling Machine Operators and Tenders	$22,300	4.9%	1.6%
Helpers--Production Workers	$25,400	4.2%	1.4%
All Other Production Occupations (Avg. All Categories)	$32,800	33.6%	11.2%
Weighted Mean Annual Wage	***$34,100***	**100.0%**	**33.2%**
Transportation and Material Moving Occupations			
First-Line Supervisors of Helpers, Laborers, and Material Movers, Hand	$44,800	2.4%	0.1%
Driver/Sales Workers	$38,400	8.5%	0.5%
Heavy and Tractor-Trailer Truck Drivers	$44,900	7.6%	0.4%
Light Truck or Delivery Services Drivers	$37,900	10.9%	0.6%
Industrial Truck and Tractor Operators	$33,100	10.3%	0.6%
Laborers and Freight, Stock, and Material Movers, Hand	$25,000	26.1%	1.5%
Machine Feeders and Offbearers	$31,800 [4]	5.6%	0.3%
Packers and Packagers, Hand	$21,100	22.4%	1.3%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	$33,600	6.2%	0.4%
Weighted Mean Annual Wage	***$30,400***	**100.0%**	**5.7%**
Weighted Average Annual Wage - All Occupations	***$52,000***		97.0%

1 Including occupations representing 2% or more of the major occupation group.

2 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.

3 Occupation percentages are based on the 2012 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2012 Occupational Employment Survey data applicable to Santa Cruz County updated by the California Employment Development Department to 2013 wage levels.

4 Wage data estimated from Santa Clara County wages because Santa Cruz County data not available for that occupation.

Sources: Bureau of Labor Statistics; California Employment Development Department Compensation Data for Santa Cruz County.
Prepared by: Keyser Marston Associates, Inc.
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III. TOTAL HOUSING NEXUS COSTS

This section takes the conclusions of the previous section on the number of households in the Extremely Low, Very Low, Low, Median and Moderate income categories associated with each building type and identifies the total cost of assistance required to make housing affordable. This section puts a cost on the units at each income level to produce the “total nexus cost.”

Affordability Gaps

A key component of the analysis is the size of the gap between what households can afford and the cost of producing additional housing in Santa Cruz County, known as the “affordability gap.” The analysis utilizes the same affordability gaps as the Residential Nexus Analysis, also conducted by KMA. A detailed description of the affordability gaps is presented in Appendix C. A brief overview follows below.

For Extremely Low, Very Low and Low Income households, KMA assumes that the County will assist in the provision of rental units; for Median and Moderate Income households, the County will assist in providing ownership units. For the Extremely Low, Very Low and Low Income tiers, the affordability gaps are calculated based upon rents affordable to households at 30%, 50% and 60% of Area Median Income, respectively. This is consistent with the rent limits in the federal and state affordable housing tax credit financing programs; we assume that the rental projects receive this funding. For the Median/Moderate Income tiers, one affordability gap is estimated, for a household earning 100% of Median Income.

Affordability Gaps

Extremely Low (0% - 30% AMI)	($171,000)
Very Low (30% - 50% AMI)	($131,000)
Low Income (50% - 80% AMI)	($110,000)
Median/ Moderate Income (80% - 120% AMI)	($129,500)

Source: KMA; see Appendix C.
AMI = Area Median Income

Total Nexus Costs

The last step in the nexus fee analysis relates the findings on the numbers of households at each of the lower income ranges associated with the four types of buildings to the affordability gaps, or the costs of delivering affordable housing for them in Santa Cruz County.

Appendix E Table III-1 summarizes the analysis. The Affordability Gaps are described above. Demand for affordable units at each of the lower income ranges that is generated per square foot of building area is drawn from Appendix E Table II-4 in the previous section. At the right, the “Nexus Cost per Square Foot” shows the results of the calculation: affordability gap times the number of units per square foot of building area.

The total nexus costs for the four building types are as follows:

Total Nexus Cost Per Square Foot of Building Area

Office	$110.80 psf
Retail / Restaurant	$192.86 psf
Hotel	$68.42 psf
Manufacturing / Industrial	$61.88 psf

Note: Nexus findings are not recommended fee levels.
See Appendix E Table III-1 for detail.

These costs express the total linkage or nexus costs per square foot for the four building types. These total nexus costs represent the ceiling for any affordable housing requirement placed on new commercial construction. The totals are not recommended levels for fees; they represent only the maximums established by this analysis, below which fees or other requirements may be set.

These total nexus or mitigation costs are high in Santa Cruz County due to the low compensation levels of many jobs, coupled with the high cost of developing residential units. The comparatively high median income for Santa Cruz County is also a factor because more households fall into one of the lower affordability tiers given the comparatively high income thresholds to qualify. These factors are especially pronounced with the Retail / Restaurant category yielding a very high nexus cost. California Employment Development Department data for 2013 indicates compensation for Retail/Restaurant workers in Santa Cruz County averages approximately $29,000 per year. This means that many workers qualify as Very Low Income (four-person households earning $50,400 and below[13]); as shown in Appendix E Table II-3, 64% of Retail/Restaurant workers fall in the Extremely Low and Very Low Income categories. Virtually all Retail/Restaurant employee households earn less than 120% of median. Hotel workers have similar compensation levels (averaging $28,000 annually); however, since there are fewer employees per square feet of building area, the resulting mitigation costs are much lower on a per square foot basis.

For Office and Manufacturing/Industrial, workers average approximately $71,000 and $52,000 annually, respectively. This is about 1.5 to two times the average compensation for Retail / Restaurant and Hotel workers. The higher compensation levels result in a lower affordable housing nexus cost for Office and Manufacturing/Industrial as compared to Retail / Restaurant. The higher employment density for Office space results in a higher nexus cost than the Manufacturing and Hotel land uses, despite the higher wages.

[13] Income criteria vary by household size.

Conservative Assumptions

In establishing the total nexus cost many conservative assumptions were employed in the analysis that result in a total nexus cost that may be considerably understated. These conservative assumptions include:

- Only direct employees are counted in the analysis. Many indirect employees are also associated with each new workspace. Indirect employees in an office building, for example, include security, delivery personnel, and a whole range of others. Hotels do have many of these workers on staff, but hotels also “contract out” a number of services that are not taken into account in the analysis.

- Trends in new Office space are for more open office floor plans which can accommodate higher employment densities. Increased densities would yield higher nexus results, as more employees would be assumed for a given amount of space than the estimates applied for purposes of the analysis.

- Annual incomes for workers reflect full time employment based upon the California Employment Development Department’s convention for reporting the compensation information. Of course many workers work less than full time; therefore, annual compensations used in the analysis are probably overstated, especially for retail and hotel, which tend to have a high number of part time employees.

- The affordability gaps for Extremely Low, Very Low and Low income households assumes the availability of tax credit financing, which reduces the affordability gap that needs to be filled.

In summary, many less conservative assumptions could be made that would result in higher nexus costs.

DRAFT FOR REVIEW BY STAFF

INCOME CATEGORY	Affordability Gap		Nexus Cost Per Sq.Ft. of Building Area[3] OFFICE	HOTEL	RETAIL	MANUFACT. / INDUSTRIAL
Up to 30% Median Income	$171,000	1	$7.98	$29.76	$72.38	$10.02
30% to 50% Median Income	$131,000	1	$27.97	$23.10	$68.96	$18.30
50% to 80% Median Income	$110,000	1	$41.56	$12.68	$39.61	$20.89
80% to 100% Median Income	$129,500	2	$9.25	$1.03	$4.51	$3.94
100% to 120% Median Income	$129,500	2	$24.04	$1.85	$7.40	$8.72
Total			**$110.80**	**$68.42**	**$192.86**	**$61.88**

Notes:

[1] Assumes rental units.

[2] Assumes ownership units priced at 100% AMI.

[3] Calculated by multiplying housing demand factors from Appendix E Table II-4 by the affordability gap.

ADDENDUM: DISCUSSION OF VARIOUS FACTORS IN RELATION TO NEXUS CONCEPT

This appendix provides a discussion of various specific factors and assumptions in relation to the nexus concept to supplement the overview provided in Section I.

Addressing the Housing Needs of a New Population vs. the Existing Population

Santa Cruz County, in its Housing Element, has clearly documented that the housing needs of existing lower income households are not being met. This existing housing shortage, especially at the lowest income levels, is manifested in numerous ways such as payment of far more than 30% of income for rent as set forth in federal and state guidelines, overcrowding, and other factors that are extensively documented by the Census and other reports.

This nexus study does not address the housing needs of the existing population. Rather, the study focuses exclusively on documenting and quantifying the housing needs of new households where an employee works in a new workplace building.

Local analyses of housing conditions have found that new housing affordable to lower income households is not being added to the supply in sufficient quantity to meet the needs of new employee households. If this were not the case and significant numbers of units were being added to the supply to accommodate the Low to Moderate income groups, or if residential units in the county were experiencing significant long term vacancy levels, particularly in affordable units, then the need for new units would be questionable.

Substitution Factor

Any given new building in Santa Cruz County may be occupied partly or even perhaps totally, by employees relocating from elsewhere in the county. Buildings are often leased entirely to firms relocating from other buildings in the same jurisdiction. However, when a firm relocates to a new building from elsewhere in the region, there is a space in an existing building that is vacated and occupied by another firm. That building in turn may be filled by some combination of newcomers to the area and existing workers. Somewhere in the chain there are jobs new to the region. The net effect is that new buildings accommodate new employees, although not necessarily inside of the new buildings themselves.

Indirect Employment and Multiplier Effects

The multiplier effect refers to the concept that the income generated by a new job recycles through the economy and results in additional jobs. The total number of jobs generated is broken down into three categories – direct, indirect and induced. In the case of the nexus analysis, the direct jobs are those located in the new workspace buildings that would be subject to the linkage fee. Multiplier effects encompass indirect and induced employment. Indirect jobs are generated by suppliers to the businesses located in the new workspace buildings. Finally, induced jobs are generated by local spending on goods and services by employees.

Multiplier effects vary by industry. Industries that draw heavily on a network of local suppliers tend to generate larger multiplier effects. Industries that are labor intensive also tend to have larger multiplier effects as a result of the induced effects of employee spending.

Theoretically, a jobs-housing nexus analysis could consider multiplier effects although the potential for double-counting exists. The potential for double counting exists to the extent indirect and induced jobs are added in other new buildings in jurisdictions that have jobs housing linkage fees. KMA chooses to omit the multiplier effects (the indirect and induced employment impacts) to avoid potential double-counting and make the analysis more conservative.

In addition, the nexus analysis addresses direct "inside" employment only. In the case of an office building, for example, direct employment covers the various managerial, professional and clerical people that work in the building; it does not include the security guards, the delivery services, the landscape maintenance workers, and many others that are associated with the normal functioning of an office building. In other words, any analysis that ties lower income housing to the number of workers inside buildings will continue to understate the demand. Thus, confining the analysis to the direct employees does not address all the lower income workers associated with each type of building and understates the impacts.

Changes in Labor Force Participation

In the 1960s through the 1980s, there were significant increases in labor force participation, primarily among women. As a result, some of the new workers were reentering the labor force and already had local housing, thus reducing demand for housing associated with job growth. In earlier nexus analyses, KMA would adjust the analysis to account for this. However, increases in participation rates by women have stabilized and even declined slightly and labor force participation rates for men have been on a downward trajectory since 1970. As such, an adjustment for increase in labor force participation is no longer warranted in a nexus analysis.

Commuting

Workers in Santa Cruz County commute from throughout the County and the Bay Area. Nexus analyses sometimes make a downward adjustment based on commuting. A commute adjustment reduces the findings based on an assumed portion of housing needs satisfied by other jurisdictions. Such an adjustment is not required for nexus purposes; all housing demand generated by a project may be included in the nexus. No adjustment for commuting has been reflected in the analysis.

Non-Duplication: Commercial Linkage Fee and Proposed Rental Housing Impact Fee

Santa Cruz County has an inclusionary housing policy and is considering adoption of an Affordable Housing Impact fee supported by a nexus analysis based upon a similar analytical framework as this jobs-housing nexus analysis. Under certain circumstances the two analyses could count some of the same jobs. KMA recommends that the County conduct an analysis of potential double-counting of jobs, should the County decide to pursue adoption of a non-residential affordable housing impact fee.

Economic Cycles

An impact analysis of this nature is intended to support a one-time impact requirement to address impacts generated over the life of a project (generally 40 years or more). Short-term conditions, such as a recession or a vigorous boom period, are not an appropriate basis for estimating impacts over the life of the building. These cycles can produce impacts that are higher or lower on a temporary basis.

Development of new workspace buildings tends to be minimal during a recession and generally remains minimal until conditions improve or there is confidence that improved conditions are imminent. When this occurs, the improved economic condition will absorb existing vacant space and underutilized capacity of existing workers, employed and unemployed. By the time new buildings become occupied, current conditions will have likely improved.

To the limited extent that new workspace buildings are built during a recession, housing impacts from these new buildings may not be fully experienced immediately, though, the impacts will be experienced at some point. New buildings delivered during a recession can sometimes sit vacant for a period after completion. Even if new buildings are immediately occupied, overall absorption of space can still be zero or negative if other buildings are vacated in the process. Jobs added may also be filled in part by unemployed or underemployed workers who are already housed locally. As the economy recovers, firms will begin to expand and hire again filling unoccupied space as unemployment is reduced. New space delivered during the recession still adds to the total supply of employment space in the region. Though the jobs are not realized immediately, as the economy recovers and vacant space is filled, this new employment space absorbs or accommodates job growth. Although there may be a delay in time, the fundamental relationship between new buildings, added jobs, and housing needs remains over the long term.

In contrast, during a vigorous economic boom period, conditions exist in which elevated impacts are experienced on a temporary basis. As an example, compression of employment densities can occur as firms add employees while making do with existing space. Compressed employment densities mean more jobs added for a given amount of building area. Boom periods also tend to go hand-in-hand with rising development costs and increasing home prices. These factors can bring market rate housing out of reach from a larger percentage of the workforce and increase the cost of delivering affordable units.

APPENDIX F: LEGAL MEMORANDUM

RECENT LEGAL ISSUES REGARDING INCLUSIONARY HOUSING PROGRAMS

COUNTY OF SANTA CRUZ

Barbara E. Kautz

GOLDFARB & LIPMAN LLP

Since the passage of Measure J in 1978, the County of Santa Cruz (the "County") has implemented a highly successful inclusionary housing program, creating several hundred affordable housing units. Changing market conditions, the loss of redevelopment, and recent court decisions have challenged the County's ability to create more affordable housing, including through the Measure J program. The County and Keyser Marston Associates are now undertaking a comprehensive review of the program, including a review of market conditions and economic feasibility and completion of a 'nexus' study in response to legal challenges.

This memo explains recent cases regarding inclusionary housing ordinances and discusses the implications of these cases for the County's program.

The County's Inclusionary Housing Program.

Measure J was an initiative measure adopted in 1978 by County voters. It included a policy requiring that at least 15 percent of new rental and for-sale housing be affordable to households with average incomes or below. This requirement is codified in Chapter 17.10 of the County Code, "Affordable Housing Requirements."

The County also imposes affordable housing requirements in three other situations.

- Sites included in the Regional Housing Need R Combining District, adopted to meet requirements of State housing element law, must be developed at densities of 20 units per acre and contain 40 percent affordable housing. Fifteen percent of the units must meet the Measure J requirements, while another 25 percent of the units may be 'enhanced' affordable housing that is allowed somewhat higher rents and sales prices. (County Code Sections 13.10.475 – 13.10.478.)

- Sites rezoned from nonresidential to residential must include 40 percent affordable units, with deeper affordability requirements than under Measure J. (County Code Section 17.10.030(B)(5).)

- Congregate senior housing must provide 35 percent affordable units. (County Code Section 17.10.030(B)(4).)

Chapter 17.10 permits developers to propose alternatives to these requirements and to pay in-lieu fees in certain instances. The County has also adopted Affordable Housing Guidelines and Density Bonus Guidelines. The two sets of Guidelines and the County Code sections together are the "Affordable Housing Program."

Effect of Recent Cases.

A. County May Not Require Affordable Rental Housing (*Palmer/Sixth Street Properties v. City of Los Angeles* (2009)).

Case Decision. The City of Los Angeles required a developer to either pay an in-lieu fee or provide on-site rental units at an affordable low-income rent. In *Palmer*, the Court of Appeal held that any local restriction on rents must comply with State rent control statutes, in particular the Costa-Hawkins Act.[1] The Costa-Hawkins Act provides that, barring an exception, "an owner of residential real property may establish the initial and all subsequent rental rates for a dwelling or unit."[2] Costa-Hawkins' limitations do not apply if the owner agrees by contract to limit rents in exchange for "a direct financial contribution or any other forms of assistance specified in [density bonus law]."[3]

The Court further held that if an in-lieu fee was based on the number of affordable rental units otherwise required, it was "inextricably intertwined" with the forbidden rent limitation and so also preempted by State law.

After *Palmer*, affordable *rental* housing cannot be *required* in newly created rental units receiving no assistance or incentives from the County. Rents may be limited only *if* the builder agrees by contract to restrict rents *and* receives either a financial contribution or a type of assistance specified in density bonus law (which includes a wide variety of regulatory relief).

In 2013, the Legislature passed AB 1229 to supersede *Palmer*, but the bill was vetoed by the Governor.

<u>Santa Cruz's Inclusionary Program</u>. Santa Cruz's Affordable Housing Program now requires new rental housing to provide affordable housing. The County has not enforced this requirement since *Palmer* was decided. One of the goals of the current study is to modify the Affordable Housing Program to be consistent with *Palmer*.

<u>County Options to Comply with *Palmer*</u>. Following *Palmer*, many communities have imposed *affordable housing impact fees* on new market-rate rental housing. The nexus study now being conducted by Keyser-Marston will establish the maximum amount of the impact fee that the County could charge; or the County could choose to impose less than the maximum or even no impact fee on market-rate rental housing.

***Palmer* does not affect the County's Affordable Housing Program as applied to for-sale housing.** *Palmer* also does allow rents to be controlled *if* the developer agrees by contract, and:

- The County (or another government agency) subsidizes the project;
- The developer receives a density bonus or other regulatory incentives that reduce housing costs; or
- The developer and the County enter into a properly drafted development agreement under Government Code Sections 65864 – 65869.5.

[1] Civil Code Sections 1954.51 – 1954.535.
[2] Civil Code Section 1954.52(a).
[3] Civil Code Section 1954.52(b).

B. Is a Nexus Study Required to Justify Affordable Housing Requirements? (*California Building Industry Ass'n ("CBIA") v. City of San Jose* *(case pending, California Supreme Court)*).

Current Case Issues. The California Building Industry Association has filed suit alleging that San Jose's recently adopted inclusionary housing ordinance is unconstitutional because the City did not conduct a nexus study to justify the requirements. In *CBIA*, the California Supreme Court will determine whether inclusionary requirements are land use requirements similar to zoning that may be adopted so long as they are beneficial to the "public health, safety or welfare" under the County's police power, or whether they are "exactions" similar to impact fees and must be justified by a nexus study.

The case will most likely be decided in fall 2014 but may not be decided until 2015.

Santa Cruz's Inclusionary Program. The County of Santa Cruz adopted its Measure J and other inclusionary programs under the County's police power to further the public health, safety, and welfare by increasing the County's supply of affordable housing.

County Options. As part of its review of the County's Affordable Housing Program, Keyser-Marston is completing a nexus study of both for-sale and for-rent housing to determine if the construction of market-rate housing creates a need for affordable housing by creating low-wage, local-serving jobs. This will demonstrate if the County's current inclusionary requirements can be justified based on project impacts. To date, most nexus studies have shown that the inclusionary requirements are justified and that substantially higher fees could be charged than existing fees.

Similar fees charged to non-residential development, called "commercial linkage fees," have been upheld by the courts. (*Commercial Builders of Northern California v. City of Sacramento*, 941 F.2d 872 (9th Cir. 1991).) Keyser Marston's study includes a review of the amount and feasibility of commercial linkage fees in the County.

If the Court should decide that affordable housing requirements must be justified by a nexus study, the County will be able to continue enforcing its Affordable Housing Program to the extent justified by the nexus study. The County could wait for the Court's decision before completing the study; but if the Court were to decide that a nexus study is needed, the County would not be able to enforce its ordinance until the study were done. It is also more efficient to complete the rental and for-sale nexus studies simultaneously.

Effects of a Nexus-Based Program on Funding of Affordable Housing. The nexus study now being completed will determine to what extent market-rate housing creates a need for affordable housing by creating low-wage *jobs*. As a result, affordable housing requirements based on a nexus study are adopted to provide housing for low-wage *employees*, and the funds generated must be used to provide housing that will serve low-wage *employees.*

Some types of affordable housing may be perceived as housing many residents who are not employed, in particular homeless shelters, senior housing, transitional and supportive housing, and housing for disabled persons. If the County must justify its affordable housing requirements by a nexus approach, it should conduct a study to determine what portion of residents are employed before spending funds on housing types perceived as unlikely to serve employed persons. One county, for instance, found that a substantial percentage of residents of a homeless shelter were, in fact, employed.

C. Density Bonuses Must Be Provided for All Affordable Housing *(Latinos Unidos del Valle de Napa y Solano ("LUNA") v. County of Napa* (2013)).

Case Decision. State law allows a density bonus for a developer who "seeks and agrees" to provide affordable housing. Prior to *LUNA*, some local density bonus ordinances, including Napa County's, required developers to provide affordable housing *in addition to* that required by a local inclusionary ordinance to qualify for a density bonus.

The Court of Appeal in *LUNA* held that a density bonus must be provided for *all* qualifying affordable units, whether or not they are required by a local inclusionary ordinance.

Santa Cruz's Affordable Housing Program. Santa Cruz County does not permit developers to receive a density bonus for affordable units required under its Affordable Housing Program.

County Options to Comply with *LUNA*. The provisions of the Affordable Housing Program related to density bonuses for required affordable housing could be subject to legal challenge as inconsistent with *LUNA.* As part of the County's review of both the Affordable Housing Program and the Housing Element, the County can determine appropriate modifications to its existing requirements.

Conclusion.

Completion of the nexus study will allow the County to charge affordable housing impact fees to new rental housing, if it desires, and will allow the County to continue to require for-sale affordable housing in new housing developments regardless of the decision of the California Supreme Court. The study will also allow for consideration of a commercial linkage fee. If a nexus approach is required, the County must use the funds generated to create housing for low-wage employees.

As part of the study the County can also determine the most appropriate program amendments to conform with *Palmer* regarding rental housing and with *LUNA* regarding density bonuses.

APPENDIX G: LONG TERM MAINTENANCE OF AFFORDABLE HOUSING UNITS

The County's current program enables homeowners to recapture the cost of improvements made to their property upon resale. In summary, homeowners are allowed to recapture "substantial improvements" that cost in excess of 1% of the home's initial purchase price as well as costs incurred to replace appliance, fixtures, and equipment which were originally sold as part of the unit but have deteriorated or become non-operative over time. The costs are recaptured by adding them to the permitted resale price based on an assessment of the "market value of the improvements. The aggregate investment that can potentially be recaptured is capped at 10% of the restricted resale price. Resale prices are restricted in-perpetuity.

These terms are not inconsistent with the provisions of other inclusionary programs throughout the State. Some programs tie the resale price to a CPI adjustment, but all programs that restrict resale prices are fundamentally similar to the County's program. Issues that often emerge in these programs include the following:

- The process of auditing and valuing the improvements is labor intensive, can be viewed by homeowners as being subjective, and can become contentious;
- The adjustments bump the resale price to an amount that exceeds the maximum price for new affordable units, which results in an older unit selling at a higher price than a new unit;
- Allowable price bumps can result in the resale price exceeding the maximum price permitted for a moderate income household;
- Homes are not well-maintained and require major capital investment by the City/County in order to be marketable upon resale; and
- Homeowners cannot afford the escalation in HOA dues or the cost of needed upgrades;

From our work with programs throughout the Bay Area, it is our conclusion that there is not a perfect solution or set of program parameters to mitigate all of these potential issues. To encourage on-going maintenance and upgrades, some communities establish rehabilitation programs and provide zero interest loans or grants to provide financial assistance to homeowners who cannot afford to maintain their homes. These programs can be funded by outside resources, including CDBG, HOME funds, and the CHAFA HELP program. These programs can also be an effective tool for providing funding needed to upgrade units upon resale.

An effective program structure for encouraging maintenance is to eliminate long-term deed restrictions on the units and provide for "shared appreciation." Under that structure, affordable units are permitted to be resold at market rates (often there is a minimum hold period) and appreciation is the funding source for maintenance. The program is implemented through resale controls and the sponsoring agency (i.e. the County) would share in a portion of the unit's appreciation. In addition to facilitating long-term maintenance, other perceived benefits of shared appreciation programs are: 1) they enable homeowners to accumulate some wealth so that they can move-up to market rate housing; and 2) they are less expensive to manage.

The primary disadvantage of “shared appreciation” programs is that a long-term stock of deed restricted affordable units is not maintained. The stock recycles and, typically, remains small. Given that most communities want to maintain and grow their stock of affordable units, most communities do not use the “shared appreciation” model as the basic structure for their affordable housing program. Typically, it is a back-up measure to address circumstances in which a seller of a deed-restricted unit is not able to find an income eligible buyer within a reasonable period of time. In that circumstance, the homeowner is permitted to sell the unit on the open market, the deed-restriction is lifted, and the sponsoring community receives a portion of the sale proceeds to reinvest in new affordable construction. Typically, the equity share that the seller retains increases over time, based on the length of time that he has owned the home.

County staff indicate that to date they have not experienced any of the maintenance issues listed above. One factor working in the favor of the County’s program is that prices are initially set at 100% of AMI while income eligibility is capped at 120% of AMI. Setting prices at 100% of AMI provides for a healthy 15% to 20% potential bump in price to reflect the value of improvements without rendering the unit unaffordable to Moderate Income households. Given the 10% cap on permitted improvements per owner, this buffer would generally cover improvement recapture of two resales. A potential issue could be created if, as suggested by the findings of the financial feasibility analysis, the program is modified to set initial prices at 110% of AMI, to improve the feasibility of new construction. This would reduce the margin available for recapturing capital improvements and the maximum price affordable to Moderate Income Households. But, it is our opinion that setting prices at 110% of AMI is still reasonable and will not negatively impact homeowner investment.

Given that the County desires to maintain its stock of affordable units and it has not experienced maintenance issues, we would recommend that it retain the existing provisions of its maintenance program.

APPENDIX H: SUMMARY OF OTHER PROGRAMS

KMA surveyed the affordable housing programs of other municipalities within Santa Cruz County. The survey results are provided on the attached Appendix H, Table 1. As shown, the cities of Santa Cruz, Watsonville, and Capitola have affordable housing inclusionary programs. The programs are similar to the County's program in that they all have a base 15% inclusionary requirement. The required affordability levels vary between the jurisdictions, with Capitola pricing units at 100% of the AMI (similar to the County), but the City of Santa Cruz requires deeper levels of affordability and Watsonville has less-stringent affordability levels.

Watsonville is the only jurisdiction that levies an affordable housing fee on non-residential development. The fee is nominal, at $0.35 per square foot of building area.

Appendix H Table 1
Summary of Other Programs - Santa Cruz County
Update of Affordable Housing Regulations
Santa Cruz County

	City of Santa Cruz	Watsonville	Scotts Valley	Capitola
Non-Residential Housing Fee	Appears not to have one.	Yes. 1,001 sf +: $0.35 psf	Appears not to have one	Appears not to have one
Inclusionary Housing	Yes. "Measure O"	Yes.	Suspended (redevelopment)	Yes.
Basic Requirement	2-4 units: pay fee 5+ units: 15% of units	7-50 units: 15% (FS) / 20% (rental) 50+ units: 20%		FS: 1-6 units - fee 7+ units: 15% Rental: Fee
Affordability Levels*	FS: up to 100% AMI, priced at 80% Rental: up to 80%, rent at 40% of 80%	FS: 5% Med, 5% Mod, 5% Above Mod Rental: 5% Med, 5% Low, 5% VL, 5% Section 8 50+units: 10% Above Mod for FS		FS: 100% AMI
Alternative Compliance	City Council approval, with restrictions: offsite, conversion of units, transfer of credits, land dedication	offsite units (if project in Downtown core)		City Council approval - land dedication.
In-lieu Fee	for fractional units and projects w/2-4 units; 50% of the affordability gap for 2-4 units; 20% of afford. gap for fractional	6 or fewer units SFD: $11,009 /unit MF: $5,505 /unit		FS: One unit $2.50 psf 2-6 units: $10 psf Fractional units, $10 psf Rental: $6 psf.

**FS: For-Sale*

APPENDIX I: NON-RESIDENTIAL MARKET CONDITIONS RELATIVE TO REZONING REQUIREMENTS

KMA has been asked to address select economic issues that relate to the County's inclusionary requirements on properties that are rezoned or redesignated from non-residential use to residential use. The first issue is the adequacy of the supply of non-residentially zoned property to meet future demand. The second is financial feasibility of residential development on rezoned properties.

Supply of and Demand for Non-Residential Land

Santa Cruz County is a highly desirable place to live. It offers tremendous natural beauty, a temperate coastal climate, attractive communities and close proximity to the burgeoning job growth of Silicon Valley. Unfortunately, job growth within the County has not kept pace with residential growth. Santa Cruz County is "jobs poor", with approximately 30,000 employed residents representing over 30% of the workforce commuting to counties outside of Santa Cruz to work. Over 50% of the commuting residents work in Santa Clara County.

The County of Santa Cruz would like to curb this trend and is committed to encouraging job growth within the County. The County is in the process of preparing an Economic Vitality Strategy. The Strategy will draw on the County's unique strengths, identify opportunities, and set forth strategies to provide programs, incentives and improved locations to attract and retain jobs in a way that enhances economic vitality.

One component of the County's strategy is to ensure that there is sufficient property zoned for non-residential development to accommodate future job growth. As shown below, there are approximately 300 acres of vacant land within the County that are zoned for commercial or industrial use. In addition to vacant sites, there are numerous underutilized properties that can accommodate future commercial and industrial development. Often, the redevelopment of existing properties in established commercial districts is more desirable than developing on vacant parcels.

Undeveloped Land Zoned for Non-Residential Development (Acres)

Vacant commercial land	174
Vacant industrial land	124
Timber production zone	41,129
Land conservation act	6,076
Vacant federal-owned land	4,227
Vacant state-owned land	2,282
Vacant county-owned land	1,374
Vacant city-owned land	990

KMA has translated the regional jobs forecast prepared by the Association of Monterey Bay Area Governments (AMBAG) into the need for non-residential space based on standard employment densities and the need for land based on standard development floor to area ratios. This analysis is presented on Table 1 in this Appendix I. As shown on the table, the number of jobs in Santa Cruz County is anticipated to increase from 121,000 in 2015 to 147,000 by 2035, reflecting a gain of 26,000 new jobs. The largest sector of growth is anticipated to be the service sector, followed by public agencies. Based on standard employment densities and development ratios, it is estimated that the growth in employment will require approximately 300 acres of developable land, which approximates the amount of vacant land available. As previously noted, underutilized properties in established commercial districts are also an important component of potential locations for new development. In the aggregate, it appears that there are sufficient vacant and underutilized properties to accommodate new job growth in the County. However, there may be imbalances within specific communities in the County.

Financial Feasibility of Residential Development on Rezoned Properties

In response to land conversion pressures and a desire to increase the amount of affordable housing, the county adopted enhanced inclusionary requirements for projects built on properties that are rezoned from non-residential to residential. The requirements are specified in Chapter 17.10.030. (B) (5) and Chapter 13.10.215 (A) (1) (a). In summary, residential developments that are built on properties rezoned to residential are required to provide 40% on-site affordable housing units. Specifically, projects with fewer than 100 units must restrict the prices of 20% of units at prices affordable to households earning no more than 100% of the AMI and an additional 20% at prices affordable to households earning no more than 70% of the AMI. Projects with 100 or more units have deeper affordability requirements. They must provide 10% of the units at prices affordable to households earning no more than 50% of the AMI, 20% to households earning no more than 70% of the AMI, and 20% to households earning no more than 100% of the AMI. All required units shall be located on-site.

One of the premises behind this legislation is that the marginal value of residential property over commercial/industrial property warrants the additional affordable housing requirements. To test this hypothesis, KMA analyzed the financial feasibility of developing a range of residential prototypes under the less-stringent 40% inclusionary obligation applicable to projects with fewer than 100 units. One of the key factors of the analysis is the cost of commercial/industrial land.

A survey of recent sales of non-residential land is provided on Table 2 of this Appendix I. The sales have been aggregated into two groups: 1) properties located in unincorporated areas of the County; and 2) properties located within the boundaries of incorporated cities. As shown, the average price of land sales within the unincorporated area averaged approximately $7.10 per square foot, while the average price of land sales in incorporated areas averaged $9.00 per square foot. These average prices are heavily impacted by the low values of some of the larger sites. KMA has not visited the sites and it is possible that the values are depressed due to the lack of utilities and significant areas that are not developable due to topography or drainage constraints. Small sites are generally more valuable on a per square foot basis than larger sites and the value of in-fill sites is also enhanced by the availability of utilities and infrastructure to serve development. For analytical purposes, the sizes of the larger sites have been adjusted downward to derive an estimate of “net” buildable area versus “gross” buildable area. As shown, with these adjustments, the average price of non-residentially zoned sites averages approximately $7.10 per square foot in the unincorporated areas and $9.00 in the incorporated cities.

The sale prices have been converted into prices per dwelling unit in order to evaluate the financial feasibility of rezoning property for residential development and proceeding with residential development under the 40% inclusionary requirements. The prices per unit are shown on Appendix I, Table 2, and summarized below. The feasibility of these land costs is addressed in Appendix D.

	Land Costs Per DU (Projects with 5 DU/Acre)	Land Costs Per DU (Projects with 10 DU/Acre)	Land Costs Per DU (Projects with 12 DU/Acre)	Land Costs Per DU (Projects with 24 DU/Acre)
Unincorporated Properties				
Avg. all properties	$62,000	$31,000	$26,000	$13,000

Appendix I, Table 1
Estimated Incremental Commercial Land Requirements
Affordable Housing Program Update
Santa Cruz County

		Unincorporated Santa Cruz County					Santa Cruz County Cities					Total Santa Cruz County				
Commercial Land Use Type		**2015**	**2020**	**2025**	**2030**	**2035**	**2015**	**2020**	**2025**	**2030**	**2035**	**2015**	**2020**	**2025**	**2030**	**2035**
AMBAG Jobs Projections [1]																
Retail		3,325	3,459	3,598	3,742	3,891	11,245	11,651	12,072	12,508	12,959	14,570	15,110	15,670	16,250	16,850
Service		19,106	20,406	21,815	23,318	24,945	31,874	34,044	36,395	38,902	41,615	50,980	54,450	58,210	62,220	66,560
Industrial		4,655	4,796	4,945	5,097	5,257	11,885	12,244	12,625	13,013	13,423	16,540	17,040	17,570	18,110	18,680
Public		6,286	6,583	6,895	7,224	7,570	15,484	16,217	16,985	17,796	18,650	21,770	22,800	23,880	25,020	26,220
Construction		5,176	5,390	5,613	5,840	6,081	6,204	6,460	6,727	7,000	7,289	11,380	11,850	12,340	12,840	13,370
Agriculture		5,460	5,516	5,575	5,615	5,673	100	104	105	105	107	5,560	5,620	5,680	5,720	5,780
		44,008	46,150	48,441	50,836	53,417	76,792	80,720	84,909	89,324	94,043	120,800	126,870	133,350	140,160	147,460
AMBAG Job Growth																
Retail		0	134	273	417	566	0	406	827	1,263	1,714	0	540	1,100	1,680	2,280
Service		0	1,300	2,709	4,212	5,839	0	2,170	4,521	7,028	9,741	0	3,470	7,230	11,240	15,580
Industrial		0	141	290	442	602	0	359	740	1,128	1,538	0	500	1,030	1,570	2,140
Public		0	297	609	938	1,284	0	733	1,501	2,312	3,166	0	1,030	2,110	3,250	4,450
Construction		0	214	437	664	905	0	256	523	796	1,085	0	470	960	1,460	1,990
Agriculture		0	56	115	155	213	0	4	5	5	7	0	60	120	160	220
		0	2,142	4,433	6,828	9,409	0	3,928	8,117	12,532	17,251	0	6,070	12,550	19,360	26,660
Estimated Building Size (1,000 sf) [2]																
Retail	*350 sf /empl*	0	47	96	146	198	0	142	289	442	600	0	189	385	588	798
Service	*300 sf /empl*	0	390	813	1,264	1,752	0	651	1,356	2,108	2,922	0	1,041	2,169	3,372	4,674
Industrial	*500 sf /empl*	0	71	145	221	301	0	180	370	564	769	0	250	515	785	1,070
Public	*275 sf /empl*	0	82	167	258	353	0	202	413	636	871	0	283	580	894	1,224
		0	589	1,221	1,889	2,604	0	1,174	2,429	3,750	5,162	0	1,763	3,649	5,639	7,766
Estimated Land Requirement (acres) [2]																
Retail	*0.25 FAR*	0.0	4.3	8.8	13.4	18.2	0.0	13.0	26.6	40.6	55.1	0.0	17.4	35.4	54.0	73.3
Service	*0.80 FAR*	0.0	11.2	23.3	36.3	50.3	0.0	18.7	38.9	60.5	83.9	0.0	29.9	62.2	96.8	134.1
Industrial	*0.40 FAR*	0.0	4.0	8.3	12.7	17.3	0.0	10.3	21.2	32.4	44.1	0.0	14.3	29.6	45.1	61.4
Public	*1.00 FAR*	0.0	1.9	3.8	5.9	8.1	0.0	4.6	9.5	14.6	20.0	0.0	6.5	13.3	20.5	28.1
		0.0	21.4	44.3	68.3	93.8	0.0	46.7	96.2	148.1	203.1	0.0	68.1	140.5	216.3	296.9

**Updated February 2014*
[1] Monterey Bay Area 2008 Regional Forecast.
[2] Densities per KMA experience; current Santa Cruz County development projects. Assumes most construction and agriculture jobs are performed outside and do not require significant permanent buildings.

Appendix I, Table 2
Commercial Land Sales
Affordable Housing Program Update
Santa Cruz County

Type	City	Street Address	Size (Acres)	SF	Sale Price	Price Per Acre	Price Per SF. of land	Sale Date	Price Per DU 5 du / acre	10 du / acre	12 du / acre	24 du / acre
Sales in Unincorporated Areas												
Commercial/Other	Aptos	7101 Fern Flat Road	6.94	302,089	$285,000	$41,096	$1	12/17/2013				
Commercial/Other	Boulder Creek	1 Happy Hollow Lane	3.23	140,655	$174,000	$53,887	$1	10/11/2013				
Commercial/Other	Boulder Creek	21211 Big Basin Way	7.20	313,632	$180,000	$25,000	$1	05/20/2013				
Commercial/Other	Soquel	180 Edison Way	1.62	70,480	$785,000	$485,167	$11	05/31/2013				
Commercial/Other	Soquel	5301 Glen Haven Road	3.04	132,640	$225,100	$73,925	$2	12/31/2013				
Commercial/Other	Aptos	2568 Redwood Drive	0.14	6,229	$500,000	$3,496,547	$80	10/02/2013				
Commercial/Other	Ben Lomond	313 Cumora Lane	0.22	9,714	$600,000	$2,690,549	$62	07/31/2013				
Commercial/Other	Ben Lomond	981 Sylvia Way	0.23	9,975	$185,000	$807,880	$19	06/21/2013				
Commercial/Other	Boulder Creek	625 Nottingham Way	0.38	16,553	$354,000	$931,568	$21	11/01/2013				
Commercial/Other	Boulder Creek	360 Upper Road	0.34	14,898	$330,000	$964,881	$22	10/11/2013				
Commercial/Other	Boulder Creek	205 Apple Knoll Drive	0.16	7,013	$280,000	$1,739,170	$40	07/19/2013				
Commercial/Other	Felton	22 Woodwardia Avenue	0.08	3,441	$380,000	$4,810,462	$110	12/30/2013				
Commercial/Other	Felton	210 Orchard Road	0.33	14,331	$659,500	$2,004,593	$46	11/15/2013				
Commercial/Other	Felton	12235 Volver Avenue	0.24	10,585	$211,000	$868,319	$20	05/30/2013				
Commercial/Other	Soquel	3335	0.08	3,485	$980,000	$12,249,298	$281	08/30/2013				
All unincporporated commercial/other properties			**15**	**863,821**	**$6,128,600**	**$309,048**	**$7.09**		**$62,000**	**$31,000**	**$26,000**	**$13,000**
Sales in Incorporated Cities												
Commercial/Other	Santa Cruz	215 Laurel Street	0.14	6,098	$2,300,000	$16,428,571	$377	2/13/2014				
Commercial/Other	Santa Cruz	170 Belvedere Terr	0.27	11,761	$225,000	$833,333	$19	1/31/2014				
Commercial/Other	Santa Cruz	4050 Slyvester Dr	8.99	391,604	$820,000	$91,212	$2	1/17/2014				
Commercial/Other	Santa Cruz	100 High Street	0.18	7,841	$241,000	$1,338,889	$31	12/27/2013				
Commercial/Other	Santa Cruz	4045 Vine Hill Lane	0.82	35,719	$1,025,000	$1,250,000	$29	9/27/2013				
Commercial/Other	Santa Cruz	2693 Branciforte Dr	1.13	49,223	$690,000	$610,619	$14	7/11/2013				
Commercial/Other	Santa Cruz	355 Granite Ridge Dr	2.94	128,066	$310,000	$105,442	$2	6/17/2013				
Commercial/Other	Santa Cruz	272 Delaveaga Park Dr	1.82	79,279	$1,462,500	$803,571	$18	3/22/2013				
Commercial/Other	Scotts Valley	11 Ridgecrest	5.32	231,739	$222,500	$41,823	$1	7/22/2013				
Commercial/Other	Watsonville	1569 San Andreas Rd	0.21	9,148	$143,000	$680,952	$16	9/25/2013				
Commercial/Other	Watsonville	1055 Hazel Dell Road	1.54	67,082	$85,000	$55,195	$1	9/24/2013				
Commercial/Other	Watsonville	2070 Upper Highland	0.21	9,148	$305,000	$1,452,381	$33	7/26/2013				
Commercial/Other	Watsonville	76 Robak Dr	0.44	19,166	$215,000	$488,636	$11	6/27/2013				
Commercial/Other	Watsonville	200 Green Meadow	1.50	65,340	$175,000	$116,667	$3	6/26/2013				
All incorporated commercial/other properties			**14**	**908,749**	**$8,219,000**	**$393,970**	**$9.04**		**$79,000**	**$39,000**	**$33,000**	**$16,000**

APPENDIX J: CURRENT CHAPTER 17.10 OF THE COUNTY'S CODE

Chapter 17.10
AFFORDABLE HOUSING REQUIREMENTS

Sections:

17.10.010 Declaration of findings and legislative intent.

The County of Santa Cruz declares that the citizens of the County with average and below average incomes are experiencing a housing shortage. Whereas the goal of the County is to achieve a balanced community with housing available for households of all income levels, there exists within the County a shortage of housing that is affordable to persons with average and below average incomes. Increasingly, persons with average and below average incomes who work and/or live within the County are unable to locate housing at prices they can afford; economically disadvantaged households are increasingly excluded from living in Santa Cruz County.

Federal and State housing subsidy programs are not sufficient by themselves to satisfy the housing needs of average and below average income households. The County finds that the high cost of newly constructed housing is not conducive to the provision of housing affordable to average and below average income households, and that continued new development which does not include lower cost housing will serve further to aggravate the current housing shortage.

The County finds that the housing shortage for persons of average and below average incomes is detrimental to the public health, safety and welfare. The County further finds that it is a public purpose of the County of Santa Cruz as mandated by Measure J, a voter-adopted referendum measure, that housing be made available for persons with average and below average incomes, and that such supply of housing remains affordable to subsequent purchasers. The County further finds that it is a public policy of the State of California, as mandated by the requirements for the Housing Element of the County General Plan and the Local Coastal Plan, to make available an adequate supply of housing for persons of all economic segments of the community, and to ensure that such supply of housing remains affordable to subsequent purchasers.

The purpose of this chapter is to enhance the public welfare, and to assure that future housing development contributes to the provision of housing units affordable by households of average and below average income. It is an additional purpose of this chapter to achieve affordable housing at a minimal additional cost to housing consumers and taxpayers. A further purpose is to achieve the housing objectives contained in State law, and in the Santa Cruz County General Plan and the Local Coastal Program Land Use Plan. [Ord. 4081, 1990; Ord. 3881 § 1, 1987; Ord. 3802 § 1, 1986; Ord. 3502 § 1, 1984; Ord. 3329 § 1, 1982; Ord. 3039, 1981; Ord. 3025, 1980; Ord. 3002, 1980].

17.10.020 Definitions.

For the purpose of this chapter, the following words and phrases shall be defined as set forth in this section.

“Administering agency” means the Santa Cruz County Planning Department or any other agency as determined by the Board of Supervisors, which is involved in the administration of the County’s Affordable Housing Program.

“Affordable housing” means housing which is affordable to average or below average income households, as required, regulated and allowed by this chapter. Affordable housing units are the same as inclusionary units for the purposes of this chapter.

“Affordable housing guidelines” means the Santa Cruz County affordable housing guidelines adopted by the Board of Supervisors to implement this chapter (previously entitled the “Santa Cruz County Affordable Housing Program Income, Asset, and Unit Price Guidelines”).

“Applicant” means any person, firm, partnership, association, joint venture, corporation, entity, or combination of entities seeking County permits and approval.

“Assisted housing” means any project receiving all or a portion of its development funding from any local, State or Federal governmental or nonprofit funding source which meets the criteria for affordable housing specified in the affordable housing guidelines.

“At one location” means all adjacent land owned or controlled by the applicant, the property lines of which are contiguous at any point, or the property lines of which are separated only by a public or private street, road, or other public or private right-of-way, or separated only by other lands owned or controlled by the applicant.

“Average (moderate) income households” means households with incomes between 80 and 120 percent of the median household income for the Santa Cruz Primary Metropolitan Statistical Area (PMSA), as determined periodically by the U.S. Department of Housing and Urban Development (HUD). The definition for average income households for the purposes of this chapter corresponds to the definition of moderate income households for State and Federally assisted housing programs.

“Below average (lower) income households” means households with annual incomes less than 80 percent of median household income for the Santa Cruz PMSA. The definition for below average income households for the purposes of this chapter corresponds to the definition of low income households used for State and Federally assisted housing programs.

“Congregate senior housing” means senior housing with individual living units which provides residents with central management, a minimum of two meals per day in a central dining facility, and transportation services. Congregate housing also provides recreational and social activities and facilities. Maid and linen service, sundries, beautician, banking and other similar services may also be made available where they are appurtenant to the congregate use on the site. Another term used for congregate housing is “life care facility,” which is a congregate development as described above in conjunction with a nursing and medical facility.

“Dwelling unit” means a dwelling designed for occupancy by one family or household.

“Eligible purchaser” means a household which is qualified by the administering agency, according to procedures established by the County, as meeting the requirements of this chapter for the purchase of affordable units; or a public body providing affordable housing; or an investor-owner as defined in this section.

“Eligible renter” means a household qualified by the administering agency, according to procedures established by the County, as meeting the requirements of this chapter for the rental of affordable units.

“Enhanced affordable” refers to the additional 25 percent affordable units required in the Regional Housing Need R Combining District. These units may be rented at enhanced low income levels or sold at enhanced moderate income levels.

“Enhanced low income” means a household earning up to 100 percent of median income. Rental pricing for units designated as affordable to enhanced low income households is based on 80 percent of median income, as adjusted for household size.

“Enhanced moderate income” means a household earning up to 150 percent of median income. Sales pricing for units designated as affordable to enhanced moderate income households is based on 120 percent of median income, as adjusted for household size.

“Final inspection” means an inspection performed by the administering agency to verify completion of the housing project per approved plans and to allow occupancy of housing units.

“Housing costs” means the monthly mortgage, principal and interest, property taxes, association fees, and required homeowner’s insurance for ownership units, and the monthly rent for rental units.

“HUD” means the U.S. Department of Housing and Urban Development.

“Inclusionary housing units” means housing units which are affordable to average or below average income households as required, regulated, and allowed by this chapter. Inclusionary housing units are the same as affordable housing units for the purposes of this chapter.

“Investor-owner” means an individual, partnership or corporation which develops or purchases affordable housing units for rental to below average income households.

“Market rate unit” means a dwelling unit which is not subject to the rental, sale or resale regulations of this chapter.

“Median income” means the median income for the Santa Cruz PMSA, unless otherwise stipulated, as periodically determined by HUD. The current County median income figure is contained in the affordable housing guidelines.

“New dwelling unit” means a dwelling unit that is newly constructed on a site, but not replacement units.

“Owner-builder” means an individual or household who proposes to build a unit, with or without the assistance of a contractor, for his/her primary place of residence.

“Ownership housing project” means a project composed of one or more separately owned dwelling units.

“Project” means a residential development or land subdivision proposal for which County permits and approvals are sought.

“Rental housing project” means a multifamily housing structure under unified ownership, within which separate dwelling units are rented or leased.

“Resale controls” means legal restrictions by which the price of affordable units will be controlled by this chapter for a specified period of time.

“Section 8” means the major Federal housing program in which eligible very low income and low income households receive financial assistance to rent housing units.

“Very low income households” means households with annual incomes less than 50 percent of median household income for the Santa Cruz PMSA. The definition of very low income households is used for State and Federally assisted programs and is included in the below average income household category for purposes of this chapter. [Ord. 5133 § 1, 2012; Ord. 4879 § 1, 2007; Ord. 4876 § 1, 2007; Ord. 4755 §§ 1, 2, 2004; Ord. 4662 § 1, 2002; Ord. 4425 § 1, 1996; Ord. 4081, 1990; Ord. 3881 § 1, 1987; Ord. 3802 § 3, 1986; Ord. 3502 § 1, 1984; Ord. 3329 § 1, 1982; Ord. 3002, 1980].

17.10.030 Inclusionary housing requirements for residential development projects.

(A) Projects Subject to Inclusionary Housing Requirements. The following residential development projects consisting of the construction of new dwelling units and/or the creation of new parcels intended for permanent residential occupancy shall be subject to the inclusionary housing requirements of this chapter:

(1) Residential Project at One Location. An application for a residential development at one location, whether to be constructed at one time or in phases, shall be subject to the requirements of this chapter if it will result in the creation of:

(a) Five or more new dwelling units;

(b) Parcels providing building sites for a total of five or more new dwelling units; or

(c) A combination of new dwelling units and parcels together providing for a total of five or more new dwelling units.

For purposes of this subsection, “one location” shall include all adjacent parcels of land owned or controlled by the applicant, the property lines of which are contiguous at any point, or the property lines of which are separated only by a public or private street, road, or other public or private right-of-way, or separated only by the lands owned or controlled by the applicant.

(2) Concurrent Adjacent Residential Projects. Applications for concurrent adjacent residential developments which together will result in the creation of five or more new dwelling units, parcels providing building sites for a total of five or more new dwelling units, or a combination of new dwelling units and parcels together providing for a total of five or more new dwelling units, developed by applicants on adjacent properties either at one time or in phases shall be subject to the requirements of this chapter. For purposes of this subsection: “adjacent properties” shall include all adjacent parcels of land owned or controlled by the applicants, the property lines of which are contiguous at any point, or the property lines of which are separated only by a public or private street, road, or other public or private right-of-way, or separated only by the lands owned or controlled by the applicants; and “concurrent” applications shall include all applications which have been submitted and are concurrently being processed for action by the County. If the property ownership and application for one project contain no parties in whole or in part, or their spouses, who are also a party to the property ownership and application of the concurrent adjacent development, the concurrent applications may be granted an exception to the affordable housing requirements imposed by this chapter upon a showing satisfactory to the decision-making body that neither project receives direct financial benefit by virtue of the concurrent adjacent development.

(3) Sequential Adjacent Residential Projects. Applications by the same owner or applicant for sequential adjacent residential developments which together will result in the creation of five or more new dwelling units, parcels providing building sites for a total of five or more new dwelling units, or a combination of new dwelling units and parcels together providing for a total of five or more new dwelling units, developed on the same or adjacent properties either at one time or in phases shall be subject to the requirements of this chapter. For purposes of this subsection, “same owner or applicant” shall include any person who participates in the development as a full or partial owner or applicant, or a spouse of such person; “adjacent properties” shall include all adjacent parcels of land

owned or controlled by the owner and/or applicant, the property lines of which are contiguous at any point, or the property lines of which are separated only by a public or private street, road, or other public or private right-of-way, or separated only by the lands owned or controlled by the owner and/or applicant; and “sequential” projects shall include all projects for which applications have been submitted to the County within a period of 10 years.

(B) Inclusionary Housing Requirement. The affordable housing obligation for any project identified in subsection (A) of this section shall be calculated by multiplying the number of new dwelling units or new residential building sites by the affordable housing percentage for the type of project, as specified below. Projects which generate an affordable housing obligation of less than a whole unit or a fractional amount more than a whole unit(s) shall contribute funds equivalent to the fractional amount above or below a whole unit to the Measure J trust fund, as specified in SCCC 17.10.034(E). The project developer may elect to construct additional affordable unit(s) instead of paying the fractional fee. Those projects which generate an affordable housing obligation equivalent to a whole unit or units of affordable housing shall construct the affordable dwelling unit(s) within the project pursuant to the requirements of SCCC 17.10.032, or alternately, shall meet the affordable housing requirement through the options provided in subsection (C) of this section:

(1) Standard Development. Standard development projects shall include the construction of affordable dwelling units equivalent in number to a minimum of 15 percent of the total number of new dwelling units and new undeveloped residential building sites in the project, or implement one of the alternative options described in SCCC 17.10.030(C);

(2) Bonus Density Development. Development projects qualifying for bonus zoning density pursuant to Chapter 17.12 SCCC shall designate the affordable dwelling units;

(3) Priority Processing Development. Development projects qualifying for priority processing shall meet the requirements of SCCC 17.10.040 (standard priority processing) by the construction of affordable dwelling units equivalent in number to a minimum of 25 percent of the total number of new dwelling units and new undeveloped residential building sites in the project; or development projects which are developed with bonus density and include the construction of affordable dwelling units equivalent in number to a minimum of 35 percent of the total number of new dwelling units and new undeveloped residential building sites in the project before the density bonus is applied shall be entitled to priority processing;

(4) Congregate Senior Housing Development. Congregate senior housing development projects developed pursuant to SCCC 13.10.324 shall designate affordable congregate care units equivalent in number to a minimum of 35 percent of the total number of congregate care units in the project;

(5) Nonresidential to Residential Rezoning and/or General Plan Amendment. Nonresidential parcels which as a result of a rezoning and/or General Plan amendment are rezoned or designated as residential shall be required to provide 40 percent of the total number of units as affordable in accordance with SCCC 13.10.215(A)(1), except that rezonings into the Regional Housing Need R Combining District per SCCC 13.10.475 through 13.10.478 are exempt from this requirement. A minimum of one-half of the affordable units shall be affordable to below average (lower) income households. All affordable units must be constructed on-site. Development under these provisions shall only qualify for incentives and concessions relating to site standards as identified in SCCC 17.12.040 but are not eligible for additional density bonus units. If the calculation of the affordable housing obligation under subsection (B) of this section results in any fractional obligation above a whole unit, the project developer shall contribute funds equivalent to the fractional amount to the Measure J trust fund as provided in SCCC 17.10.034. No alternative options for satisfying the affordable requirement are allowed.

(6) Regional Housing Need R Combining District.

(a) The following requirements apply to sites designated in the Regional Housing Need R Combining District:

(i) Sites shall first meet the requirements of subsection (B)(1) of this section.

(ii) An additional affordable housing requirement of 25 percent of the total number of new dwelling units is required. Units meeting the 25 percent requirement will be considered enhanced affordable units and shall meet the requirements of this subsection (B)(6).

(iii) Notwithstanding subsections (B)(6)(a)(i) and (ii) of this section, in the event that a developer believes that the affordable housing requirements for a project proposed for a site designated in the Regional Housing Need R Combining District renders the project financially infeasible, the developer may request relief from a proportional amount of the affordability requirements. That request shall be submitted to the Planning Director with all supporting information, including the development pro forma for the project. The Planning Director shall analyze that request and make suitable recommendations to the Board of Supervisors. In the event that the Board finds that the developer has provided evidence that fulfillment of the affordable housing requirements renders the project financially infeasible, the Board shall grant an increase in the allowed unit resale price, above the price restrictions contained in subsections (B)(1) and (6) of this section, in an amount equal to that required to render the project financially feasible. In the event that such price modifications are granted, the developer shall grant the County of Santa Cruz the option to purchase units at the revised sales price for the purpose of writing them down to suitable levels of affordability.

(iv) All affordable units must be constructed on-site.

(v) Developments under these provisions are eligible for concessions relating to site standards as identified in SCCC 13.10.477(B)(3).

(vi) Developments under these provisions are eligible for incentives and concessions relating to site standards as identified in SCCC 17.12.040 where the percentage of affordable units provided exceeds 40 percent, but are not eligible for additional density bonus units.

(vii) No alternative options, including those set forth in subsection (C) of this section for satisfying the affordable housing requirement are allowed for projects within the Regional Housing Need R Combining District.

(C) Alternative Options to Satisfy Inclusionary Housing Requirement. As an alternative to the construction of each affordable dwelling unit within a project as required pursuant to subsection (B)(1) of this section, the affordable housing requirements of this chapter may be satisfied by one or a combination of the following options, pursuant to subsection (F)(3) of this section:

(1) Payment of an in-lieu fee pursuant to SCCC 17.10.034 in place of constructing a required affordable dwelling unit; or

(2) Participation in the existing unit conversion program pursuant to SCCC 17.10.037; or

(3) Financial contribution to a nonprofit sponsored affordable housing project pursuant to SCCC 17.10.036 in place of constructing a required affordable dwelling unit on site. Where an applicant proposes to satisfy the affordable housing requirement through

participation with a nonprofit housing developer for the construction of affordable residential units on a different site, the affordable unit requirement shall be based on the total number of new dwelling units and new undeveloped residential building sites included at both sites.

Use of these alternative options requires approval by the approving body at the time of the development approval.

(D) Unit Affordability Requirements.

(1) Term of Restrictions. Affordable ownership and rental units shall be subject to the requirements of this chapter for the life of the unit.

(2) Sales Price. The maximum allowable sales price for affordable housing units created pursuant to subsection (B)(1) of this section shall be limited to be affordable to moderate income households, unless otherwise required to be affordable to lower income or very low income households in order for the project to qualify for bonus zoning density pursuant to Chapter 17.12 SCCC and/or public funding programs. For affordable units in the Regional Housing Need R Combining District, the enhanced affordable units shall have a maximum allowable sales price limited to be affordable to enhanced moderate income households unless otherwise required to be affordable at a lower income level. The County shall establish maximum allowable affordable unit sales prices pursuant to the pricing guidelines in the affordable housing guidelines adopted by the Board of Supervisors.

(3) Rental Price. The maximum allowable rental price for affordable housing units created pursuant to subsection (B)(1) of this section shall be limited to be affordable to lower income households unless otherwise required to be affordable to very low income households in order for the project to qualify for bonus zoning density pursuant to Chapter 17.12 SCCC and/or public funding programs. For affordable units in the Regional Housing Need R Combining District, the enhanced affordable units shall have a maximum allowable rental price that shall be affordable to enhanced low income households unless otherwise required to be affordable at a lower income level. The County shall establish maximum allowable affordable unit rental prices pursuant to the pricing guidelines in the affordable housing guidelines adopted by the Board of Supervisors.

(4) Unit Occupancy. For units developed pursuant to subsection (B)(1) of this section, the income and assets of owner-occupant households shall not exceed the limits for a

moderate income household, and for tenant households shall not exceed the limits for a lower income household, unless more stringent limits are required in order for the project to qualify for bonus zoning density pursuant to Chapter 17.12 SCCC and/or public funding programs. For enhanced affordable units (subsection (B)(6) of this section), the income and assets of owner-occupant households shall not exceed the limits for an enhanced moderate income household, and for tenant households, shall not exceed the limits for an enhanced low income household, unless more stringent limits are required by funding sources. The County shall establish maximum allowable household income and asset levels in the affordable housing guidelines adopted by the Board of Supervisors. Sales and rental contracts for affordable units shall not be enforceable, and sale and occupancy of units shall not be allowed until the purchasing and/or occupying household is certified by the County as meeting the established income and asset limits.

(E) Development Permit and Tentative Map Procedures.

(1) Development Application. All appropriate maps and other materials submitted with an application for approval of a residential development permit and/or tentative map for a project subject to the affordable housing requirements of this chapter shall explicitly identify those residential units and/or residential parcels within the project sufficient to satisfy the project's affordable housing requirements, and shall also indicate the affordable housing option(s) pursuant to subsections (B) and (C) of this section that the developer will utilize to fulfill the requirements of this chapter. The identification of affordable units and/or parcels within the project shall be provided to ensure compliance with the requirement of this chapter regardless of which of the affordable housing options is approved by the approving body.

(2) Development Conditions. The conditions of approval of a residential development permit and/or tentative map shall indicate how the development will meet the inclusionary housing requirements of this chapter. Those projects that will include construction of affordable units on site shall identify residential units and/or residential parcels within the project adequate to satisfy the project's affordable housing requirements. Such identification of affordable units shall be provided to ensure compliance with the requirement of this chapter.

(F) Participation Agreement Procedures. Prior to the recording of the final subdivision map or the issuance of any building permits for residential units within the project, whichever event occurs first, an affordable housing program participation agreement shall be signed by the Planning Director, or his or her designee, on behalf of the County and by the owners of the property having authorization to encumber the property and by any existing holder of trust deeds on the property. The participation agreement shall be binding on the heirs, assigns and successors in interest of the property owner, and shall be recorded in the official records of Santa Cruz County. The participation agreement shall include, at the minimum, the following provisions:

(1) Binding of the Project Site. The participation agreement shall contain the affordable housing requirements established for the project pursuant to this chapter and shall encumber the entire property on which the project is to be developed with the obligation to fulfill such affordable housing requirements.

(2) Lien on Designated Parcels. The participation agreement shall create an enforceable lien on each of the affordable parcels designated in the conditions of project approval, or alternately on every parcel in a project where the in-lieu fee option is chosen, to allow for collection of an in-lieu fee pursuant to SCCC 17.10.034 regardless of the option selected to satisfy the affordable housing requirement for the project. This lien is intended to allow for collection of such in-lieu fee(s) if needed to enforce compliance with the requirements of this chapter and shall be released by the County upon fulfillment of the affordable housing obligations pursuant to this chapter.

(3) Selection of Affordable Housing Option. The approving body shall designate the option for satisfying the affordable housing requirements of this chapter and the designated option shall be included in the participation agreement. The developer may submit a request to change the manner in which the affordable housing requirement is being met to the Planning Director, who may, upon finding that the proposed revision is consistent with and meets the requirements of the selected alternate option pursuant to this chapter, approve the amendment. The approving body shall be informed of the Planning Director's decision within 14 days of that determination. In approving an amendment, the County may impose reasonable conditions upon the applicant to ensure compliance with the provisions of this chapter. In the event of such an amendment, a new participation agreement shall be executed and recorded in accordance with the requirements of this section to reflect the new option selected.

(4) Project Covenants, Conditions and Restrictions. The participation agreement shall include a provision prohibiting any amendments to a project's covenants, conditions and restrictions that would increase the proportion of the homeowners' association assessment payable by any affordable housing unit, and shall create a right of judicial enforcement of this requirement by the County and/or the owner of any affected affordable unit exclusively in favor of the owner of each affordable unit in the

development.

(5) Enforcement. The participation agreement shall include a provision providing for the payment by the owner to the County of a reasonable rental value of an affordable unit from the date of any unauthorized occupation, and for the recovery by the County of reasonable attorney fees and costs required to pursue legal action to enforce the agreement.

(G) Rental Housing Projects. A rental housing project of five or more new dwelling units is a residential development subject to the inclusionary housing requirements of this chapter, and, notwithstanding any other provision of this code, shall satisfy the affordable housing obligations required by this chapter as follows:

(1) The affordable housing obligation shall be calculated by multiplying the number of new dwelling units by the affordable housing percentage for the type of project, as specified in subsections (B)(1) through (B)(5) of this section.

(2) For a rental housing project of seven new dwelling units or more, where such calculation results in a fractional number, the number of units shall be determined by rounding down to the nearest whole number.

(3) A rental housing project shall not be subject to an inclusionary housing in-lieu fee.

(4) An alternative option authorized by subsection (C) of this section may not be used to satisfy an inclusionary housing obligation for a rental housing project.

(5) If a rental housing project is later converted to an ownership housing project, it shall be subject to any applicable inclusionary housing fees in effect at that time. [Ord. 5133 § 2, 2012; Ord. 5123 § 1, 2012; Ord. 4879 §§ 2, 3, 4, 2007; Ord. 4876 § 2, 2007; Ord. 4843 § 2, 2006; Ord. 4817 § 3, 2006; Ord. 4783 § 4, 2005; Ord. 4767 § 4, 2004; Ord. 4662 § 2, 2002; Ord. 4509 § 2, 1998].

17.10.031 Inclusionary housing in-lieu fee for small residential projects.

This section is intended to provide a mechanism for small residential projects to contribute toward the development of affordable housing through payment of an in-lieu fee.

(A) Projects Subject to the Inclusionary Housing In-Lieu Fee for Small Residential Projects. The following residential development projects consisting of the construction of new dwelling units and/or the creation of new parcels intended for permanent residential occupancy shall be subject to the inclusionary housing in-lieu fee for small projects as set forth in this section:

(1) Residential Project at One Location. An application for a residential development at one location, whether to be constructed at one time or in phases, shall be subject to the inclusionary housing in-lieu fee for small residential projects imposed by this section if it will result in the creation of:

(a) Three or four new dwelling units;

(b) Parcels providing building sites for a total of three or four new dwelling units; or

(c) A combination of new dwelling units and parcels together providing for a total of three or four or more new dwelling units.

For purposes of this subsection, “one location” shall include all adjacent parcels of land owned or controlled by the applicant, the property lines of which are contiguous at any point, or the property lines of which are separated only by a public or private street, road, or other public or private right-of-way, or separated only by the lands owned or controlled by the applicant.

(2) Concurrent Adjacent Residential Projects. Applications for concurrent adjacent residential developments which together will result in the creation of three or four new dwelling units, parcels providing building sites for a total of three or four dwelling units, or a combination of new dwelling units and parcels together providing for a total of three or four new dwelling units, developed by applicants on adjacent properties either at one time or in phases shall be subject to the requirements of this section. For purposes of this subsection, “adjacent properties” shall include all adjacent parcels of land owned or controlled by the applicants, the property lines of which are contiguous at any point, or the property lines of which are separated only by a public or private street, road, or other public or private right-of-way, or separated only by the lands owned or controlled by the applicants; and “concurrent” applications shall include all applications which have been submitted and are concurrently being processed for action by the County. If the property ownership and application for one project contain no parties in whole or part, or their spouses, who are also a party to the property ownership and application of the concurrent adjacent development, the concurrent applications may be granted an exception to the inclusionary housing in-lieu fee for small residential projects imposed by this section upon a showing satisfactory to the decision-making body that neither project receives direct financial benefit by virtue of the concurrent adjacent development.

(3) Sequential Adjacent Residential Projects. Applications by the same owner or applicant for sequential adjacent residential developments which together will result in the

creation of three or four new dwelling units, parcels providing building sites for a total of three or four new dwelling units, or a combination of new dwelling units and parcels together providing for a total of three or four new dwelling units, developed on the same or adjacent properties either at one time or in phases shall be subject to the inclusionary housing in-lieu fee for small residential projects imposed by this section. For purposes of this subsection, "same owner or applicant" shall include any person who participates in the development as a full or partial owner or applicant, or a spouse of such person; "adjacent properties" shall include all adjacent parcels of land owned or controlled by the owner and/or applicant, the property lines of which are contiguous at any point, or the property lines of which are separated only by a public or private street, road, or other public or private right-of-way, or separated only by the lands owned or controlled by the owner and/or applicant; and "sequential" projects shall include all projects for which applications have been submitted to the County within a period of 10 years.

(B) Payment of Inclusionary Housing In-Lieu Fee for Small Residential Projects. Those projects identified in subsection (A) of this section and not identified in SCCC 17.10.030(A) shall pay the inclusionary housing in-lieu fee for small residential projects to the County for each new unit or new parcel in the project. Payment of this fee shall be a condition of project approval for the land division and associated development permits and also a condition of building permit issuance.

(1) Exemptions. For a project of three or four new units, two of the new units shall be exempt from this fee requirement.

(C) Lien on Designated Parcels. Prior to the recording of the final parcel map creating the new parcels, an agreement creating an enforceable lien in the applicable fee amount on the third and fourth parcels in the project shall be executed and recorded in the official records of Santa Cruz County. This agreement shall be signed by the owners of the property and any existing holders of trust deeds on the property, and by the Planning Director or his/her designee on behalf of the County, and shall be binding on all heirs, assigns and successors in interest of the property owner. The agreement shall require the following provisions:

(1) Payment of the inclusionary housing in-lieu fee for small residential projects for each parcel prior to issuance of a building permit or transfer of ownership, whichever occurs first.

(2) Payment of the fee at the rate in effect at time of payment as shown in the then current affordable housing guidelines and/or unified fee schedule.

(3) The County shall record a release of this lien for each subject parcel upon receipt of fee payment for the respective parcel.

Alternatively, the project developer may opt to pay this fee for the subject parcel(s) prior to recordation of the final parcel map rather than record the agreement specified above.

(D) Fee Rate. The inclusionary housing in-lieu for small residential projects shall be that amount set forth in the affordable housing guidelines that is in effect on the date of the fee payment. The fee may be adjusted as deemed necessary by the Board of Supervisors as described in subsection (E) of this section.

(E) Adjustment of In-Lieu Fee for Small Residential Projects. The inclusionary housing in-lieu fee for small residential projects shall be shown in the affordable housing guidelines and shall be a part of the County's unified fee schedule. At the time of the biannual review of the unified fee schedule, the rate for the inclusionary housing in-lieu fee for small residential projects may be reviewed and may be adjusted at that time.

(F) Measure J Trust Fund. All inclusionary housing in-lieu fees for small residential projects and accrued interest received pursuant to this section shall be deposited into a trust fund known as the Measure J trust fund, maintained by the County. The trust funds shall be expended at the discretion of the County Board of Supervisors for the purposes of developing or preserving affordable housing units in the County. [Ord. 4662 § 3, 2002].

17.10.032 Development of on-site affordable dwelling units.

(A) Affordable Unit Standards. Except as otherwise defined in SCCC 13.10.477(B)(3) for projects in the Regional Housing Need R Combining District, affordable dwelling units may include reduced interior amenities compared to the market rate units; provided, that the affordable units comply with all requirements in the affordable housing guidelines as well as the following standards:

(1) Unit Location. The affordable dwelling units shall be distributed throughout the development project. This distribution requirement may only be waived by the decision-making body upon a finding that such distribution is infeasible for one or more of the following reasons:

(a) Significant topographic or other constraints exist rendering such distribution infeasible; or

(b) Substantially improved site design will result from such waiver; or

(c) Substantially improved building design and an approved unit amenity level will result from such waiver; or

(d) Significant economic hardship that does not apply to other projects in the County will result from such distribution.

(2) Parcel Size. The parcels on which the affordable units are located shall be no smaller than the smallest parcel on which market rate units in the project are to be located.

(3) Bedroom Count. The average bedroom count in the affordable units shall not be less than the average bedroom count in the market rate units in the project. Affordable units located in projects in the Regional Housing Need R Combining District shall be allowed to average 0.5 of a bedroom less than the average number of bedrooms in the market rate units.

(4) Exterior Design. The exterior design of the affordable units shall be consistent with the market rate units in the development based on exterior design details, materials and number of stories, with no significant identifiable differences between the units visible from the street. In addition, the size of affordable units shall be reasonably consistent with the rest of the project, with an affordable unit size not less than 75 percent of the average size of market rate units, except that all affordable units in the Regional Housing Need R Combining District shall not be less than 70 percent of the average size of the market rate units, unless a smaller unit size is allowed by the decision-making body at the time of project approval and with the written findings that a smaller size will provide adequate and decent affordable housing, the affordable units will provide housing units compatible with the remainder of the development, and that a larger unit size would impose a financial hardship on the project developer. In no case shall an affordable unit size be less than the minimum specified by the affordable housing guidelines.

(B) Timing of Completion. Affordable units shall be made available for occupancy either prior to or concurrently with the date that the market rate units in a project are made available for occupancy, and in the same ratio as the affordable unit requirement which is applicable to the project. For example, for a project with a 25 percent affordable housing requirement, at least one affordable unit shall receive final building permit inspection clearances concurrently with or prior to the final clearance of every third market rate unit constructed in the project until all of the affordable housing units required in the project have been constructed. For a project with a 15 percent affordable housing requirement, at least one affordable unit shall receive final building permit inspection clearances concurrently with or prior to the final clearance of every sixth market rate unit constructed in the project until all of the affordable housing units required in the project have been constructed. In no case shall the last market rate unit in the project receive final building permit inspection clearances until the last affordable unit in the project has received final building permit clearance.

(C) Recording of Declaration of Restrictions. Prior to the issuance of a building permit for an affordable dwelling unit, the property owner having authority to encumber the property and any existing holders of trust deeds on the property shall sign an affordable housing program declaration of restrictions which subjects the affordable unit to the requirements of this chapter and the County's affordable housing guidelines, both as amended from time to time, including the specific ownership and occupancy restrictions established for the units pursuant to SCCC 17.10.030(D). The declaration of restrictions shall be permanently binding on the heirs, assigns and successors in interest of the property owner, and shall be recorded in the official records of Santa Cruz County. [Ord. 4879 § 5, 2007; Ord. 4662 § 4, 2002; Ord. 4509 § 2, 1998].

17.10.034 Affordable housing in-lieu fee.

(A) Fee Authorization. An in-lieu fee may be paid for each affordable unit required pursuant to SCCC 17.10.030(B) in place of constructing the affordable housing within the project. If the in-lieu fee option is designated in the recorded participation agreement for the project, the participation agreement shall create a lien on each dwelling unit or parcel in that portion of the development generating the affordable housing requirement in order to provide for payment of the in-lieu fee pursuant to this section.

(B) In-Lieu Calculation. The fee is keyed to the average price of the ultimate market rate units or lots developed, and is structured to provide developers with an alternative way to meet their affordable housing obligation. The amount of an affordable housing in-lieu fee shall be determined based on the average sales price of the market rate dwelling units and/or parcels in a project sold to bona fide purchasers for value according to the then current affordable housing fee schedule, shown in Section 13 of the affordable housing guidelines and/or in the County's unified fee schedule in effect at the time of fee payment.

(C) Fee Payment Process. A proportionate part of the in-lieu fee shall be paid out of the sales escrow for the sale to a bona fide purchaser for value of each dwelling unit or parcel in the project for which the fee requirement was established. For example, for a five-unit project with a 15 percent affordable housing requirement resulting in an obligation to provide one affordable unit, a partial in-lieu fee shall be paid out of the sales escrow for each of the units sold in the amount of one-fifth of the in-lieu fee based on the sales price of each unit. All in-lieu fee payments shall be nonrefundable once they have been received by the County.

(D) Release of Project Encumbrances. Concurrent with the partial payment of an in-lieu fee from the sale of each unit in a project, the County shall record a release of the affordable housing encumbrances imposed on that unit through the recorded participation agreement.

(E) Measure J Trust Fund. All affordable housing in-lieu fees and accrued interest received pursuant to this chapter shall be deposited into a separate trust fund, known as the Measure J trust fund, maintained by the County. The trust funds shall be expended at the discretion of the County Board of Supervisors for the purposes of developing or preserving affordable housing units in the County.

(F) Annual Adjustment of In-Lieu Fee. The in-lieu fee is determined by the affordable housing fee schedule, which shall be a part of the County's unified fee schedule. At the time of the biannual review of the unified fee schedule, the in-lieu fee shall be reviewed. The review shall utilize the latest real estate data regarding the sales prices of lots and homes in Santa Cruz County and the current affordable unit prices. If determined to be necessary by the Board of Supervisors, the affordable housing fee schedule shall be adjusted at that time and updated in the new unified fee schedule. [Ord. 4662 § 5, 2002; Ord. 4599 § 1, 2000; Ord. 4509 § 2, 1998].

17.10.035 Affordable housing requirements and incentives for land division.

Repealed by Ord. 4509. [Ord. 4081, 1990].

17.10.036 Development of off-site affordable units by affordable housing partnerships.

(A) A developer of a market rate project may meet the project's affordable housing obligation off-site in an affordable housing development undertaken in partnership with a nonprofit developer when approved by the Board of Supervisors based on the following findings:

(1) The off-site affordable housing project receiving a financial contribution from the market rate developer contains more than the number of affordable units which would otherwise have been required for the combined projects (beyond the 15 percent affordable housing requirement), or an equal number of affordable units required by both projects but at a greater level of affordability;

(2) Based on a review of the financial and legal agreements between the market rate developer and the non-profit partner, the County has determined that the market rate developer is providing reasonable financial and other support to the affordable housing

project in exchange for being allowed to satisfy the developer's affordable housing obligation;

(3) The affordable housing partnership either owns, has an option to purchase, or otherwise has the right to build on the property on which the off-site affordable housing project will be developed;

(4) The site for the off-site affordable housing project has in place the proper zoning and general plan designation for the proposed off-site project and the developer's application initiating the land use review process has been deemed complete;

(5) The nonprofit affordable housing developer has obtained full legal commitments for all necessary financing for the project or the County has approved a plan for the financing of the project;

(6) The affordable housing project can reasonably be expected to be constructed and occupied within two years of completion of the associated market rate project; and

(7) The average number of bedrooms per unit in the non-profit affordable housing project is equivalent to the average number of bedrooms per unit of the market rate project for that portion of the affordable housing project receiving the financial contribution from the market rate developer; or the nonprofit affordable housing project is designed to serve a special segment of affordable housing which would not require an equivalent number of bedrooms per unit.

(B) The financial contributions of the market rate developer to the affordable housing partnership shall be held in trust by the County for distribution to the non-profit housing developer at such time as other financing has been obtained and the project is ready for construction. In the event the affordable housing project is not constructed within a two-year period of the completion of the market rate project, or if the County otherwise determines that the affordable project is not likely to ever be constructed, the County may transfer such funds to be irrevocably deposited in the in-lieu fee trust fund established pursuant to SCCC 17.10.034(E).

(C) More than one market rate developer may participate in an off-site housing partnership with the same affordable housing development as long as all the findings of this section are made for each market rate development. [Ord. 4509 § 2, 1998].

17.10.037 Existing unit conversion program and Measure J trust fund.

(A) Existing Unit Conversion Program. As a manner of meeting requirements of SCCC

17.10.030(B), a developer of a project with an obligation for a whole unit or units of affordable housing may fulfill the requirements of SCCC 17.10.030(B) by participating in the existing unit conversion program. This program allows developers to satisfy their inclusionary housing requirement through the purchase and sale of existing housing units as affordable units pursuant to the following requirements and the applicable sections of the affordable housing guidelines:

(1) The use of the existing unit conversion option shall be approved by the approving body as a part of the original development permit, and the option selected may subsequently be changed pursuant to SCCC 17.10.030(F)(3).

(2) Developers shall convert at least two existing units for each inclusionary unit that would otherwise be required to be built.

(3) The units shall be located in the same planning area as the market rate development. The Planning Director may approve exceptions to this requirement upon written request from a developer and a determination that the exception is consistent with the intent and purposes of this chapter.

(4) Recording of Declaration of Restrictions. The execution and recording of the standard affordable housing declaration of restrictions shall be required of the purchasing household as a condition of sale. The purchasers of the converted units having authority to encumber the property and any existing holders of trust deeds on the property shall sign an affordable housing program declaration of restrictions which subjects the affordable unit to the requirements of this chapter and the County's affordable housing guidelines, both as amended from time to time, including the specific ownership and occupancy restrictions established for the units pursuant to SCCC 17.10.030(D). The declaration of restrictions shall be permanently binding on all heirs, assigns and successors in interest of the property owner, and shall be recorded in the official records of Santa Cruz County.

(5) Timing of Completion. Converted units shall be made available for occupancy either prior to or concurrently with the date that the market rate units in a project are made available for occupancy, and in the same ratio as the affordable unit requirement which is applicable to the project. For example, for a project with a 15 percent affordable housing requirement, at least two converted units shall be transferred to eligible purchasers concurrently with or prior to the final clearance of every sixth market rate unit constructed in the project until all of the converted units required by the project have been sold. For a project with 20 percent affordable housing requirement, at least two converted units shall

be transferred to eligible purchasers concurrently with or prior to the final clearance of every fourth market rate unit constructed in the project until all of the converted units required by the project have been constructed. In no case shall the last market rate unit in the project receive final building permit inspection clearances until the last converted unit in the project has been sold to an eligible purchaser.

(B) Measure J Trust Fund. A trust fund shall be established and shall be known as the Measure J trust fund. The trust funds shall be expended at the discretion of the County Board of Supervisors for the purposes of developing or preserving affordable housing units, or for other activities which increase the affordable housing stock in the County. All fractional amounts of the affordable housing obligation and accrued interest received pursuant to this chapter shall be deposited into a trust fund known as the Measure J trust fund, to be maintained by the County. The amount of the contribution to this fund from applicable development shall be the fractional amount of the inclusionary housing unit obligation as determined by SCCC 17.10.030(B) and shall be based on the affordable unit fee schedule, as adopted and amended by the Board of Supervisors as part of the unified fee schedule.

(1) Fee Payment Process. A proportionate part of the fractional unit fee shall be paid out of the sales escrow for the sale to a bona fide purchaser for value of each market rate dwelling unit or parcel in the project for which the fee requirement was established. For example, for a five-unit project with a 15 percent affordable housing requirement resulting in an obligation to provide 0.75 affordable units, a partial fee shall be paid out of the sales escrow for each of the units sold in the amount of one-fifth of the fractional fee based on the applicable fee rate shown in Section 13 of the then-current affordable housing guidelines. All fractional fee payments shall be nonrefundable once they have been received by the County.

(2) Release of Project Encumbrances. Concurrent with the partial payment of a fractional fee from the sale of each unit in a project, the County shall record a release of the affordable housing encumbrances imposed on that unit through the recorded participation agreement.

(3) Annual Adjustment of Fee Schedule. At the time of the annual update of the income and rent indices in the affordable housing guidelines, the affordable unit fee schedule shall be reviewed and may be adjusted by the administering agency. [Ord. 5123 § 1, 2012; Ord. 4662 § 6, 2002].

17.10.038 Dedication of residential parcels.

Repealed by Ord. 4662. [Ord. 4509 § 2, 1998].

17.10.040 Priority processing.

Applications for approval of tentative maps and residential development permits which meet the requirements below shall qualify for priority processing by the County, which provides that once an application is certified by the Planning Department as complete and eligible for such processing, the project will be immediately assigned to staff for processing in advance of all nonpriority applications including scheduling for environmental review (if required) and subsequent scheduling for public hearing and final action by the Planning Commission and/or Board of Supervisors. The following residential development projects consisting of either the construction of residential units and/or the creation of residential parcels shall be eligible for priority processing:

(A) Standard Density Projects. Projects which are developed within the standard density limits of the applicable zone districts, and in which 25 percent or more of the project units are affordable to moderate, lower or very low income households, shall be entitled to priority processing of the discretionary permits required for the development.

(B) Bonus Density Projects. Projects that are developed with bonus density and include the construction of affordable dwelling units equivalent in number to a minimum of 35 percent of the total number of new dwelling units and new undeveloped residential building sites in the project before the density bonus is applied shall be entitled to priority processing of the discretionary permits required for the development. [Ord. 4817 § 4, 2006; Ord. 4509 § 2, 1998].

17.10.050 Investor-owner (rental) unit requirements.

Affordable units may be marketed as investor-owner rental units, subject to the following requirements:

(A) Developers of projects in which affordable units are built pursuant to the requirements of this chapter may retain all or a portion of the units as investor-owners to be rented to eligible renters in accordance with this section.

(B) Investor-owners may purchase affordable units either individually or in groups of units within a project for subsequent rental to eligible renters in accordance with this section. The sale of units to investor-owners shall be in accordance with SCCC 17.10.070 and with the provisions of the affordable housing guidelines, except that investor-owners need not be of average or below-average income. Units sold to investor-owners must be subsequently rented to program eligible individuals per the requirements of said guidelines.

(C) Except as otherwise provided in this subsection, affordable ownership units may be converted to affordable investor-owner (rental) units. The owner shall file a notice of intent to rent with the administering agency prior to offering a unit for rent and shall be bound by the requirements of this section and the affordable housing guidelines. The owner shall also record an amended declaration of restrictions stating that the unit is a rental unit as defined and governed by this chapter and the affordable housing guidelines. Notwithstanding the foregoing, an owner of an affordable unit who is determined by the administering agency to have rented the unit for rents in excess of the amounts permitted under this chapter shall only be eligible to convert the unit to a rental unit if the owner, within 30 days after receipt of notice from the administering agency, cures the violation by paying to the administering agency the amount of the excess rents collected by the owner, and by recording an amended declaration of restrictions stating that the unit is a rental unit as defined and governed by this chapter and the affordable housing guidelines. If the owner fails to cure the violation within the 30-day period, the owner shall submit to the administering agency a written irrevocable offer to sell the unit to the County in a form approved by the administering agency for a price not in excess of the maximum sales price set in accordance with the resale price provisions of the affordable housing guidelines, and subject to all the other resale price provisions of the guidelines, including the provisions for an inspection and for owner responsibility for certain repairs.

(D) All affordable rental units shall be rented either:

(1) To households participating in the Housing Authority of the County of Santa Cruz Section 8 housing assistance program;

(2) To any households earning below average income;

(3) To households participating in programs such as the (a) HUD Section 8 new construction program, (b) the California Housing Finance Agency multiple-family lending program, or (c) other programs whereby projects receive direct Federal or State assistance to make units affordable to below average income households.

(E) Developers of projects not receiving direct Federal or State assistance shall prepare and submit to the administering agency a certification of the availability of the affordable rental unit prior to final inspection of the project by the County. In the event of a subsequent vacancy, the owner shall notify, using a notice of intent to rent, the administering agency that the unit is available for rental pursuant to this chapter. The units shall be rented to households certified by the administering agency as meeting the requirements of the affordable housing guidelines of the affordable housing program established by Board of Supervisors resolution as required by SCCC 17.10.080. The owner shall have discretion in the selection of eligible renters;

provided, that except for the amount of rent to be charged pursuant to this chapter, the same rental terms and conditions are applied to tenants of affordable units as to all other tenants, and no other or additional fees are charged.

(F) All households renting affordable rental units shall be offered leases of at least 12 months in duration. The rent stipulated in this lease shall not be higher than the maximum allowed by the affordable housing guidelines in effect when the lease is signed. The owner of an affordable rental unit shall notify the tenants 120 days prior to the termination of the restrictions of this chapter, or the conversion of the unit to an affordable ownership unit and that this termination or conversion may mean that rents will be increased or the unit sold.

(G) The owner may convert an affordable rental unit to an affordable ownership unit by notifying the administering agency, in writing, of his intent to sell. The sales price shall be set at the level allowed under the affordable housing guidelines in effect at the time of the sale. [Ord. 4755 § 3, 2004; Ord. 4425 § 4, 1996; Ord. 4081, 1990; Ord. 3881 § 1, 1987; Ord. 3802 § 6, 1986; Ord. 3502 § 1, 1984; Ord. 3329 § 1, 1982; Ord. 3234 § 3, 1982; Ord. 3002, 1980].

17.10.060 Owner-builder unit requirements.

(A) An owner-builder who meets the eligibility criteria established by the affordable housing guidelines shall be eligible to obtain an affordable housing building permit.

(B) Only one owner-builder building permit shall be issued under this section to any single applicant and such a building permit shall not be transferable. No parcel for which a building permit is issued under this section shall be eligible for minor land division or subdivision during the term of the resale restrictions imposed by this chapter.

(C) The owner-builder unit shall be considered an ownership unit. [Ord. 4755 § 4, 2004; Ord. 4425 § 5, 1996; Ord. 4081, 1990; Ord. 3881 § 1, 1987; Ord. 3802 § 7, 1986; Ord. 3502 § 1, 1984; Ord. 3329 § 1, 1982; Ord. 3002, 1980].

17.10.070 Ownership unit requirements.

(A) The owner of an affordable ownership unit, on its sale or resale, shall sell the unit to an average or below average income household for a price mutually agreed upon by the buyer and seller; provided, that this price is not in excess of the maximum sales price set according to the provisions contained in the affordable housing guidelines.

(B) Prior to offering a unit for sale, the owner shall send a written notice of intent to sell to the administering agency.

The administering agency will then notify the owner of the current maximum sales price. Prior to the close of the sale, the owner shall notify the administering agency of the proposed sale price and the administering agency shall review the proposed sale to assure conformance with this chapter and with the affordable housing guidelines.

(C) Upon the sale of an affordable housing unit, the purchaser shall be required to enter into a new affordable housing declaration of restrictions which incorporates all current policies contained within the affordable housing ordinance and affordable housing guidelines.

(D) Closing costs and title insurance shall be paid pursuant to the custom and practice in the County of Santa Cruz at the time of opening of escrow. No charges or fees shall be imposed by the seller on the purchaser of an affordable unit which are in addition to or more than charges imposed upon purchasers of market rate units, except for administrative fees charged by the administering agency established in the affordable housing guidelines.

(E) The purchaser of an ownership affordable unit shall verify in a form acceptable to the County that the unit is being purchased for the purchaser’s primary place of residence, and that if this unit ceases to function as his or her primary residence, it will either be sold according to the requirements of this chapter or rented to an eligible below average income household as certified by the administering agency in accordance with the requirements of SCCC 17.10.050(C) and (D).

(F) The following transfers of title or any interest therein shall not be treated as a sale or resale under the provisions of this section; provided, however, that the affordable housing restrictions shall continue to run with the title to said unit following such transfers:

(1) Transfers by gift, devise or inheritance to the purchaser-owner’s spouse or children; or

(2) Transfers of title to a spouse as part of a divorce or dissolution proceeding; or

(3) Acquisition of title or interest therein in conjunction with marriage; or

(4) Acquisition of the unit by an employer pursuant to an employer sponsored relocation program, and subsequent sale by the employer to an eligible purchaser or the County. In order for this exception to be applied, a new affordable housing declaration of restrictions shall be recorded, both when the employer acquires the unit and when the unit is sold to an eligible purchaser. No rental of the unit is permitted pursuant to this exception.

(G) The Board of Supervisors may provide, by resolution for a shared equity option, to allow the builder and purchasers of affordable ownership units to share in the ownership of such units. [Ord. 4755 § 5, 2004; Ord. 4425 § 6, 1996; Ord. 4081, 1990; Ord. 3881 § 1, 1987; Ord. 3802 § 8, 1986; Ord. 3502 § 1, 1984; Ord. 3329 § 1, 1982; Ord. 3234 § 4, 1982; Ord. 3002, 1980].

17.10.075 Lease-purchase unit requirements.

Affordable units may be marketed on a lease-purchase basis, subject to the following requirements:

(A) Affordable lease-purchase units shall be subject to all provisions of this chapter governing rental units while being leased and governing ownership units at the time the purchase option is exercised, except as otherwise provided in this section.

(B) No lease-purchaser shall be eligible to participate in occupying or owning a lease-purchase unit unless such participant, prior to either occupation or ownership, is determined by the administering agency to meet the requirements of the affordable housing guidelines for ownership units.

(C) Rental payments for lease of a lease-purchase unit may exceed the amount set forth in the affordable housing guidelines; provided, however, that the amount by which such rent exceeds said rent schedule amount shall be credited to the purchaser’s payment of the purchase price. If the purchase option is not exercised, said amount shall be refunded immediately by the lessor-seller to the lease-purchaser.

(D) The entire amount of any advance payment to the lessor-seller as prepayment of rent, cleaning or security deposit, or other substantially equivalent payment, shall be credited to the purchaser’s payment of the purchase price. If the purchase option is not exercised, said amount shall be subject to State law governing same.

(E) Each and every lease-purchase agreement for a lease-purchase unit shall provide that the maximum term of said lease shall not exceed 12 months. If, at the end of the 12-month period, lessee-purchaser does not exercise the purchase option on a lease-purchase unit, said unit must be sold according to the regulations in this chapter and the affordable housing guidelines.

(F) Escrow proceedings for lease-purchase units shall not exceed the 12-month option period by more than an additional 60 days.

(G) If a lessee-purchaser does not exercise the purchase option on a lease-purchase unit and does not involuntarily vacate the premises, the lessor-seller shall, without cost to the County, immediately proceed to require the lease-purchaser to vacate said unit, including by appropriate legal action, if necessary. If, in the sole discretion of the County, the County determines that the lessor-seller is not reasonably performing said obligation, the County may commence appropriate legal action to require the lease-purchaser to vacate said unit. The lessor-seller shall execute all documents necessary or convenient for this purpose and shall be liable for the costs (including staff and court), expenses, and attorney's fees so incurred by the County.

(H) The maximum sales price at the time of exercise of the purchase option shall be the amount in effect at the time the lease-purchase agreement is entered into. [Ord. 4755 § 6, 2004; Ord. 4425 § 7, 1996; Ord. 4081, 1990; Ord. 3881 § 1, 1987; Ord. 3802 § 9, 1986; Ord. 3666 § 1, 1985].

17.10.080 Eligibility for rent or purchase.

(A) The County shall establish, by resolution, income requirements for average or below average income households; asset requirements for purchasers or renters of affordable units; and formulas for establishing maximum housing unit monthly rents and maximum sales prices. In establishing levels of very low, below average (lower) and average (moderate) household income, the County shall consider median household income and household size. The County may adopt additional administrative guidelines as necessary to provide for additional eligibility criteria, or to assure the affordability of units.

(B) The administering agency shall review the assets and income of prospective purchasers and renters of affordable units and shall inform them of the requirements of this program. [Ord. 4425 § 8, 1996; Ord. 4081, 1990; Ord. 3881 § 1, 1987; Ord. 3802 § 10, 1986; Ord. 3502 § 1, 1984; Ord. 3329 § 1, 1982; Ord. 3002, 1980].

17.10.090 Default, foreclosure, and loss of the unit.

(A) In the event a notice of default is recorded on a completed habitable single-family dwelling, townhouse, or condominium unit, which has been designated as an affordable unit pursuant to the provisions of this chapter, the County, or an eligible purchaser approved by the administering agency, shall have the option to purchase the unit following the recording of the notice of default, and the failure of the owner to cure the default within the statutory reinstatement period (i.e., the period commencing with the date of recordation of the notice of default until five business days prior to the date of sale set forth in the recorded notice of sale. The purchase price for the defaulted unit shall be the amount that the owner would have received on the date of the foreclosure sale under the resale price provisions of the affordable housing guidelines. In addition, all of the other resale price provisions of the guidelines shall apply including the provisions for an inspection of the premises and for owner responsibility for certain repairs. The eligible purchaser, approved by the administering agency, or the County may exercise the option to purchase by paying any amounts due to holders of liens, including but not limited to encumbrance(s), taxes and assessments; and paying to the owner any balance of the funds remaining after payment of the costs of sale and any costs of repairs chargeable to the owner. The administering agency is authorized to act on behalf of the County to exercise and complete options to purchase under this section.

(B) In the event the County or an approved eligible purchaser does not exercise an option to purchase the completed single-family dwelling, townhouse, or condominium unit prior to the trustee's sale or judicial foreclosure, the unit shall be free from the restrictions of this chapter, and the owner shall be deemed in compliance with the provisions of this chapter with the exception of the provisions of subsection (C) of this section. Single-family units which have not been completed for occupancy and multiple-family apartments shall not be released from the restrictions of this chapter through a trustee's sale or judicial foreclosure.

(C) In the event of the occurrence of any of the circumstances described in subsection (C)(1) of this section, any surplus proceeds remaining after payment of encumbrances on the unit shall be distributed as directed in subsection (C)(2) of this section.

(1) This subsection shall apply to any affordable unit which is:

(a) Sold at a trustee's sale or judicial foreclosure; or

(b) Destroyed and insurance proceeds are distributed to grantee instead of being used to rebuild; or

(c) Condemned and the proceeds thereof are distributed to owner, or in the event of termination, the proceeds thereof are distributed to owner; or

(d) A condominium or townhouse unit and there is a liquidation of the association and distribution of the assets of the association to the members thereof, including the owner;

(2) Surplus proceeds from an affordable unit subject to this subsection shall be distributed as follows:

(a) To the owner up to, but not to exceed, the net amount (after the payment of encumbrances, costs of sale, and any cost of repairs chargeable to the owner) that the owner would have received under the resale price provisions of the affordable housing guidelines had the County been able to exercise its option to purchase the unit on the date of the foreclosure sale, destruction, condemnation, evaluation, or liquidation.

(b) The balance of such surplus shall be distributed to the County and shall be held in the Measure J trust fund.

(D) In the event that the unit is destroyed, or condemned, or the condominium association is liquidated, and the proceeds are utilized for the purpose of rebuilding, the unit constructed shall be bound by the terms of this chapter for the remaining term of the resale restrictions.

(E) The owner of an affordable unit shall not use this property as collateral for an amount exceeding the maximum unit sales price allowed in the affordable housing guidelines unless specifically allowed in writing by the County. [Ord. 4755 § 7, 2004; Ord. 4425 § 9, 1996; Ord. 4081, 1990; Ord. 3881 § 1, 1987; Ord. 3802 § 11, 1986; Ord. 3502 § 1, 1984; Ord. 3357 § 1, 1983; Ord. 3329 § 1, 1982; Ord. 3234 § 5, 1982; Ord. 3002, 1980].

17.10.100 Conflict of interest.

Following are those individuals who, by virtue of their position or relationship, are found to be ineligible to purchase or rent an affordable unit as their residence:

(A) All employees and officials of the County of Santa Cruz or the Housing Authority of the County of Santa Cruz by the authority of their position, policy-making authority or influence affecting County housing programs.

(B) The developer or owner of the affordable unit to be purchased or rented.

(C) The immediate relatives, employees, and anyone gaining significant economic benefit from a direct business association with public employees, officials, developers, or owners who are not eligible to purchase or rent an inclusionary unit.

(D) The provisions of this section shall not apply to special purpose projects or owner-builder units. [Ord. 4081, 1990; Ord. 3881 § 1, 1987; Ord. 3802 § 11, 1986; Ord. 3502 § 1, 1984; Ord. 3329 § 1, 1982; Ord. 3002, 1980].

17.10.105 Violations.

(A) It shall be unlawful and a violation of this chapter for the developer or owner of an affordable housing unit or any employee or agent of such developer or owner to sell or rent an affordable unit to anyone who has not first been qualified as eligible by the administering agency.

(B) It shall be unlawful and a violation of this chapter for the developer or owner of an affordable unit or any employee or agent of such developer or owner to sell or rent an affordable unit to any person who has a conflict of interest as defined in SCCC 17.10.100.

(C) It shall be unlawful and a violation of this chapter for the developer or owner of an affordable unit or any employee or agent of such developer or owner to sell an affordable unit for an amount which exceeds the maximum selling price or to rent an affordable unit for an amount which exceeds the maximum rent prescribed for the affordable unit under this chapter; and it shall be further unlawful and a violation of this chapter for any such person to solicit, require or accept in connection with the sale or rental of an affordable unit any payment or other contribution of cash, property, or services, from a purchaser or renter, the value of which when added to the purchase price or rent paid for an affordable unit would exceed the maximum selling price or maximum rent prescribed for the affordable unit under this chapter.

(D) It shall be unlawful and a violation of this chapter for any person to wilfully and knowingly make a false statement or representation, or knowingly fail to disclose a material fact, for the purpose of qualifying as eligible to purchase or rent an affordable unit under this chapter or to obtain an owner-builder building permit. [Ord. 4425 § 10, 1996; Ord. 4081, 1990; Ord. 3881 § 1, 1987; Ord. 3802 § 11, 1986; Ord. 3502 § 1, 1984].

17.10.110 Enforcement.

(A) The provisions of this chapter shall apply to all agents, successors and assigns of an applicant. No building permit or occupancy permit shall be issued, nor any development approval be granted which does not meet the requirements of this chapter. The County shall suspend or revoke any building permit or development approval upon finding a violation of any provision of this chapter.

(B) In addition to the provisions of subsection (A), (C), (D) or (E) of this section, the tenant(s), upon giving written notice to the administering agency, may file a civil action to recover from the owner the amount of any excess rents and utilities charged in excess of those allowed by the provisions of this chapter and the affordable housing guidelines, if the tenant met the income eligibility requirements of this chapter and the affordable housing guidelines, during the period of time for which the tenant seeks reimbursement of the excess rents and utilities.

(C) Any person, firm, or corporation, whether as principal, agent, employee or otherwise, violating or causing the violation of any of the provisions of this chapter, shall be guilty of a misdemeanor, and upon conviction thereof shall be punishable for each offense by a fine of not more than $500.00 or by imprisonment in the County jail for a term not exceeding six months, or by both fine and imprisonment. Such person, firm, or corporation shall be deemed to be guilty of a separate offense for each and every day during any portion of which any violation of this chapter is commenced, continued, or permitted by such person, firm, or corporation, and shall be punishable as herein provided.

(D) The County may institute injunction, mandamus, or any appropriate legal actions or proceedings for the enforcement of this chapter; however, if the affordable unit is a multiple-family apartment, the County shall not institute a foreclosure action.

(E) In addition to any other available remedy, if it is determined that rents and utilities in excess of those allowed by operation of the ordinance codified in this chapter and the affordable housing guidelines have been charged to a tenant residing in an affordable housing rental unit, the landlord shall be liable for a civil penalty in the amount of $2,500, and any excess rent and utilities not recovered by a tenant under subsection (B) of this section. If the County does not otherwise recover its reasonable attorney's fees and other legal costs from the landlord, the County shall deduct its reasonable attorney fees and other legal costs from the amounts collected pursuant to this section and deposit the balance into the Measure J trust fund. [Ord. 5043 § 1, 2009; Ord. 4755 § 8, 2004; Ord. 4081, 1990; Ord. 3881 § 1, 1987; Ord. 3802 § 11, 1986; Ord. 3502 § 1, 1984; Ord. 3329 § 1, 1982; Ord. 3002, 1980].

17.10.120 Appeals.

(A) Any applicant or other person whose interests are adversely affected by any determination in regard to the requirements of this chapter may appeal in accordance with the provisions of SCCC 18.10.320, governing appeal of Level III staff approvals. The appeal shall set forth specifically wherein the action taken fails to conform to the provisions of this chapter.

(B) Any person aggrieved by any action involving denial, suspension or revocation of a building or occupancy permit or denial, suspension or revocation of any development approval, or any other action involving the provisions of this chapter may appeal such action or determination in accordance with the provisions of SCCC 18.10.310. [Ord. 4081, 1990; Ord. 3881 § 1, 1987; Ord. 3802 § 11, 1986; Ord. 3502 § 1, 1984; Ord. 3329 § 1, 1982; Ord. 3002, 1980].

17.10.130 Annual report and administration.

(A) The administering agency shall prepare an annual report to the Board of Supervisors on the status of the affordable units constructed under the provisions of this chapter. The report shall include the number, size, type, tenure, and general location of the affordable units as well as the number of resales and rental vacancy rate. The report shall provide a basis for an evaluation of the overall effectiveness of this chapter.

(B) In addition to any other powers or duties heretofore prescribed for the administering agency, the administering agency shall have the following powers and duties:

(1) To monitor compliance with the provisions of this chapter and to refer to the Board of Supervisors for appropriate action any person violating the provisions of this chapter.

(2) To provide for the administration of this chapter and to make recommendations to the Board of Supervisors regarding program changes. [Ord. 4425 § 11, 1996; Ord. 4081, 1990; Ord. 3881 § 1, 1987; Ord. 3802 § 11, 1986; Ord. 3502 § 1, 1984; Ord. 3329 § 1, 1982; Ord. 3002, 1980].

APPENDIX K: CURRENT SANTA CRUZ COUNTY AFFORDABLE HOUSING GUIDELINES

Santa Cruz County Affordable Housing Guidelines

April 2012 – April 2013 Edition

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Santa Cruz County Affordable Housing Guidelines

April 2012- April 2013 Edition

These Santa Cruz County Affordable Housing Guidelines are adopted by Resolution of the Santa Cruz County Board of Supervisors pursuant to County Code Chapter 17.10, Affordable Housing Requirements. These Guidelines constitute and were formerly entitled the Santa Cruz County Affordable Housing Program Income, Asset and Unit Price Guidelines from their inception as referenced in the Santa Cruz County Code, including but not limited to Chapter 17.10 and in all documents executed pursuant thereto. These Guidelines are annually revised, updated and adopted by the County to accomplish the objectives of the County's Affordable Housing Program, and establish regulations in addition to all other applicable State and County laws and regulations governing the sale or rental of residential properties. These Guidelines provide supplemental regulations and administrative guidelines for the County's Affordable Housing Program and implement the intent and specific provisions of Chapter 17.10 by providing income and asset limits for participating households, sales and for affordable units, eligibility requirements for purchasing or renting affordable units and development and marketing standards for affordable units.

Second units, authorized and occupied pursuant to County Code Section 13.10.681 ("Second Units"), are also subject to the maximum rents set forth in Section 6, b) of these Guidelines.

1. DEFINITIONS

As used in these Affordable Housing Guidelines, unless the context requires otherwise, the following words and terms have the meanings set forth below:

"Administering Agency" shall mean the Planning Department of the County of Santa Cruz, or other department as authorized by the County Board of Supervisors.

"County" shall mean the County of Santa Cruz, a political subdivision of the State of California.
"First Time Home Buyer" shall mean a Principal Occupant (see definition below) who:

a) Has not held an Ownership Interest (see definition below), whether whole or part, in residential property during the three-year period immediately prior to their certification of eligibility by the Administering Agency to purchase an affordable unit; or

b) Is a "displaced homemaker" who has not within the past two years worked on a full time basis as a member of the labor force, but has, during such years, worked primarily without remuneration to care for the home and family, and is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment and does not have an Ownership Interest in residential property; or

c) Is a single parent who is unmarried or legally separated from a spouse, and is pregnant or has sole or joint custody of at least one minor child, and does not have an Ownership Interest in residential property; or

d) Is a current owner-occupant of a mobile home that does not meet local codes and cannot be brought into compliance with codes for less than the cost of construction of a new home.

Owners of mobile homes in mobile home parks who do not hold fee simple title would be considered First Time Home Buyers.

"Household" shall mean all occupants of the affordable unit including the Principal Occupants (see definition below), children, foster children or other persons related by blood, marriage, operation of law, or stable family relationship.

"Ownership Interest" shall mean any of the following interests whether whole or part in residential property:

Fee simple estate, joint tenancy, tenancy in common, tenancy by the entirety, interest in Trust, life estate or land sales contract.

Ownership Interest does not include a remainder interest, or a leasehold interest with or without an option to purchase unless the leasehold interest has been in effect continuously for more than thirty-five (35) years.

"Owner-Occupied" shall mean an affordable unit that is continuously occupied by at least one Principal Occupant for at least 10 months out of each calendar year.

"Principal Occupant(s)" shall mean those members of the Household whose names appear on the property lease or title.

2. ELIGIBILITY REQUIREMENTS

Residency

In order to be eligible to purchase or rent any Measure J affordable unit, at least one Principal Occupant must currently reside within Santa Cruz County (including its incorporated cities); or at least one Principal Occupant must be employed within Santa Cruz County (local employment must be their primary employment and source of income). Principal Occupants for affordable units must provide the Administering Agency with documentation that they have resided and/or been employed within Santa Cruz County for at least 60 days prior to their application to purchase or rent an affordable unit. Measure J units within Redevelopment Agency (RDA) assisted, 100% affordable for sale housing projects must remain owner occupied at all times and cannot be used as rental housing. (Resolution no. 308-2010)

Minimum Household Size *

In order to be eligible to purchase or rent a Measure J affordable unit, the Household must be of a size equal to the number of bedrooms in the unit. For instance, in order to be eligible to purchase a three-bedroom unit, a Household must be made up of at least three members. Please see Table One for further clarification. Households must provide the Agency Administering Agency with documentation to verify the Household size claimed.

Table One: Minimum Household Size

Unit Size	Minimum Household Size
Studio/One Bedroom	1
2 Bedrooms	2
3 Bedrooms	3
4 Bedrooms	4
5 Bedrooms	5

Applications by smaller-sized Households for larger units will only be considered by the Administering Agency based on documentation by the Principal Occupant that there are unique and compelling individual circumstances that justify a greater number of bedrooms than the number of persons in the Household.

<u>*Temporary Adjustment in Minimum Household Size Requirement</u>
<u>For a period of five years, beginning on June 5th, 2010 and ending on June 5th, 2015, the minimum household size requirement has been adjusted to one less person than the number of bedrooms to assist with affordable housing transactions during a difficult real estate and lending market. (Resolution no. 107-2010)</u>

First Time Home Buyer Requirement for Purchase of Owner-Occupied Units

All Principal Occupants purchasing Owner-Occupied units must be certified by the Administering Agency as First Time Home Buyers. Exceptions to the First Time Home Buyer requirement shall be made by the Administering Agency in any of the following circumstances:

i. The First Time Home Buyer requirement does not apply to buyers of units in the two existing “senior only” affordable housing developments commonly know as “Vista Prieta” and “Casa La Familia,” or any future “senior only” development that becomes part of the Measure J Program.;

ii. Principal Occupants of an affordable unit may sell the unit and purchase another affordable unit that has been marketed to the public for at least 30 days and has not received a valid purchase offer from an eligible Household, provided that their Household meets all current eligibility requirements and that their current affordable unit is sold to another eligible Household; or

iii. Principal Occupants of an affordable unit may sell their unit and purchase another affordable unit, based on changes in the composition or conditions of their Household, provided that their Household meets all other current eligibility requirements, and that their current affordable unit is sold to another eligible Household. Conditions that warrant consideration for purchase of another affordable unit include marriage, divorce, birth, death, medical conditions, and other conditions due to individual circumstances beyond the control of the Principal Occupant(s). Individual circumstances will be considered, and approved or denied, by the Administering Agency upon submission of documentation to the Administering Agency by the Principal Occupant(s).

Persons that are Ineligible to Purchase, Rent or Occupy a Measure J Affordable Unit:

The following persons are ineligible to purchase, rent or occupy an affordable unit:

i. All employees and officials of the County of Santa Cruz or the Administering Agency who have, by the authority of their position, policymaking authority or influence affecting Santa Cruz County housing programs.

ii. The developer or owner of the affordable unit to be purchased or rented.

iii. The immediate relatives, employees, and anyone gaining significant economic benefit from a direct business association with public employees, officials, developers, or owners who are not eligible to purchase or rent an inclusionary unit.

3. HOUSEHOLD INCOME LIMITS

To establish the eligibility of individuals participating in the County's Affordable Housing Program, limits are set on the amount of income Households can earn. These limits are based on median household income estimates for Santa Cruz County issued annually by the Federal Department of Housing and Urban Development (HUD) and the California Department of Housing and Community Development (HCD). HUD and HCD (pursuant to Title 25, §6932 of the California Code of Regulations) further establish household income ranges by household size into four income categories. The four household income categories commonly used for the administration of affordable housing programs are as follows:

- "Very Low Income" households are defined as those with incomes equal to or less than 50% of median household income;

- "Lower Income" households are defined as those with incomes greater than 50% and up to 80% of median household income. HUD adjusts the upper income limit for lower income households in high-cost and high-income areas such as Santa Cruz County, so that it may not equal exactly 80% of median income every year;

- "Median Income" households are defined as those with incomes equal to 100% of median household income; and

- "Moderate Income" households are defined as those with incomes greater than 80% and up to 120% of median household income.

Table Two defines the maximum annual Household income limits for each income category, by Household size, for Santa Cruz County affordable housing programs. The applicable income limits for larger Household sizes may be obtained from the Administering Agency.

Table Two: Maximum Annual Household Income Limits for 2012

Income Limits (effective 5/1/2012)								
Income Category (Percent income)	**Number of Persons in Household**							
	1	2	3	4	5	6	7	8
Very Low (50%)	$33,550	$38,350	$43,150	$47,900	$51,750	$55,600	$59,400	$63,250
Lower (80%)	$53,700	$61,350	$69,000	$76,650	$82,800	$88,950	$95,050	$101,200
Median (100%)	$60,900	$69,600	$78,300	$87,000	$93,950	$100,900	$107,900	$114,850
Moderate (120%)	$73,100	$83,500	$93,950	$104,400	$112,750	$121,100	$129,450	$137,800

Household size is defined to include all occupants of the affordable unit consisting of the principal occupant(s) appearing on the property lease or title, foster children, and other persons related by blood, marriage, operation of law, or other stable family relationship who reside in the unit. At the time a Household first occupies an affordable unit, the Household's income shall not exceed the following annual income limits:

a) Rental Units:

i. The annual income of a Household renting an affordable unit, other than those designated for Very Low Income, shall not exceed the maximum limit for Lower Income Households; and

ii. The annual income of a Household renting an affordable unit designated for Very Low Income shall not exceed the maximum limit for Very Low Income Households.

b) Owner-Occupied Units:

i. The annual income of a Household purchasing a designated Moderate Income affordable unit for owner-occupancy shall not exceed the maximum limit for Moderate Income Households;

ii. The annual income of a Household purchasing a designated Lower Income affordable unit for owner-occupancy shall not exceed the maximum limit for Lower Income Households; and

iii. The annual income of a Household purchasing a designated Very Low Income affordable unit for owner-occupancy shall not exceed the maximum limit for Very Low Income Households.

Households shall be certified as meeting the above income limitations by the Administering Agency prior to occupying an affordable rental or Owner-Occupied unit. Purchasers of affordable units to be utilized as investor-owned affordable rental units are not subject to income limitations.

Where affordable housing units are developed with State or federal housing program assistance, the income limitations of the State or federal housing program shall supersede the income limitations of these Guidelines where they are more stringent.

4. HOUSEHOLD INCOME DEFINITION

For income eligibility purposes, for Households purchasing or renting an affordable unit, gross "annualized" income or monetary benefits before deductions or exemptions from all members of the Household 18 years of age or older will be considered. Annualized income shall be determined by calculating the applicant's current monthly income and projecting it over twelve months (multiplying the current monthly income by 12). In the event that current monthly income deviates by more than 15% from the preceding 12-month average, annual income will be determined by combining the preceding half year's income with one-half year's income at the current level. (Resolution no. 297-2008)

Income includes, but is not limited to:

a) All wages and salaries, overtime pay, commissions, fees, tips and bonuses and other compensation for personal services, before payroll deductions;

b) The net income from the operation of a business or profession or from the rental of real or personal property (without deducting expenditures for business expansion or amortization of capital indebtedness or any allowance for depreciation of capital assets);

c) Interest and dividends (including income from assets excluded below);

d) The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts, including any lump sum payment for the delayed start of a periodic payment;

e) Payments in lieu of earnings, such as unemployment and disability compensation and severance pay;

f) The maximum amount of public assistance available to the above persons other than the amount of any assistance specifically designated for shelter and utilities;

g) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;

h) All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is the head of the household or spouse; and

i) Any earned income tax credit to the extent that it exceeds income tax liability.

The following are specifically excluded from the definition of income:

a) Casual, sporadic or irregular gifts;

b) Amounts that are specifically for or in reimbursement of medical expenses;

c) Lump sum additions to Household assets, such as inheritances, insurance payments (including payments under health and accident insurance and workmen's compensation), capital gains and settlement for personal losses;

d) Amounts of educational scholarships paid directly to students or to the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books, and equipment. Any amounts of such scholarships or payments to veterans not used for the above purposes are to be included in income;

e) Special pay to a serviceman head of a family away from home and exposed to hostile fire;

f) Relocation payments made pursuant to Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970;

g) Foster childcare payments;

h) The value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1977;

i) Payments to volunteers under the Domestic Volunteer Service Act of 1973;

j) Income derived from certain sub-marginal land of the United States that is held in trust for certain Indian tribes;

k) Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program;

l) Payments received from the Job Training Partnership Act;

m) Income derived from the disposition of funds of the Grand River band of Ottawa Indians; and

n) The first $2,000.00 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the Court of Claims.

5. DETERMINATION OF INCOME FROM ASSETS

To determine Household income eligibility for purchase or rent of an affordable unit, a percentage of the Households assets (as defined below) shall be added to the Household income only when the Household's assets exceed the maximum annual Household income by Household size.

When total assets exceed the maximum annual income for the Household, then the amount of income attributed to these assets shall be computed as follows:

a) The actual annual income generated from the assets; or

b) Annual income based on a percentage yield that equal to the average mortgage interest rate from Freddie Mac's "Weekly Primary Mortgage Market Survey" used in the Resale Price Formula in Section 9 for new units or Section 10 for existing units, below. Whichever calculation yields a greater amount of income will be added to the Household's annual income, and this combined amount must be less than the maximum annual income for the Household.

For households consisting of at least one senior citizen 62 years of age or older, the first $60,000 of assets shall be excluded from the above calculation.

For the Second Unit Program, the equity in the property occupied by the senior Household shall not be counted in the asset calculations, but actual income from rent as described above, will be counted as income. (Resolution no. 118-2006)

Households shall be certified as meeting the above asset limitations by the Administering Agency prior to occupying an affordable rental or Owner-Occupied unit. Purchasers of affordable units to be utilized as investor-owned affordable rental units are not subject to these asset limitations.

Where affordable housing units are developed with State or federal housing program assistance, the asset limitations of the State or federal housing program shall supersede the asset limitations of these Guidelines where they are more stringent.

6. ASSET DEFINITION

Assets are defined as:

a) Cash savings, including but not limited to bank accounts, credit union accounts, certificates of deposit, and money market funds;

b) Marketable securities, stocks, bonds and other forms of capital investment;

c) Inheritance and lump sum insurance payments, already received;

d) Settlements for personal or property damage already received;

e) Equity in real estate, except as stated below; and

f) Other personal property that is readily convertible into cash.

The following are not considered assets:

a) Ordinary household effects including furniture, fixtures, and personal property;

b) Automobiles used for personal use;

c) Equity in the parcel or lot on which an owner-builder unit is to be built; and

d) Cash, securities, stocks, bonds and other forms of capital held in a tax deferred retirement plan recognized by the Federal Internal Revenue Service.

7. MAXIMUM RENTS

Affordable Rental Units

The maximum rents for Measure J Rental Units shall be set at a level affordable to Lower and Very Low income Households as provided in Table Three. Except as otherwise provided in this section, the maximum rents for an affordable unit shall be determined based on 1) a housing allowance of 30% of gross income for a Household size of one person more than the number of bedroom in the affordable unit, and 2) a Household income of 60% of median, except for those units which are designated for Very Low Income occupancy in which case a Household income of 50% of median shall be used. Investor Owner units may charge rent calculated for 80% AMI households as described below for those units whose affordability restrictions are in effect in perpetuity. A Measure J homeowner of a unit whose restrictions will expire can charge rents at 80% AMI if they choose to sign new restrictions.

Table Three: Maximum Monthly Rents for Affordable Rental Units

Measure J Rental amounts		
Unit Size	**Very Low (60%)**	**Lower (80%)**
Studio	$913.00	$1,218.00
1	$1,044.00	$1,392.00
2	$1,174.00	$1,566.00
3	$1,305.00	$1,740.00
4	$1,409.00	$1,879.00
5	$1,513.00	$2,018.00

Where affordable housing units are developed with State or federal housing program assistance, the rental price requirements of the State or federal housing program shall supersede the price limitations of these Guidelines where they are more stringent.

The maximum rents for affordable units and maximum Household income limits shall be revised annually by the Administering Agency following the annual publication of HUD/HCD area median income estimates. For affordable rental units initially occupied before August 26, 1986, rents shall not be increased by more than 10 percent annually.

For affordable units in congregate senior housing projects providing services beyond basic shelter, the Board of Supervisors shall, at the time of project approval, provide for payments beyond the rent levels to account for the additional cost of providing such additional services. Unless the Board of Supervisors decides otherwise with respect to a particular congregate senior project, charges allowed for congregate care services in addition to the basic rent charge may not exceed the limits provided in

Table Four, which are based on 35% of total Household income for a single person, or 45% of total Household income for a couple, at an income level of 60% of median.

Table Four: Maximum Congregate Care Service Charges

Household Size	Maximum Monthly Service Charge
1	$1,065.00
2	$1,566.00

8. UNIT STANDARDS

Standard quality units must be finished to allow occupancy and shall have:

a) The minimum sizes as specified by Table Five:

Table Five: Minimum Affordable Unit Size

Unit Type	Senior Congregate Care	All Other Units
SRO	Comparable to unit size of Market unit	Comparable to unit size of market unit
Studio	400 square feet	400 square feet
1 Bedroom	550 square feet	550 square feet
2 Bedrooms	700 square feet	850 square feet
3 Bedrooms	Not Applicable	1,050 square feet
4 Bedrooms	Not Applicable	1,250 square feet

c) Washer and dryer connections within the units or access to a common laundry facility within the project;

c) Garage or paved parking area and sidewalk leading from the parking area to the unit;

d) At least 1-1/2 bathrooms for units with three or more bedrooms.

The County of Santa Cruz Planning Department Director (“Planning Director”) may allow minor variations from these standards if the unit is otherwise of superior design or amenity level.

The size of the Household renting or purchasing an affordable unit shall not exceed that allowed by the State Uniform Housing Code, or other applicable State laws based on the unit size and number of bedrooms in the unit.

9. MAXIMUM SALES PRICE FOR NEW MEASURE J AFFORDABLE UNITS

New affordable units shall be sold, on their first sale, for a price that is no more than the maximum sales price set according to the formula established in this section. The maximum sales price shall be determined at the time of filing of the original "Notice of Intent to Sell" for the affordable unit by the developer.

The maximum sales prices for new affordable units shall be set at a level affordable to Moderate, Lower and Very Low Income Households based on 1) a housing allowance of 30% of the gross income of a Household having one person more than the number of bedrooms in the affordable unit, and 2) a gross Household income as indicated below for the designated type of affordable unit.

Formula to Determine the Maximum Sales Price of a New Affordable Unit:

a) Determine the annual income for a Household based on whether the unit is designated for occupancy by a Moderate Income, Lower Income or Very Low Income Household:

i. Determine the Median Income for a Household size that is one person more than the number of bedrooms in the affordable unit from Table Two; then

ii. Multiply the Median Income derived by the above method from Table Two by:

- 100% for an affordable unit designated for a Moderate Income Household occupancy;
- 70% for an affordable unit designated for a Lower Income Household occupancy; or
- 50% for an affordable unit designated for a Very Low Income Household occupancy.

b) Determine the monthly household allowance available for a mortgage payment:

i. Multiply annual income from step a) by 0.30 to obtain an annual housing allowance of 30% of income;

ii. Divide the housing allowance by 12 to obtain a monthly housing allowance;

iii. Deduct 20% of the monthly housing allowance for the monthly costs of property taxes, insurance and utilities, and deduct 70% of the monthly homeowner's association (HOA) fees to obtain a net allowance available for mortgage payments. (Note: For the purposes of the amount of HOA fees included in this formula, and for all future transactions, HOA fees shall be set as of September 1, 2006 at their actual amount plus an annual COLA increase based on CPI. If future HOA fees are less than this set amount, then the lesser amount will be used in the formula and thereafter. For new units, the actual amount of HOA dues shall be used and shall become the base amount, with the same formula for the annual COLA increases. In addition, if HOA fees include property taxes, hazard insurance costs or individual unit utility costs, these costs shall be deducted from the set HOA fee amount used in the formula.)

c) Determine the maximum mortgage that can be financed:

i. Determine the prevailing interest rate for a 30-year fully amortized fixed-rate home mortgage that is equal to the previous year's average mortgage interest rates from Freddie

Mac's "Weekly Primary Mortgage Market Survey." This rate shall be adjusted annually, effective May 1st, by the Administering Agency to coincide with the changes in median income by HUD and HCD;

ii. Determine the maximum home mortgage that can be financed at the prevailing interest rate based on a mortgage payment as determined in step b).

(d) Determine a maximum unit sales price assuming a mortgage of 90% of sales price by dividing the maximum mortgage amount determined in step c) by 0.9.

The maximum sales prices of Measure J units within Redevelopment Agency (RDA) assisted, 100% affordable for sale housing projects can be set by the provisions of California Redevelopment Law. <u>(Resolution no. 308-2010)</u>

10. MAXIMUM RESALE PRICE OF EXISTING MEASURE J AFFORDABLE UNITS

(a) Affordable units shall be sold, at the time of resale, for a price that is no more than the maximum sales price established by either of the following two methods that generates the greater resale price:

i. The maximum unit price as determined in Section 9 above at the time of receipt by the Administering Agency of a Principal Occupant's Notice of Intent to Sell, plus the increased value of the unit created by improvements that the Principal Occupant has made to the unit as determined in Section 11 below; or

ii. The maximum unit price that represents the sum of the Principal Occupant's purchase price, plus the Principal Occupant's non-recurring purchase closing costs, plus the increased value of the unit created by improvements that the Household has made to the unit as determined in Section 11 below.

(b) Where a Principal Occupant has made improvements to an existing affordable housing unit which results in an increase in the number of bedrooms, as evidenced by a valid Building Permit issued and receiving final inspection by the County, the maximum resale price of the unit shall be based on a total bedroom count which included the additional bedroom(s) and on the method in Section 9 a) above which produces the higher resale price limit.

(c) Where the Administering Agency determines that the Principal Occupant through neglect, abuse or lack of adequate maintenance has created damage to an affordable unit which jeopardizes the integrity of the unit and/or the viability of maintaining the unit as part of the County's Affordable Housing Program, the Administering Agency may require that repairs be made to the unit at the Principal Occupant's expense and paid for either prior to sale or out of the proceeds of escrow as follows:

i. Upon notice of sale, an inspection of the premises may be made by the Administering Agency. Damage done to the premises, beyond normal wear and tear, shall be identified by the inspector, and the cost to repair the damage estimated. The Principal Occupant shall then have the option, exercisable prior to the close of escrow, of either repairing the identified damage or having the cost to repair the damage deducted from the proceeds of the sale and held in escrow to be used to pay for the repairs.

ii. The Principal Occupant may also be required to obtain and pay for a structural pest control report and to pay for any necessary corrective repairs. The Principal Occupant shall not be obligated to perform preventative work beyond the repair of damage, but the new Principal Occupant shall have the option to perform such work at his or her expense.

11. ADJUSTMENTS TO RESALE PRICE

The maximum resale price of an affordable unit as determined in Section 10, a), ii above may include the increase in unit value created by improvements made to the property by the Principal Occupant based on the following criteria:

a) The improvements shall constitute substantial structural or permanent fixed improvements that cannot be removed without substantial damage to the premises or substantial or total loss of value of said improvements;

b) The improvements shall not increase the resale price by more than ten percent. No improvements shall be deemed substantial unless the aggregate, actual, initial costs of the improvements to the Principal Occupant exceed one percent of the purchase price paid by the Principal Occupant for the premises except as provided below; The Principal Occupant's portion of the cost of improvements to the common areas of a condominium made by a mandatory assessment by the homeowners association shall be considered the same as an improvement made directly by the Principal Occupant. The one percent minimum expenditure requirement shall not apply to such assessments;

c) The replacement of appliances, fixtures and equipment which were originally sold as part of the unit shall be deemed substantial improvements if the replacement is required by the non-operative or deteriorated nature of the original appliance, fixture, or equipment. The replacement must be of comparative value. The one percent minimum expenditure requirement shall not apply to such replacements;

d) No adjustment shall be made for the value of any improvements unless the Principal Occupant shall present to the County valid written documentation of paid receipts from vendors for the cost of said improvements and all necessary permits and inspections for the improvements have been obtained; and

e) The amount by which the sales price shall be adjusted shall be the estimated market value of the improvements when considered as additions or fixtures to the premises (i.e., the amount by which said improvements enhance the market value of the premises) at the time of sale. The Administering Agency shall have an estimate made by a qualified individual of its choice to establish the market value. A qualified individual shall be one who has, as a minimum, experience in residential construction. The Principal Occupant may also have an appraisal made by an appraiser, of his or her choice and subject to approval of the Administering Agency, to establish the market value. If agreement cannot be reached between the parties, the average of the two estimates shall become the market value of the improvements.

12. ACTIVELY MARKETING UNITS

The maximum resale price of new and existing affordable units is valid for only sixty days after written notification of the maximum resale price by the Administering Agency to the Principal Occupant(s). Extensions will be granted at the discretion of the Administering Agency for active marketing efforts or for pending transactions. Actively marketing the unit shall include some or all of the following activities:

a) Use of a Realtor.

b) Listing of the home for sale in the MLS.

c) Returning telephone inquiries about the house.

d) Holding a series of “open houses”.

e) Considering purchase offers from income eligible buyers.

13. FINANCING FOR MEASURE J OWNERS

(a) Maximum Mortgage Debt for New Owners
The total mortgage debt on a unit must be financed using a conventional fixed rate mortgage fully amortized and subject to standard underwriting criteria. No negative amortization or adjustable rates are permitted.

(b) Maximum Mortgage Debt for Existing Owners
The maximum mortgage debt (or combined loan-to-value) secured by an existing Measure J unit, cannot exceed 90% of the maximum sales price or fair market value of the Measure J unit, whichever is less, as of the date of the proposed refinancing or other loan. The financing for these loans must be conventional fixed rate mortgages fully amortized and subject to standard underwriting criteria. No negative amortization or adjustable rates are permitted.

14. MARKETING OF AFFORDABLE UNITS LAST SOLD PRIOR TO APRIL 5, 1984

For affordable units which were last sold on or before April 5, 1984, and which have a recorded Declaration of Restrictions that requires that the unit be sold within a limited period of time after being placed on the market or the affordability restrictions will be released, the Principal Occupant shall provide a bona fide marketing program when the unit is offered for the sale. A bona fide marketing program shall be defined to be the equivalent of the complete marketing program and full services available through a reputable real estate brokerage firm for comparable residential property, including placement on the Multiple Listing Service. This marketing effort may be provided by the Principal Occupant, by a real estate brokerage or other representative selected by the Principal Occupant, or by the Administering Agency or its designee for the County’s Affordable Housing Program. In every case, this marketing program shall be fully specified and documented by the Principal Occupant, and approved by the Administering Agency prior to the acceptance of a Notice of Intent to Sell for the unit. As an alternative to providing the above bona fide marketing program, the Principal Occupant may execute and submit to the Administering Agency a notarized written waiver of the recorded Declaration of Restrictions’ time limit for the sale of the unit.

15. FEES

Upon the resale or refinance of an affordable unit, the Principal Occupant shall be charged a fee by the administrative agency for the preparation of new Declarations of Restrictions and Requests for Notice of Default as may be required, and for the monitoring and processing of the transactions. In addition, the Administering Agency may charge each prospective purchaser and renter of an affordable unit a fee for the determination of eligibility. For units marketed by the Administering Agency, a fee as a percent of the unit sales price shall be charged to the Principal Occupant. Fee amounts for these and other fees necessary to implement the County's Affordable Housing Program shall be established by the County's Unified Fee Schedule, which is adopted by resolution of the Board of Supervisors.

16. EXISTING UNIT CONVERSION PROGRAM GUIDELINES

[This section applies only to developers of affordable housing units in effect since May 24, 2002, with additional amendments to the fee schedule effective August 28, 2002.]

A developer of a new housing development may opt to participate in the Existing Unit Conversion Program in lieu of constructing inclusionary units if the following conditions are met:

a) The Approving Body approves the use of this option as part of the original development permit;

b) Two existing units must be converted to affordable unit status in lieu of constructing each affordable unit required of the project; and

c) The units to be converted must meet the minimum physical standards for all inclusionary units as described above in Section 7: Unit Standards, as well as the following additional standards for converted units:

i. Bedroom Count. The average bedroom count of the converted units shall not be less than the average bedroom count in the market rate units in the project. Alternatives may be considered on a case-by-case basis, as outlined in subsection (g) below.

ii. Size. The size of converted units shall not be less than 75% of the average size of the market rate units. In no case shall an affordable unit size be less than the minimum specified by the Affordable Housing Guidelines.

iii. The Planning Director may grant exceptions to the standards of subsections c), i and ii where developers propose to provide a greater number of units or enhanced affordability, if it is infeasible to provide comparably sized units. For example, a developer building a project of 4 bedroom homes cannot locate existing 4 bedroom units to convert, so the developer proposes to substitute two 2-bedroom units (or a 3-bedroom unit and a 1-bedroom unit) for each 4-bedroom affordable unit required.

iv. Physical Quality

1) Units must meet current HUD Section 8 rent subsidy Program Housing Quality Standards (HQS) to ensure that the units and their sites are decent, safe and sanitary.

2) Units must have been built and permitted under the 1973 or later building and related codes. Or, units must have been substantially rehabilitated, as reasonably determined by an Administering Agency rehabilitation specialist, to meet the 1973 or later building and related codes.

3) Developer must deliver to the Administering Agency a Wood Destroying Pests and Organisms Inspection Report on the unit with a follow-up SECTION 1 ITEM inspection and clearance.

4) As reasonably determined by the rehabilitation specialist, the following building components must have a useful remaining life, with routine maintenance, of at least 10-years:

- Roof coverings and roofing accessories, including but not limited to gutters and downspouts, metal flashings, jacks and caps
- Heating system
- Exterior doors
- Windows
- Floor coverings
- Kitchen and bathroom counter tops
- Tub and/or shower enclosures including glass doors

As reasonably determined by the rehabilitation specialist, the following building components must have a useful remaining life, with routine maintenance, of at least 5-years:

- Exterior painted or stained surfaces
- Water heaters
- Built-in kitchen appliances

Developer must deliver to the Administering Agency a housing inspection report, prepared by a certified housing inspector, that details the condition of the all building and site components including but not limited to: the roof and structural components; foundation and exterior paved surfaces, electrical, mechanical, heating/ventilation, and plumbing systems; windows, doors, and chimneys; paint and other moisture sealants; floor coverings; and any existing fencing, porches, railings, etc. This report must identify any hazards, health and safety code violations, or major deferred maintenance issues that may be found, or certify that no such problems were found.

The rehabilitation specialist will evaluate the inspection report, personally inspect the unit and produce and deliver to the developer a list of deficiencies (if any) needing repair, renovation, alteration or reconstruction. After correcting all deficiencies, the developer shall notify the Agency rehabilitation specialist who will do a final inspection and approve the unit for inclusion in County Affordable Housing Program. The developer shall then submit a “Notice of Intent to Sell” to the Administering Agency for further sale processing.

d) The units to be converted must be located within the same Planning Area as the proposed project, except that the Planning Director may approve exceptions to the Planning Area requirement, based on the merits of a proposed alternative.

e) The units to be purchased must not be subject to any rent limits, resale price restrictions, or other affordable housing restrictions imposed by any government or non-profit agency or land trust at the time of purchase for use under this program. Conversion of multi-family rental property to condominium ownership will not be approved as part of the project.

f) If the units to be converted are occupied and rented by Moderate or Lower Income Households at the time of conversion, the occupying tenants must be given the first right of refusal to purchase the units if they meet the eligibility requirements under these Guidelines, and can obtain necessary financing within 60 days of being notified of the sale by the Principal Occupant. If tenants cannot be certified as eligible to purchase or cannot obtain necessary financing, relocation benefits must be provided to the tenants by the developer as a condition of project approval. These relocation benefits shall consist of the immediate payment of three months' fair market value rent for a unit of comparable size, as established by the most current federal Department of Housing and Urban Development schedule of fair market rents, or three months of the tenant's actual rent at the time of relocation, whichever is greater.

g) Alternative Options

The Approving Body may approve, on a case-by-case basis, the use of any other alternatives to satisfy the requirements of the Existing Unit Conversion program if the alternative proposed is deemed to be a preferable contribution to the affordable housing stock, by providing a greater number of rental units and/or an equal number of units at a greater level of affordability. These alternatives may include, but are not limited to, a scenario like the following: A developer proposes to purchase a multi-family rental property and donate it to a local non-profit housing provider for rental to Very Low Income Households.

17. AFFORDABLE UNIT FEE SCHEDULE

This fee is due from developers of residential projects where payment of affordable housing in-lieu fees and/or fractional unit fees was included as a condition of project approval in the project's development permit (or in another contract with the County), in accordance with County Code Chapter 17.10. The in-lieu fee and/or fractional fee amount due from a project shall increase as the average sale price of the market-rate units increases. This slightly progressive rate structure is designed to avoid adding extra costs to lower-priced market-rate units that may be passed on to consumers. The fee amount due per each whole affordable unit required of a project shall be a percentage of the average sales price of the market-rate units in the project, according to the rates shown in Table Six below:

Table Six: In-lieu Fee and Fractional Fee Schedule

Average Sale Price Of Market-rate Units in Project (or appraised value, if greater)	In-Lieu Fee (% of average sale price)
Up to and including $600,000	40%
More than $600,000 but less than $1,000,000	45%
$1,000,000 or more	50%

Average Sale Price Of Market-rate lots (or appraised value, if greater)	In-lieu Fee (% of average sale price)
Up to and including $600,000	100%
More than $600,000 but less than $1,000,000	100%
$1,000,000 or more	100%

Projects with fractional unit requirements shall pay an amount equal to the applicable in-lieu fee amount for a whole unit, multiplied by the fractional requirement.
This rate shall be reviewed and may be adjusted as necessary during the update of the County's Unified Fee Schedule.

Fee Calculation Examples. The following two examples are provided to illustrate how to use the fee schedule:

Example 1: Project paying fractional fees

Project 1 is a ten-unit project with a standard inclusionary requirement of 1.5 affordable units (15% x 10 units = 1.5 affordable units required). The project will include nine market rate units with an average sale price of $500,000, one affordable unit, and pay a fractional fee for 0.5 units. The fractional fee amount due from this project is calculated as follows:

Average Sale Price of Market Rate Units x (times) In-Lieu Fee Rate in Schedule x Fractional unit requirement = Fractional fee due from project.

$500,000 x 40% x 0.5 = $100,000

Example 2: Project utilizing In-lieu fee option

Project 2 is a seven-unit project with a standard inclusionary requirement of 1.05 affordable units (15% x 7 units = 1.05 affordable units required). The project has been approved to pay fees rather than provide an affordable unit. The average sale price of the units is $700,000. The in-lieu fee due from this project is calculated as follows:

Average Sale Price of Market Rate Units x (times) In-Lieu Rate in Schedule x Inclusionary units required = In-lieu fee due from project.

$700,000 x 45% x 1.05 = $330,750

Payment procedure. Fractional unit fees shall be paid to the County in accordance with the procedure described in 17.10.037(b)(1). Whole unit in-lieu fees shall be paid in accordance with County Code 17.10.034(c).

Inclusionary Housing In-lieu Fee for Small Residential Projects

The Inclusionary Housing In-lieu Fee for Small Residential Projects as defined in Section 17.10.031(a) of the County Code shall be paid at a rate of $15,000 per new residential unit or parcel that is subject to the requirements of Section 17.10.031. Payment shall be made in accordance with the requirements of Section 17.10.031. This rate shall be reviewed and may be adjusted as necessary during the update of the County's Unified Fee Schedule.