



**CITY OF LOS ALTOS
CITY COUNCIL MEETING
September 15, 2015**

CONSENT CALENDAR

Agenda Item # 4

SUBJECT: Appropriate \$25,000 for the Affordable Housing Multi-City Nexus Study from the General Fund; and authorize the City Manager to execute a Memorandum of Understanding between the City and the Silicon Valley Community Foundation regarding the multi-city nexus study

BACKGROUND

At its October 28, 2014 meeting, the City Council directed staff to seek participation in a forthcoming multi-city nexus study of affordable housing fees. A nexus study is necessary should the City wish to consider adopting commercial and/or residential linkage fees for affordable housing. This consideration is reflected in the recently adopted 2015-2023 Housing Element Program 4.3.7, which states that the City will study and explore the option of a commercial linkage fee for affordable housing and adopt such a fee if appropriate. At its May 26, 2015 meeting, the City Council expressed an interest in having the study address residential linkage fees in addition to commercial linkage fees.

The Silicon Valley Community Foundation, in conjunction with the Cities Association of Santa Clara County, coordinated a work program for a multi-jurisdiction affordable housing nexus study that includes various jurisdictions in Santa Clara and Alameda counties. The nexus study will: a) document the relationship between new development and the need for more affordable housing; b) quantify the maximum legal fees that can be charged for commercial and residential development; and c) make recommendations about the appropriate fee levels based on local conditions with a goal to not adversely impact potential new development.

The project is modeled after an ongoing multi-city nexus study in San Mateo County. It is anticipated that six jurisdictions in Santa Clara County and four jurisdictions in Alameda County are participating in the subject nexus study. As a result of the collaboration, it is anticipated that the nexus study will cost each jurisdiction approximately half of what it would cost for individual studies. The nexus study will be tailored for each jurisdiction and its fee calculated in three tiers reflecting small, medium and large jurisdictions. Attachment 2 summarizes the intent and format of the nexus study.

The Silicon Valley Community Foundation seeks a Memorandum of Understanding outlining each jurisdiction's participation and a commitment for their fair share costs for the nexus study (Attachment 1). The Silicon Valley Community Foundation will contract with Keyser Marston Associates to complete the nexus study. Attachment 3 includes the proposal from Keyser Marston.

EXISTING POLICY

Program 4.3.7 of the 2015-2023 Housing Element

PREVIOUS COUNCIL CONSIDERATION

October 28, 2014 and May 26, 2015

DISCUSSION

Since the elimination of redevelopment agencies and the issues with inclusionary rental housing, cities have increasingly looked to impact fees to support their affordable housing goals. Impact fees are fees charged to new construction and set aside to fund affordable housing. As an impact fee, cities must conduct a nexus study to demonstrate the relationship between new housing or jobs and the need for the affordable housing they create. In essence, new market rate housing results in new jobs to service the new homes and its residents; some of the jobs pay low wages resulting in a demand for affordable housing. The same is true for new commercial buildings, which create new jobs, some of which pay low wages and result in a demand for affordable housing.

Rising housing prices, the loss of redevelopment agencies and their affordable housing production, and recent court cases (e.g., Palmer) have limited the ability of some cities to generate affordable housing. Whether the City of Los Altos adopts affordable housing linkage fees for commercial and/or residential development is ultimately a matter of policy. The first step in considering such a policy is to understand the potential linkage fees through the nexus study.

The cost for the nexus study is expected to be approximately \$400,000 depending on the number of cities that participate. The cost to jurisdictions ranges from \$25,000 to \$42,000 depending on the size of the jurisdiction. The cost to the City of Los Altos will be \$25,000, but may decrease if more jurisdictions participate than expected.

There is a September 30, 2015 deadline for cities to sign-up for the nexus study. The study is planned for release in the Spring of 2016.

PUBLIC CONTACT

Posting of the meeting agenda serves as notice to the general public.

FISCAL/RESOURCE IMPACT

An appropriation of up to \$25,000 from the General Fund is needed for this project.

ENVIRONMENTAL REVIEW

Not applicable

RECOMMENDATION

1. Appropriate \$25,000 for the Affordable Housing Multi-City Nexus Study from the General Fund
2. Authorize the City Manager to execute a Memorandum of Understanding between the City and the Silicon Valley Community Foundation regarding the multi-city nexus study

Appropriate \$25,000 for the Affordable Housing Multi-City Nexus Study from the General Fund; and authorize the City Manager to execute a Memorandum of Understanding between the City and the Silicon Valley Community Foundation regarding the multi-city nexus study

ALTERNATIVES

1. Do not participate in the multi-city affordable housing nexus study and conduct the study independently at a substantially greater cost
2. Do not conduct an affordable housing nexus study

Prepared by: David Kornfield, Planning Services Manager

ATTACHMENTS:

1. Memorandum of Understanding
2. Santa Clara and Alameda Counties Affordable Housing Multi-City Nexus Study, dated August 2015
3. Proposal to Provide Multi-Jurisdiction Affordable Housing Nexus Studies, dated July 31, 2015

Appropriate \$25,000 for the Affordable Housing Multi-City Nexus Study from the General Fund; and authorize the City Manager to execute a Memorandum of Understanding between the City and the Silicon Valley Community Foundation regarding the multi-city nexus study



MEMORANDUM OF UNDERSTANDING

between City of Los Altos and Silicon Valley Community Foundation
regarding Silicon Valley/Alameda County Nexus Study Participation

This Memorandum of Understanding is dated September ____, 2015, and is entered into by and between the City of Los Altos ("City") and the Silicon Valley Community Foundation ("SVCF").

The City wishes to participate in the Silicon Valley/Alameda County Nexus Study, a county-wide collaborative effort. The purpose of the nexus study is to demonstrate the relationship between new housing or jobs and the need for affordable housing in the community. The nexus study will provide the basis for a jurisdiction's affordable housing requirements (impact fees) and will document the permissible and recommended fee levels for each jurisdiction for both residential and commercial development.

The City agrees to pay to Silicon Valley Community Foundation the maximum sum of \$25,000 as its fair share of the costs of the nexus study. In exchange for the City's financial contribution, the City will receive an affordable housing nexus study with a feasibility study specifically tailored to local market conditions for residential development and a commercial linkage nexus study with a review of non-residential total development costs specifically tailored to local market conditions for commercial development, as described in the attached scope of work from Keyser Marston Associates. The City understands that the City's financial contribution may be used to develop support material for the nexus study, such as staff reports and presentations.

IN WITNESS WHEREOF, the parties have entered into this Agreement as of the date set forth above.

CITY OF LOS ALTOS

By: _____

Printed Name: Marcia Somers

Title: City Manager

Acknowledged by KEYSER MARSTON:

By: _____

Printed Name: _____

Title: _____

SILICON VALLEY COMMUNITY FOUNDATION

By: _____

Printed Name: _____

Title: _____

Santa Clara and Alameda Counties Affordable Housing Multi-city Nexus Study



Executive Summary

Since the elimination of redevelopment agencies and the state prohibition of rental inclusionary zoning, cities have increasingly looked to impact fees to support affordable housing. Impact fees work by requiring new construction to pay money into a fund, in this case to support affordable housing. To enact an affordable housing impact fee, cities must first conduct a *Nexus Study* to demonstrate the relationship between new housing or jobs and the need for the affordable housing they create.

To conduct a nexus study a city would typically hire a consultant on its own, with the timing of the study based on the degree of local support and financial resources. A better alternative is to collaborate with other jurisdictions to save time and money, as well as providing a stronger basis to support the likely policies that will need to be adopted.

Jurisdictions in Santa Clara and Alameda counties are interested in coordinating their efforts. Specifically, the study will document the permissible and recommended fee levels for each jurisdiction for both residential and commercial developments. Although it is a cooperative effort, each city will receive a unique report based on local conditions. The recommended fee levels will be set so as to not discourage development. After receiving the report, cities would be free to adopt or not adopt fees as they see fit. The estimated cost per city is \$25,000 - \$42,000 (depending on a city's population size), which is a substantial savings over what it would cost a jurisdiction to undertake such a study alone.

The project is modeled after an ongoing multicity nexus study in San Mateo County, where all cities have agreed to participate (except those that have already completed their own nexus study and the small towns). The City of Palo Alto, located in Santa Clara County, is also participating in the San Mateo County study.

Advantages of Cooperation

There are a number of significant advantages of doing a combined nexus study, not least of which is saving money. Based on similar projects in Mountain View and Sunnyvale, it would cost each city a minimum of \$70,000-\$90,000 to engage a consultant to conduct an independent nexus study, while it will cost half that amount to join the collaborative study.

Additionally, the nexus study offers a regional approach to the Silicon Valley / Alameda County wide challenge of finding realistic ways to fund affordable

Timing and Deliverable: Cities should indicate their interest in September 2015. The final reports will be available in Spring 2016.

Cost - \$25,000 - \$42,000 depending on the size and development activity in the city.

Nexus Study – This report will document the relationship between new development and the need for more affordable housing. It will quantify the maximum legal fees that can be charged.

Feasibility Study – This report will make recommendations about appropriate fee levels based on local conditions (e.g. current fees, market strength, etc.) These goal will be not to adversely impact potential new development.

housing. Further, with multiple cities moving forward together there will be less competition for development between jurisdictions. While jurisdictions will be free to tailor the fees and programs as much as they want, any amount of standardization will make it easier for developers to comply.

The hope and expectation is that the cooperative nexus study will open the door to more discussions about how our counties can collaboratively meet our housing need.

Participation

We expect ten or more cities to participate in the process. Another nine cities have already completed both residential and commercial nexus studies. When this project is done, we expect over 92 percent of residents in Santa Clara County and almost 90 percent of those in Alameda county cities to live in jurisdictions that have done nexus studies or adopted fees.

Process and Participation

The Silicon Valley Community Foundation (SVCF) will sign a contract with Keyser Marston Associates (KMA) to complete the nexus study. KMA was chosen because they have more experience doing nexus studies in Santa Clara and Alameda County than any other firm. SVCF checked references, including legal counsel, before choosing Keyser Marston. Baird + Driskell Community Planning, which managed the San Mateo multi-city effort, will coordinate the process and act as the point of contact for cities.

While we will not know the final participation list until all cities have signed up, the table below lists jurisdictions where there is a Housing Element policy or City Council direction to consider or conduct a nexus study. We are also discussing the project with a number of other jurisdictions.

Santa Clara County		Alameda County	
San Jose	Did residential, Council direction to study commercial	Fremont	Did residential, Housing Element policy for commercial
Santa Clara	Council direction to study fees	San Leandro	City Council direction
Santa Clara County	Council will consider soon	Union City	City Council conversations
Milpitas	Council direction	Albany	Housing Element policy
Campbell	Council discussing issue	<i>Already completed both</i>	
Saratoga	Housing Element policy	Alameda	
Los Altos	Council direction	Berkeley	
<i>Already completed both</i>		Livermore	
Sunnyvale		Oakland (in process)	
Mountain View		Pleasanton	
Palo Alto			
Cupertino			

Cost

The cost of the entire project is expected to be almost \$400,000, depending on the number of cities that participate. Silicon Valley Community Foundation, Enterprise Community Partners, and the Great Communities Collaborative are collectively contributing over \$60,000 to subsidize the cost for jurisdictions. The remainder of the budget will be split between participating cities.

Keyser Marston placed cities into three categories based on how difficult it will be to complete the nexus studies. Factors included population, economic activity, and number of submarkets. The maximum price for cities is listed below. If more cities participate, the price may decrease.¹

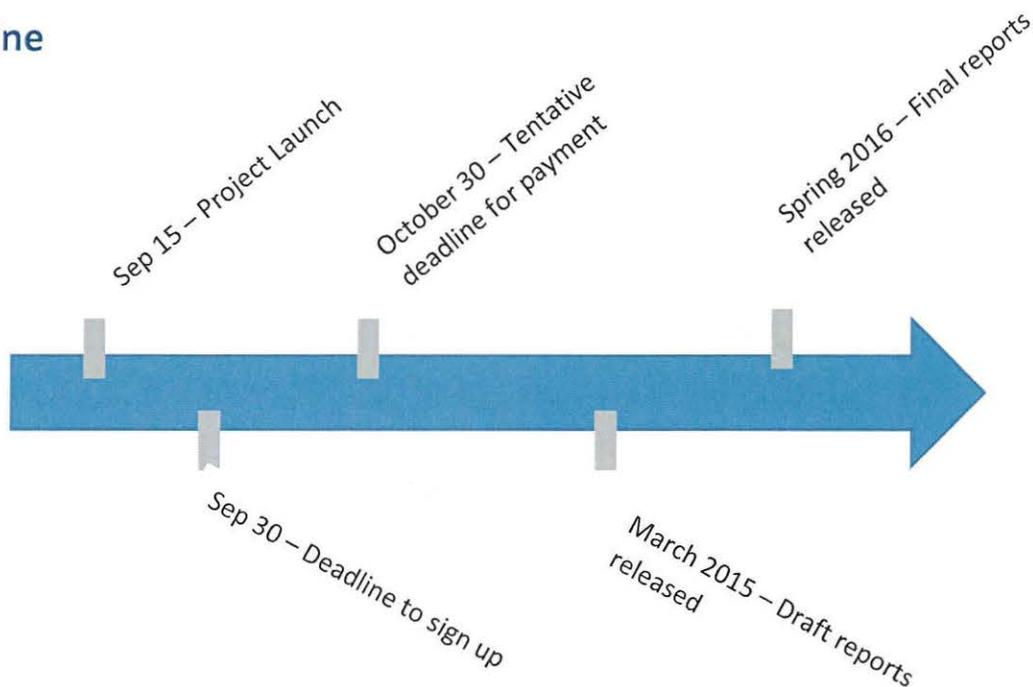
Lowest Tier - \$25,000 : Campbell, Saratoga, and Los Altos

Middle Tier - \$32,000 : Albany, Union City, San Leandro, Fremont, and Santa Clara County

Highest Tier - \$42,000: Santa Clara and Milpitas.

If San Jose participates, the cost for them will be hire and likely handled through a separate contracting process. Cities not listed should contact Joshua Abrams or Vu-Bang Nguyen.

Timeline



¹ Please note: The cities listed above are for internal budgeting purposes only. We will not know the final list of participating cities until all of the Memo of Understandings are completed.

Policy Background

Several factors have increased the need for new policies to address affordable housing, including:

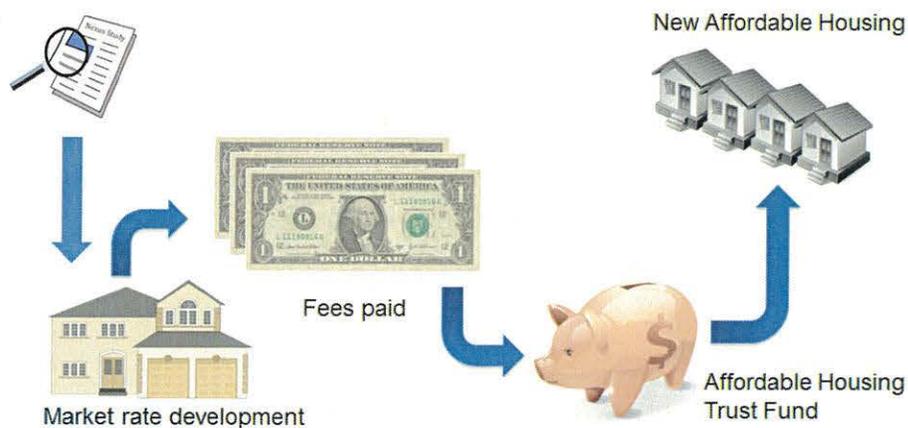


- **Housing prices have increased rapidly.** With the median sales price approaching \$1 million, homes are unaffordable to most of the county’s workforce.
- **Redevelopment Agencies, formerly the largest source of funding for affordable housing in California, were eliminated in 2012.** Consequently, there is a need for new resources to assist in affordable housing development.
- **Recent court cases have limited the ability of cities to implement inclusionary zoning.** While inclusionary zoning is *still legal* in California, rental requirements have to be carefully structured to be compliant with recent court cases.

Nexus and Feasibility Studies

Generally, affordable housing impact fees require new construction to pay money into a fund that is then used to support affordable housing development. To enact an affordable housing impact fee, cities must first conduct a nexus study that documents the relationship between the creation of new housing or jobs and the need for affordable housing in the community.

Affordable Housing Impact Fee



Basically, new residential development results in new jobs to service the new homes and residents. Landscapers, childcare workers and food service worker jobs will be created as a result of new development. Because many of these jobs pay low income wages, there will be a resulting demand for new affordable housing. The private sector is not supplying this product, so consequently the government has a role and interest in meeting this need.

The relationship between new homes, the jobs created and the need for affordable housing is summarized in the graphic below.

Residential Nexus



The relationship between commercial development and the need for new affordable housing is similar, but one step shorter since some of the jobs created by new commercial development will pay low income wages and thus create a direct demand for new affordable housing. This is shown in the graphic below.

Commercial Nexus



The nexus study examines these relationships in much greater detail. It looks at the income of new residents and their spending patterns, the growth in low income households associated with the new jobs, and the affordability gap, or difference, between what low income households can spend on housing and what new housing costs.

Contact Information

Joshua Abrams, 510.761.6001, abrams@bdplanning.com

VuBang Nguyen, 650.450.5502, VNguyen@siliconvalleycf.org

Please be in touch if you would like us to do a presentation in your jurisdiction.

Proposal to Provide

**Multi-Jurisdiction Affordable
Housing Nexus Studies**

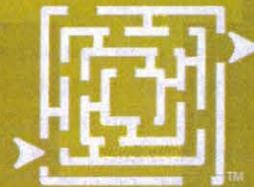
Submitted to:

**Silicon Valley Community
Foundation**

Submitted by:

Keyser Marston Associates, Inc.

July 31, 2015



**KEYSER
MARSTON
ASSOCIATES**



KEYSER MARSTON ASSOCIATES

ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

July 31, 2015

ADVISORS IN:
REAL ESTATE
REDEVELOPMENT
AFFORDABLE HOUSING
ECONOMIC DEVELOPMENT

SAN FRANCISCO
A. JERRY KEYSER
TIMOTHY C. KELLY
KATE EARLE TUNK
DERBIE M. KERN
REED T. KAWAHARA
DAVID DOZEMA

LOS ANGELES
KATHLEEN H. HEAD
JAMES A. RABT
GREGORY D. SOO-HOO
KEVIN E. ENGSTROM
JULIE L. ROMBY

SAN DIEGO
GERALD M. THIMBLE
PAUL C. MARRA

Mr. Vu-Bang Nguyen, AICP
Silicon Valley Community Foundation
2440 West El Camino Real, Suite 300
Mountain View, CA 94040

Re: Proposal of Services: Multi-Jurisdiction Affordable Housing Nexus Studies

Dear Mr. Nguyen,

The following proposal of services is to undertake affordable housing nexus studies for multiple jurisdictions joined together in a coordinated work program. We have updated our proposal following our recent discussions with you to reflect the anticipated participation by six jurisdictions in Santa Clara County and four in Alameda County. We have also made modifications to the scope of services to reflect preparation of financial feasibility analyses as part of the base scope of services to all jurisdictions.

Our experience and qualifications in preparing these nexus analyses in a wide range of jurisdictions and economic conditions is unequalled on the West Coast. We have been responsible for nexus supported affordable housing programs for clients and conditions as diverse as the cities of San Francisco, Seattle, to Mill Valley to Napa County.

The overall approach and scope of services outlined in the following proposal is based on our extensive experience in doing these nexus studies. We have tried to identify the most cost effective way of doing these nexus studies for multiple jurisdictions in a manner that preserves our preferred approach of using local inputs and tailoring results to local conditions. Tailoring results to local conditions will be of particular importance considering the wide range of real estate and economic conditions in Santa Clara and Alameda counties from the affluent communities of the West Valley, to the central East Bay, and the big core Silicon Valley cities.

We have arrived at a proposed approach and scope we feel strikes a good balance between realizing the cost advantages of a multi-jurisdiction approach with our conviction about using local inputs and tailoring recommendations to local conditions. We think direct interaction with the staff of the participating jurisdictions would be advisable. To that end, we are recommending two major workshops with the staff members of the various jurisdictions assembled together. The first workshop would be early in the work program. We would explain our methodology, provide examples of the input we are seeking from the participants, discuss how inputs might vary from one jurisdiction to the next, and open up a dialogue to

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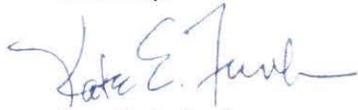
GERALD M. TRIMBLE
PAUL C. MARRA

engage staff. The second workshop would be after we have run the nexus analyses and completed the feasibility tasks. We would walk through analysis results, step by step, talk about what the results mean and do not mean, talk about tailoring programs to local policies and conditions and what the next steps need to be. We believe such interaction will pay off at the end of the process.

In this work scope, we are proposing a clear division of services – “Base Services” for all participating jurisdictions, and “Optional Services” that individual jurisdictions may contract for or not. Optional Services include working with staff on local policy objectives, tailoring programs to meet local concerns, as well as assisting in the adoption process. The Optional Services are something of a menu from which all or selected services may be contracted.

We hope you will find that the refinements incorporated into this revised proposal bring us closer to a final work program we can move forward with. Of course, we are more than happy to discuss further adjustments as you continue your conversations with the participating jurisdictions.

Sincerely,



Kate Earle Funk



David Doezema

Table of Contents

	<i>Page</i>
01 Statement of Qualifications	05
Firm Description	
Previous Nexus Experience	
02 Key Personnel	16
03 Scope of Services	21
04 Timeline	32
05 Budget	33



01 Statement of Qualifications

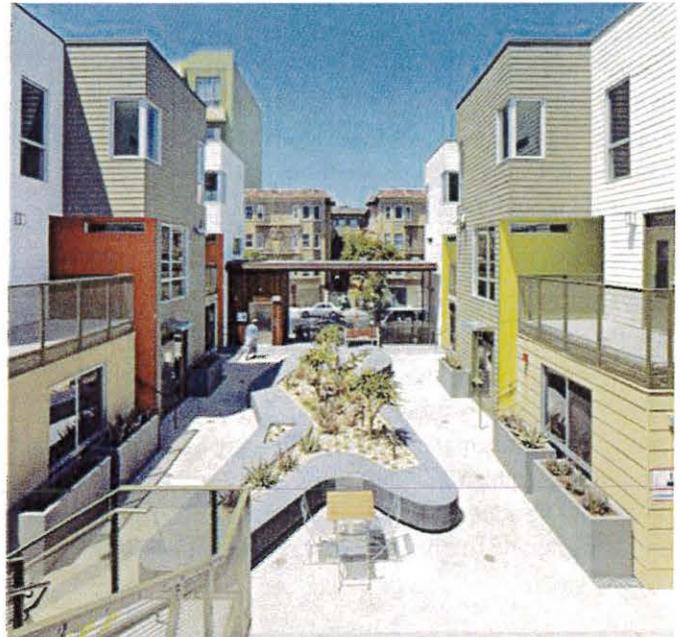
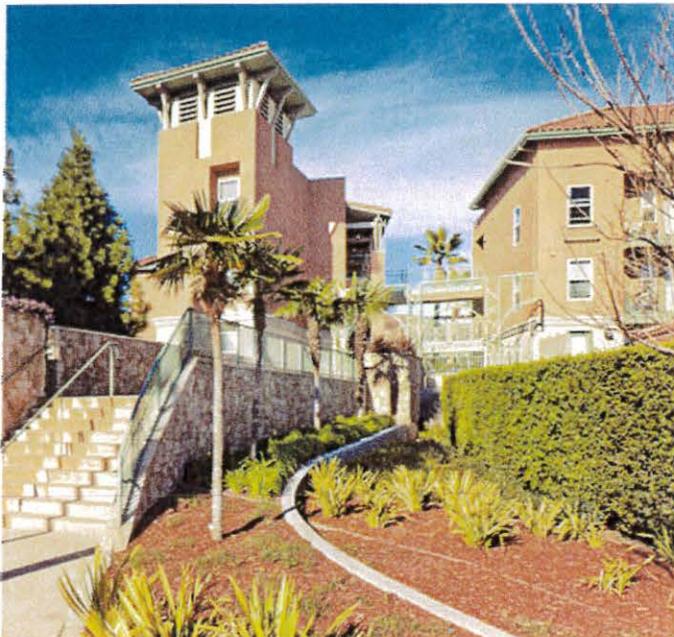
Firm Profile

Keyser Marston Associates, Inc. (KMA) has one of the largest real estate advisory practices on the West Coast. Founded in 1973, Keyser Marston serves a diverse client base throughout the West, including nearly every major municipality in California, public housing authorities, ports, transit agencies, base closure authorities, county and special districts, school districts, colleges and universities, and hospitals.

Keyser Marston's unique strength is the depth, continuity and availability of our principals who average more than twenty years of practical experience in working with business and government. Their personal involvement is a key factor in the firm's ongoing success. Their knowledge and expertise bring clarity to the complexities of real estate development. KMA's many long term, on-going client relationships are a testament to the quality of our work and responsiveness to client needs.

Keyser Marston has been at the forefront of affordable housing nexus analyses for over 25 years. We have experience with over 45 affordable housing nexus assignments. We have worked with virtually all types of land uses in economies as diverse as the City of Los Angeles and Napa County. We have recently conducted nexus work in several cities in Silicon Valley and southern Alameda County, including Cupertino, Mountain View, San Jose, Palo Alto, Fremont and Newark.

KMA has also developed nexus analyses in support of fees for condominium conversion (San Francisco and San Diego), child care for about six cities, open space and a few other nexus type analyses.



Previous Nexus Experience: Commercial

Our nexus work commenced with an assignment for the City and County of Sacramento to design a comprehensive fee program for all types of non-residential construction throughout the City and County. The City's ordinance was challenged by the local Building Industry Association and was tried in the Federal Courts through the Ninth Circuit Court of Appeals, which ruled in favor of the City. The builders petitioned the U.S. Supreme Court, which reviewed the case and elected not to hear it, letting stand the lower court's decision. At all levels of the court, the sufficiency of the nexus was among the provisions challenged, and as a result we worked closely with the attorneys in the defense, preparing for the possible challenge in the U.S. Supreme Court. The experience has served us well ever since.

Following the Sacramento experience, KMA worked with a consultant team on the nexus analysis in support of the City of San Diego Housing Impact Fee, which was adopted in 1989. (KMA recently completed an updated nexus analysis for the City of San Diego in support of the increased fees.) For the City of Los Angeles, KMA led a consultant team in a large and lengthy work program to develop a nexus program. A unique challenge in Los Angeles was to develop a fee system to address the many high-density development locations within the broad diversity of economic conditions citywide.

In 2001, KMA assisted the City of Seattle's Office of Housing, the lead agency in a program to transform the downtown high-rise entitlement program to a housing mitigation program. The program was restructured to make payment of a substantial housing and child care "bonus" the principal means of achieving bonus FAR for developing high-rise office and hotel buildings. KMA prepared the supporting nexus analyses and assisted the City in designing the program overall. Later, we again

worked for Seattle in a rezoning program for higher density residential structures in the downtown area. We prepared a nexus analysis to support requirements for affordable units or in-lieu fee payment.

KMA has also assisted the cities of Walnut Creek, Mountain View, St. Helena and San Mateo with the formulation of jobs housing nexus programs, most of which are now adopted. We have also done analyses to support a number of update and expansion programs such as for San Francisco, Sacramento, Palo Alto, Napa County, City of Napa, Cupertino and San Diego.

Following is a list of our commercial nexus assignments:

- Santa Cruz County
- City and County of Sacramento
- Emeryville
- San Diego
- Walnut Creek
- City and County of Napa
- San Francisco
- Los Angeles
- Seattle
- Mountain View
- St. Helena
- Palo Alto
- Cupertino
- San Ramon
- Menlo Park*
- San Mateo
- San Carlos*
- Redwood City*
- Irvine
- Signal Hill

**Project specific affordable housing needs analyses*



Previous Nexus Experience: Residential

KMA's first market rate residential nexus analysis was prepared for the City of Seattle in 2005. KMA had previously completed an affordable housing nexus analysis on office and hotel projects in Downtown Seattle; a few years later the City approached us to undertake an analysis that would allow the City to also charge market rate residential projects a fee for affordable housing impacts.

Following the Seattle analysis, KMA performed additional market rate residential nexus analyses for San Francisco to support its inclusionary program. Altogether, KMA prepared five assignments prior to the Palmer decision. Since Palmer and Patterson, KMA has now prepared or has under preparation an additional twenty similar analyses. Post-Palmer clients have included the Cities of San Diego, Sacramento, San Jose, San Francisco, and many smaller cities throughout the Bay Area and San Diego County.

Select nexus projects, both commercial and residential, are described in further detail on the following pages.



Following is a list of our residential nexus assignments:

- Seattle, Washington
- San Francisco*
 - *nexus analysis in support of updated inclusionary program*
 - *nexus analysis in support of a fee on conversion of units to condominiums*
- San Diego*
- County of Napa
- Fremont
- Elk Grove
- Bainbridge Island, Washington
- Hayward
- Walnut Creek
- Solana Beach
- Concord
- Carlsbad
- City of Sacramento
- County of Sacramento
- Daly City
- Livermore
- Emeryville
- San Jose
- Rancho Cordova
- West Hollywood
- Honolulu, Hawaii
- Cupertino
- Richmond
- Newark
- San Ramon
- Santa Cruz County
- Mill Valley
- Solana Beach

*work also included study of a condominium conversion fee.



KMA Experience with Legal Challenges

As noted previously, KMA's first nexus analysis was in support of a Housing Trust Fund fee on all non-residential construction in Sacramento. Following adoption by the City, the Commercial Builders of Northern California ("Builders"), joined by the Pacific Legal Foundation, sued the City on a host of issues, including the sufficiency of the Keyser Marston nexus analysis. The case was first heard in federal court and the City prevailed. The Builders then appealed and the case was heard by the Ninth District Court of Appeals in San Francisco. The City again prevailed and the Builders appealed to the U. S. Supreme Court. The U.S. Supreme Court reviewed the lower court's decision and the supporting material, including the KMA nexus analysis, and refused to hear the case, issuing a Writ of Certiorari, letting stand the lower court's ruling.

Throughout the process KMA worked with attorneys, particularly the consulting attorney as well as the City Attorney, in framing the arguments for the defense. Many hours were spent brainstorming key conceptual issues surrounding nexus and its application. We played "devil's advocate" in anticipation of questions from the judges. We at KMA have always felt that the experience of going to court, which resulted in such a thorough exploration of nexus issues, has served us well in taking on future nexus assignments of all kinds.

The initial Sacramento challenge was immediately following the Nollan U. S. Supreme Court decision but before the passage of AB 1600 which articulated for California much of what we had determined was advisable for all nexus based impact fees.

Following the Sacramento court experience, we worked with the same consulting attorneys on other assignments and KMA had the benefit of much attorney input on the drafting of language for our reports covering key nexus concepts, how to frame disclaimers, and other aspects of

the documentation. In more recent years, we have been fortunate to have the benefit of input from other attorneys in the drafting of our residential nexus documentation.

KMA has not been involved in other trials; however KMA has worked in many cities where legal threats have been made to City Councils in an effort to halt the adoption of proposed program. It has been our role to make City Councils comfortable that the subject has gone to court before and that, while not all issues associated with nexus have been tested in court, we believe the City is on solid ground with our nexus analyses.

As a rule, we always welcome working with attorneys, in house or consulting, on nexus assignments. We frequently urge clients to invite their attorneys to the work sessions with staff to familiarize them with the analysis methodology and to air concerns internally before entering the public arena.



Selected Nexus Assignments: Residential and Commercial

City of San Jose

Key Attributes

Residential Nexus Study
Financial Feasibility Analysis
Review of Impact Fees in Other Cities

Status

Program adopted in 2014

KMA has prepared a residential nexus analysis to support an impact fee on market rate rental projects in San Jose. Two prototype projects, including apartments and high rise apartments, were analyzed in the nexus analysis. Other tasks included financial feasibility, in depth comparison to impact fees in other jurisdictions, and participation in the public presentation and adoption process, including a series of stakeholder meetings. The program was adopted in December 2014.

City of Sacramento

Key Attributes

Jobs-Housing Nexus Study
Residential Nexus Study
Financial Feasibility Analysis
Long Term Repeat Client

Status

Residential Nexus Study completed 2013
Jobs Housing adopted 1989; updated 2004
Updated nexus completed 2006; program changes not adopted at that time

KMA's nexus work commenced with a jobs-housing linkage analysis for the City and County of Sacramento, conducted in 1987. As discussed earlier, the City's resulting ordinance was challenged through the Ninth Circuit Court of Appeals, which upheld the ordinance, and the Supreme Court declined to hear it, letting stand the lower court's decision. The sufficiency of the nexus was among the provisions challenged but upheld. Since then, KMA has assisted the City and County with periodic updates to the jobs-housing nexus analysis.

Earlier this year KMA completed a residential nexus and real estate financial feasibility analysis for the City of Sacramento, and is assisting with an overhaul to the City's Mixed Income Housing Ordinance. As the City of Sacramento experienced severely stressed real estate condition in the Recession and the recovery has been slow, there has been a strong focus on market and financial feasibility considerations.



City of Fremont

Key Attributes

Residential Nexus Study
Broad Range of Unit Types

Status

Adopted 2010
Updated 2014

Keyser Marston Associates prepared a residential nexus analysis as a key component of an overall program revision to allow payment of fees as an alternative to on-site provision for ownership units and impact fees for rental projects. Program revision included fees per square foot of residential area to address the broad range of unit types developed within the city. Revised program was adopted in 2010.

KMA developed a set of recommendations regarding impact fee levels that were ultimately incorporated into the adopted ordinance.

KMA prepared an update in late 2014 and adjusted fees were adopted.

City of Walnut Creek

Key Relevant Attributes

Jobs-Housing Nexus Update Study
Residential Nexus Study

Status

Original program adopted 2005
Revisions adopted 2010

KMA assisted the City with the design and adoption of both an inclusionary housing and jobs housing linkage program. Most recently, KMA prepared a residential nexus analysis in support of the City's inclusionary housing program; the study was completed in 2010. KMA had earlier prepared a jobs housing nexus study to support a linkage program with a \$5 per square foot fee on all commercial uses; the program was adopted in February 2005. Many program features were customized to meet specific concerns and opportunities in this city.

Both programs were the subject of an extensive hearing process and careful deliberation of all features by the Planning Commission and Council.



City of San Diego

Key Attributes

Jobs-Housing Nexus Update Study
Residential Nexus Study
Long Term Repeat Client

Status

Original Jobs Housing program adopted 1990
Updated Jobs Housing fees adopted 2013
Original Residential program adopted 2003
Updated Residential Program adopted 2011

KMA has prepared and updated the City of San Diego's jobs-housing nexus analysis several times over the course of more than 20 years of working for the City. The City of San Diego Housing Impact Fee Ordinance was established in 1990; KMA performed the nexus analysis in support of the housing impact fees. Subsequently, KMA has provided updated analyses for the City in 2004, 2008, 2010, and most recently in 2013 in relation to an update to the program adopted by the City Council in 2014.

KMA also prepared a residential nexus in support of the City of San Diego's inclusionary program which KMA had originally helped design and adopt in 2003. The update analysis included six residential development prototypes to represent a diversity of residential projects across the City. A significant factor addressed in the analysis was the decline in residential values since the peak in 2006. KMA prepared a separate nexus analysis addendum to address condominium conversions. Program was adopted in 2011 following an extensive public hearing process.

City of Mountain View

Key Attributes

Jobs-Housing Nexus Update Study
Review of Programs in Other Cities

Status

Original Program adopted 2001
Revisions adopted 2012

KMA prepared an updated jobs-housing nexus analysis for the City of Mountain View in 2012. The analysis covered three land use categories: Office/High-Tech, Commercial/Retail/ Entertainment; and Hotel. As part of this work program, KMA conducted a review of the jobs-housing impact fee programs in other jurisdictions. In addition, KMA conducted an Overlap Analysis to ensure that the residential and non-residential affordable housing linkage fees did not double-count new jobs. The City adopted revisions to the program in 2012 and increased fees again in late 2014.

KMA also prepared the City's original jobs-housing analysis, which was used to support the adoption of the program in late 2001.



City of Emeryville

Key Relevant Attributes

Jobs-Housing Nexus Study
Residential Nexus Study
Review of Fees in Other Cities

Status

Program was adopted in 2014

KMA completed both a residential nexus analysis and a non-residential analysis for this small city. Emeryville was previously almost entirely comprised of areas under California Redevelopment Law and had a vigorous affordable housing program funded by the mandatory 20% set aside plus its own inclusionary requirements. With the end of redevelopment, the affordable housing program is in need of full restructuring. The KMA nexus analyses and other tasks assisted the City in overhauling its program for the era ahead. The program was adopted in 2014.

City and County of Napa

Key Relevant Attributes

Jobs-Housing Nexus Study
Residential Nexus Study
Repeat Client
Review of Programs in Other Cities

Status

Original program adopted 1994
Revisions adopted 2004
Update adopted 2014

KMA undertook an economic nexus analysis for five building types in the City and County of Napa. We also assisted with the design of a companion inclusionary housing program affecting all residential development. The major building types included wine production facilities. An interesting aspect of this assignment was an examination of a potential nexus in the grape growing and wine production industry. Local surveys were undertaken for the other building types.

Program was adopted in 1994. KMA performed an update of the program and the revision was adopted in the summer of 2004. In 2009, KMA reviewed and partially updated the 2004 analysis to support reconsideration of the fee levels. KMA recently prepared a third update for the County in 2014.



City of Menlo Park: Facebook Campus

Key Relevant Attributes

Housing Needs Analysis

Status

Project approved 2012.

KMA conducted a housing needs analysis for the proposed Facebook Campus in Menlo Park. The analysis utilizes the KMA jobs-housing nexus methodology to estimate the housing needs by affordability tier generated by the new employees located on the Facebook campus. The study was completed in 2011.

Prior to the Facebook analysis, KMA prepared a similar analysis for the 955,000 sq. ft. Menlo Gateway project.

City of Palo Alto: Stanford Medical Center

Key Relevant Attributes

Housing Needs Analysis

Status

Project approved

KMA prepared a housing needs analysis for the proposed rebuilding and expansion of Stanford University Medical Center in the City of Palo Alto. The analysis utilizes the KMA jobs-housing nexus methodology to estimate the housing needs generated by the additional employees in the expanded Medical Center, taking into account the unique employment profile of a Tertiary Care teaching hospital. The study was completed in 2009.



City of San Francisco

Key Relevant Attributes

Jobs-Housing Nexus Study
Residential Nexus Study

Status

Jobs Housing update adopted 2002
Residential Nexus adopted 2007
Update to residential and non residential
is currently in process

KMA assisted the City in an update and expansion of its jobs housing linkage program. The analysis included a close examination of space production – primarily office – during the 1980s, and job growth, and identified many dynamics of change that did not necessarily result in net new employment.

Keyser Marston Associates prepared financial analyses of the existing inclusionary program plus alternative update options, working intensely for several months with a task force consisting of developers, housing advocates and non-profit developers. The result was a negotiated agreement that was adopted by the Board of Supervisors with minimal debate. KMA's work included analyzing costs, sales prices, impacts on land values and profit level on prototypical residential buildings. KMA advised on a range of other modifications to the ordinance and program to tailor it to the wide range of conditions in San Francisco. The update was successfully adopted in the summer of 2006.

As a follow up task, KMA worked in 2007 with the City Attorney's office to prepare a residential nexus study to support the inclusionary program. The analysis was developed to support on-site requirements, the higher off-site/in lieu requirements, and even higher requirements for special zones anticipated to be the beneficiaries of rezoning to higher density levels. Report adopted by Board of Supervisors.

KMA was recently engaged to provide updated nexus analyses for both residential and jobs-housing linkage programs.



City of San Mateo

Key Relevant Attributes

Jobs-Housing Nexus Study

Status

Program not adopted.

In 2003, KMA prepared an economic nexus analysis demonstrating relationships among construction of new buildings, employees, households and affordable housing demand. The City decided not to adopt a commercial linkage fee program at that time.

KMA also prepared a child care nexus analysis for the City in 2004, which was adopted.

City of Cupertino

Key Relevant Attributes

Jobs-Housing Nexus Study

Inclusionary Housing Study

Review of Programs in Other Cities

Repeat Client

Status

Program adopted 2007

Update adopted 2015

The City of Cupertino first established a linkage fee in 1992 to link housing needs created by the development of office and industrial projects and provide nominal fees to support the development of affordable housing for families and individuals who work in Cupertino but live elsewhere. KMA was retained by the City to update the nexus analysis based on current market conditions. The updated nexus analysis addressed office, retail and hotel developments.

KMA prepared updated residential and non-residential nexus analyses in 2014/15.



02 Key Personnel

David Doezema, a Principal of Keyser Marston, will serve as Principal in Charge of the nexus analyses. Mr. Doezema served as principal in charge or had primary responsibility for the nexus on recent KMA assignments for San Jose, San Diego, Honolulu, Fremont, Newark, and Rancho Cordova. Mr. Doezema has experience with over 15 affordable housing nexus analyses and was a leader in the development of KMA's residential nexus methodology. Other nexus experience includes the prior KMA work for San Francisco as well as assignments for Seattle, Walnut Creek, Mountain View, Sacramento, Santa Cruz County, Emeryville, Daly City, and project-specific affordable housing analyses for the Facebook Campus in Menlo Park and the Stanford Medical Center expansion in Palo Alto.

Kate Funk, a Senior Principal of Keyser Marston, will serve as Consulting Principal and advise on overall policy recommendations and program direction. She will also play a key role in the workshops and other meetings envisioned in the work scope. Over the past twenty five years, Ms. Funk has pioneered the development of nexus studies to support affordable housing policy programs and is a recognized leader in structuring affordable housing inclusionary and fee programs. Initially, Ms. Funk developed a methodology for job/housing studies to support fee programs on commercial and industrial development. Under her direction, KMA has assisted over 40 jurisdictions evaluate linkage fee options. The methodology developed by Ms. Funk was subject to a legal challenge as part of a court case brought by the Commercial Builders of Northern California against the City of Sacramento. In recent years, Ms. Funk has developed and refined residential nexus studies to link market rate housing development to the need for affordable housing, often working with lawyers to tailor the analyses and programs to the ever changing legal environment.

Reed Kawahara, a Principal in the San Francisco office, will be responsible for the financial feasibility analysis. Mr. Kawahara has expertise in financial feasibility and pro forma modeling of a wide variety of land use projects including large land development/subdivisions, single family residential, multi-family residential, affordable housing, retail, and mixed use projects. He is experienced in inclusionary programs, structuring financing plans involving conventional debt instruments, tax increment, tax exempt housing bonds, tax credits, and other affordable housing programs.

Harriet Ragozin, a Senior Associate at Keyser Marston, will assist with the residential and non residential nexus analyses. Harriet joined Keyser Marston Associates in 2003 and has been working on affordable housing since then. She has had a role in many nexus assignments and inclusionary programs, including much of the firm's prior work for the City of San Francisco. She has also done extensive support work on more traditional real estate assignments, including in depth financial feasibility modeling and other tasks. With her lengthy experience in numerous nexus/inclusionary jobs in recent years, she is highly qualified to prepare the nexus technical analyses.

Resumes for each of the proposed staff members are included on the following pages.

This team has completed dozens of housing nexus analyses together, providing

Unparalleled Experience





DAVID DOEZEMA

Mr. Doezenia is a Principal in Keyser Marston Associates' San Francisco office. He joined KMA in 2002.

Key Role

Mr. Doezenia focuses on affordable housing nexus, successor agency finance, fiscal impact analysis, and financial analysis and modeling.

Affordable Housing Nexus

Mr. Doezenia has experience with more than 15 affordable housing nexus analyses in support of affordable housing requirements on residential and non-residential development and was lead principal on KMA's recent residential nexus assignment for the City of San Jose. Other examples include San Diego, San Francisco, Seattle, Mountain View, Emeryville, Daly City, Newark, Fremont, and Rancho Cordova. Affordable housing analyses for specific projects include the Facebook Campus in Menlo Park and the Stanford Medical Center expansion in Palo Alto.

Successor Agency Finance

Mr. Doezenia assists cities and counties in relation to redevelopment dissolution including preparation and review of recognized obligation payment schedules, cash flow analyses, and fiscal consultant reports for refinance of tax allocation bonds. He has been responsible for on-going pass through calculations for all 13 successor agencies in San Mateo County on behalf the County Controller's Office.

Fiscal Impact Analysis

Mr. Doezenia has experience preparing fiscal impact analyses on projects throughout California, spanning a wide variety of land uses including master planned communities, military base reuse plans, medical facilities, and mixed-use projects.

Sports Facilities

Mr. Doezenia had a key role in KMA's services to the City of Santa Clara on the Levi's Stadium project and negotiations with the San Francisco 49ers. Mr. Doezenia was involved from the initial concept through stadium opening and was responsible for analyzing numerous aspects of the project including construction finance, funding of on-going operations of the Stadium Authority, public financing, fair market rent for the City's land, and fiscal and economic impacts.

Professional Credentials

Mr. Doezenia holds a master's degree in urban planning and a bachelor's degree in civil and environmental engineering from the University of Michigan, Ann Arbor.



Keyser Marston Associates

Years in
the Industry

15+





KATE EARLE FUNK

Ms. Funk is a founder and Senior Principal in Keyser Marston's San Francisco office. Previously with Larry Smith and Company, she has over 40 years of experience in real estate and urban economics.

Key Role

With her broad experience, Ms. Funk has managed projects involving market and financial analyses, and urban economic analyses for policy planning.

Affordable Housing Nexus Studies

Over the past twenty five years, Ms. Funk has pioneered the development of nexus studies to support affordable housing policy programs. Initially she developed a methodology for job housing studies to support fee programs on commercial and industrial development. Under her direction, a model to perform the analysis was developed, and since then over 25 jurisdictions have been assisted in the design of jobs-housing linkage fee programs, most of them successfully adopted. In recent years she has developed and refined residential nexus studies to link market rate housing development to the need for affordable housing. Thus far, over 20 residential nexus analyses have been completed, often working with attorneys to tailor the analyses and programs to the ever changing legal environment.

Other Nexus Work

In addition to the affordable housing nexus work, Ms. Funk has prepared other AB 1600 analyses, linking new development to demand for childcare, parks/open space, and the arts. Examples of cities that have adopted such programs are San Mateo, West Sacramento, Santa Monica, and Seattle.

Hotel and Conference Centers

Ms. Funk has focused on hotel and conference center market and financial feasibility analyses, particularly those involving an in-depth examination of demand generated by local firms and institutions. Assignments have been conducted for Santa Cruz and Mountain View where local firms were extensively interviewed to determine their role in supporting a new facility. She has also assisted numerous redevelopment agencies in hotel transactions negotiations including Santa Rosa, Sacramento, Oakland, Seaside, Fremont, and Milpitas.

Professional Credentials

In her professional career, Ms. Funk has been a speaker for organizations such as CRA, California League of Cities, CALED, CALALHFA, and classes at UC Berkeley and USC. She is a member of the Lambda Alpha Honorary Land Economics Society. Ms. Funk received her Bachelor of Arts degree from Smith College in Northampton, Massachusetts.



Keyser Marston Associates

Years in
the Industry

40+





REED KAWAHARA

A Principal in Keyser Marston Associates' San Francisco office, Mr. Kawahara has over 20 years of experience in urban planning, financial feasibility, real estate development, and market analysis. Before joining KMA, Mr. Kawahara worked in real estate development with BRIDGE Housing Corporation.

Key Role

During his tenure at Keyser Marston, Mr. Kawahara has developed expertise in financial feasibility and pro forma modeling of a wide variety of projects. He is experienced in structuring financing plans involving conventional debt instruments, tax increment, tax exempt housing bonds, tax credits, and Community Facilities District financing. Mr. Kawahara has also advised cities and agencies in the negotiation of public-private partnership agreements ranging from small residential and retail projects to large, multi-phased new communities.

Areas of Specialization:

Market Analysis

Mr. Kawahara is experienced in analyzing real estate markets for both commercial and residential land uses. This work has ranged from traditional market studies, to retail leakage analysis, to preparation of economic development strategies.

Real Estate Financial Feasibility

Mr. Kawahara is experienced in pro forma modeling and financial feasibility analysis of development projects including market studies, capital cost budgets, income and expenses, multi-year cash flow projections, sources of financing, and developer return analysis.

Public-Private Partnerships

Over the years, Mr. Kawahara has been instrumental in negotiating partnerships between public agencies and private developers for a wide range of complex development projects including mixed-use, transit-oriented development (TOD), residential, and various retail/office projects.

Professional Credentials

Mr. Kawahara received a B.A. in political science from the University of California, Davis and a master's degree in political science and urban studies from San Francisco State University. He is a member of ICSC, the Non-Profit Housing Association of Northern California, SPUR, and a former member of the San Francisco Redevelopment Agency South Beach-Rincon Point Citizens Advisory Committee. Mr. Kawahara is a frequent presenter on real estate economic and financial feasibility issues to such groups as CRA, APA, NPH, CSMFO, and graduate courses at local universities.



Keyser Marston Associates

*Years in
the Industry*

20+



HARRIET G. RAGOZIN

Ms. Ragozin is a Senior Associate in Keyser Marston Associates' San Francisco office. She joined KMA in 2003 and has participated in affordable housing and child care nexus analyses, inclusionary housing analyses, residential and commercial real estate feasibility analyses, redevelopment tax increment projections, and market assessments.

Affordable Housing Policy

Ms. Ragozin has worked extensively on affordable housing policy analyses, including inclusionary housing analyses, in-lieu fee studies, jobs-housing nexus analyses and residential nexus analyses. Former inclusionary housing and in-lieu fee work includes studies conducted for the cities of San Francisco, Palo Alto, Cupertino, Napa, Novato, and Campbell, among others. Typical tasks include the evaluation of development economics, the calculation of full cost recovery in-lieu fees for ownership and rental projects, and the evaluation of alternative program structures.

She has conducted jobs-housing nexus analyses, which quantify the linkages between construction of new commercial buildings and affordable housing demand, for Napa, San Diego, Walnut Creek, Sacramento, Cupertino and others. In addition to a quantitative nexus analysis, typical tasks also include evaluation of proposed fee levels in the context of local real estate economics, recommended fee levels, and surveys of similar fees in other jurisdictions.

She has also conducted many residential nexus analyses, which quantify the linkages between new market rate residential development and the demand for affordable housing, for many jurisdictions including Fremont, Hayward, Napa County, San Francisco and others.

Residential Financial Analyses

Ms. Ragozin has assisted in the assessment of market and financial feasibility analyses for proposed residential developments. Projects include market rate housing, affordable housing, and mixed-use projects. Such services have been provided in the cities of Santa Rosa, San Jose, Walnut Creek, Lafayette, Redwood City, San Leandro, Union City, and others.

Child Care Nexus Analyses

Ms. Ragozin has conducted child care nexus analyses linking new real estate development to the demand for child care facilities in the jurisdiction. Example cities include San Mateo, San Francisco, and Redwood City.

Professional Credentials

Ms. Ragozin holds a master's degree in public policy from the Goldman School of Public Policy at the University of California, Berkeley, and a bachelor's degree in economics from Williams College.



Keyser Marston Associates

Years in
the Industry

10+



03 Scope of Services

The following scope of services is for the preparation of residential and non-residential affordable housing nexus analyses for jurisdictions participating in a multi-jurisdiction effort. These affordable housing nexus analyses will enable jurisdictions to adopt housing impact fees and provide support for inclusionary housing requirements. The effort will be focused on jurisdictions within Santa Clara and Alameda Counties. It is anticipated that six jurisdictions in Santa Clara County and four jurisdictions in Alameda County will participate including Campbell, Los Altos, Milpitas, Santa Clara, Saratoga, the County of Santa Clara, Fremont, Union City, San Leandro, and Albany. The scope of services and proposed budget assume that if San Jose participates, it will have a separate but parallel contract and scope of services. For Fremont, only a non-residential nexus analysis is needed. The scope of services provides for the preparation of individual nexus analyses for each jurisdiction to establish jurisdiction-specific maximum affordable housing impact fee levels for residential and commercial development.

The residential nexus scope provides for an analysis of both for-sale and rental housing as part of the base scope of services. The San Jose case clarified that a nexus analysis is not needed to support inclusionary housing requirements (a nexus remains necessary to support requirements on rental projects under Palmer); however, a nexus analysis is still recommended on for-sale projects if requirements will apply to small projects or single units. In addition, potentially, some communities may wish to adopt impact fees for ownership projects in place of inclusionary requirements. For-sale units are included in the scope of work to provide jurisdictions with the flexibility to decide later whether or not for-sale units should be included in the nexus report.

A series of optional services are described that individual jurisdictions may wish to consider in addition to the basic scope of services. Optional services would include assistance with any custom or special analyses required by individual jurisdictions, assistance with program customization and participation in stakeholder meetings and public hearings as part of the adoption process.

Project Initiation and Analysis Parameters

To initiate the work program, a “kick-off” conference call will be held (possibly using a “webinar” format) with all the participating jurisdictions. The purpose of the initial call will be to walk through the scope, time line, and analysis approach, and outline some of the assumptions and analysis choices that we will be seeking feedback on during the first in-person workshop. We would also prepare a written data request list which we could review as part of the call. Data to be requested is generally readily available and will not require time consuming digging or compilation on the part of staff).

The kick-off call will be followed by an in-person workshop in which staff of all the participating jurisdictions would participate. We anticipate the workshop to be held approximately 4-6 weeks into the work program. In advance of the work session, KMA will review available existing documents such as housing elements, stock of affordable units, construction trends, and other relevant materials. We would also conduct some initial market research to help facilitate an informed discussion of residential prototypes.

KMA expects initial analysis decisions to be discussed as part of the workshop would include:

- Land use categories to be addressed in the commercial nexus study and major commercial projects in the pipeline.
- Prototypical residential projects for each of the jurisdictions to be used as a starting point in the conduct of the residential nexus analysis (building types, densities, etc.). The prototypes can be adjusted following completion of the market evaluation, but an initial discussion at this stage is often useful. Given the range of market conditions experienced in Santa Clara and Alameda counties, we expect the relevant residential prototypes, pricing and rent levels to vary significantly between the participating jurisdictions.
- Housing affordability levels or income tiers to be addressed in the residential and commercial nexus analyses (e.g. Extremely Low, Very Low, Low, and Moderate); the selected affordability levels should align with expectations for spending the fee revenues.



- Affordability gaps will be discussed in concept and in terms of analysis decisions such as typical affordable units to be assisted at each affordability tier and the choice of assuming availability of tax credits to offset the cost of producing affordable units.
- Selection of up to six (6) jurisdictions (in addition to the participating jurisdictions) for inclusion in a survey of affordable housing requirements as described in Task 4.

An assumption of this proposal is that Baird and Driskell will assist with organization and facilitation throughout the assignment including the kickoff conference call, the initial all hands workshop and collection of requested data from individual jurisdictions.

TASK 1: RESIDENTIAL NEXUS ANALYSES

This task includes preparation of residential nexus analyses to support potential affordable housing impact fees and requirements on residential development. The tasks in this section provide the technical analysis demonstrating the linkages between new market units and the demand for more affordable units. This analysis meets the needs of the California Code for the implementation of impact fees, or AB 1600 type mitigation fees. The overall concept of the nexus analysis is as follows:

Residents of new market rate residential units generate demand for services ranging from retail and restaurants to health care, education, and government. KMA's methodology tracks and quantifies a series of steps commencing with the price or rent levels of the new market rate unit, the income of the household that buys or rents it, the consumption of goods and services of the household, the new jobs generated by that consumption, and the fact that some of the jobs have lower paying compensation levels that result in new worker households needing affordable housing.

The steps of the analysis include:

1. Identification of Market Rate Residential Prototypes Applicable to Each Jurisdiction

KMA's practice when preparing a nexus analysis for a single jurisdiction is to conduct market surveys and describe prototype projects that represent the typical range of market rate projects in that jurisdiction. For this multi-jurisdictional effort, we anticipate that six to ten residential prototypes will be sufficient to address the range of densities and configurations likely to be experienced across the participating jurisdictions. However, while the prototypes will apply to multiple jurisdictions, the price and rent levels will be customized. The result will be nexus analyses that are customized to each jurisdiction based on:

- Inclusion of only those residential prototypes that are relevant to the individual jurisdiction; and
- Customized price and rent levels reflective of the market conditions of each individual jurisdiction.

KMA will develop a draft set of residential development prototypes representative of the types of projects likely to be experienced across the participating jurisdictions for discussion at the initial workshop. We would then follow up with individual jurisdictions with the assistance of Baird and Driskell as needed to refine the prototype assumptions. Any final adjustments to prototypes could be made following the meeting to review the complete draft of the technical analysis.

2. Market Survey

The selected residential prototypes will be articulated with prices and rents applicable to each jurisdiction based upon a market survey. KMA will utilize market data from published and purchased data sources from firms such as Real Estate Economics and Real Facts.

For jurisdictions that have experienced little recent residential development activity, it may be necessary to estimate pricing or rents. KMA can estimate pricing by making adjustments from projects in other jurisdictions or utilizing other data sources such as resales from older existing projects.



3. Residential Nexus Analyses

KMA's nexus analysis tracks and quantifies a series of steps commencing with the price and rent levels of the new market rate residential units, the income of the household that buys or rents it, the consumption of goods and services of the household, the new jobs generated by that consumption, and the fact that some of the jobs have lower paying compensation levels that result in new worker households needing affordable housing.

KMA's nexus analysis methodology uses two models to perform the nexus analysis. It is a methodology developed more than ten years ago as part of an assignment for the City of Seattle and used in more than twenty subsequent residential nexus assignments since then.

The overall concept is as follows: Residents of new market rate units generate demand for services ranging from retail and restaurants to health care, education, and government. KMA's methodology tracks and quantifies a series of steps commencing with the price or rent of the new market rate unit, the income of the household that buys or rents it, the household consumption of goods and services, the new jobs generated by that consumption, and the fact that some of the jobs have lower paying compensation levels that result in new worker households needing affordable housing.

The steps used in KMA's analysis are as follows:

Step One: Household Income for Residents of New Market Rate Units – Household income and purchasing power of residents in new market rate residential units is estimated based upon the price and rent levels. Price and rent levels are established based on market research on projects selling and renting in each jurisdiction. Household income is then estimated based on the income needed to qualify for a mortgage or lease for the prototype units.

Step Two: Demand for Goods and Services and Resulting Jobs – Household incomes from step one are input into the commercially available IMPLAN model to estimate the jobs generated at establishments that serve new residents.

All jobs serving new residents from restaurants, to retail, to schools, to healthcare are included. The IMPLAN model was developed roughly twenty-five years ago and has been refined over the years. It is widely used in planning applications throughout the U.S. Data sets specific to Santa Clara and Alameda Counties are utilized in the model. The analysis is almost always run to measure the impact within the county in which the jurisdiction is located, creating efficiencies in running all of the jurisdictions at the same time.

Step Three: Compensation Levels and Affordable Housing Demand of Workers – KMA's jobs-housing nexus model is used to estimate affordable housing demand of the retail, education, health care and other workers who provide goods and services to new residents. The KMA jobs housing nexus model was developed over 25 years ago for jobs housing impact fee programs and refined over the years. The model analyzes compensation levels of workers using detailed local data by occupation. Compensation levels for jobs are then converted to a distribution of household income that accounts for multiple-earner households. The output of the KMA model is the number of employee households at various income affordability levels.

The conclusion of the nexus analysis is the number of worker households, by affordability level, associated with each new market rate unit. The number of worker households quantified in the analysis conclusion varies depending on the price/rent level starting point of the analysis and the square foot size of the unit used to bring the analysis conclusions down to the per square foot level. In a subsequent task, the cost of delivering affordable units to the worker households is determined to enable findings to be converted into a maximum supported fee level per unit or per square foot.

For this multi-jurisdiction effort, we will prepare two separate "base" residential nexus technical analyses which reflect the separate county-specific income limits, census demographic information, and IMPLAN data sets that are applicable to Santa Clara and Alameda counties. The base technical analyses for the two counties will then be adapted for each jurisdiction using inputs specific to each of the participating jurisdictions.



TASK 2: NON-RESIDENTIAL NEXUS ANALYSES

Non-residential nexus analyses will be prepared to support potential jobs housing linkage fee programs for each of the jurisdictions that request these services.

1. Economic Overview and Review of Market Conditions

The tasks in this section provide contextual information regarding commercial development trends and expected future patterns in the participating jurisdictions. KMA will research trends in commercial development in Santa Clara County and review non-residential projects in the pipeline in the various jurisdictions. The review of market conditions is intended to provide context for understanding the diversity of market conditions, development prototypes, and end users of commercial space likely to be seen in the participating jurisdictions in the coming years and will serve as a foundation for identification and articulation of non-residential prototypes.

2. Building Type Selection for Non-Residential Nexus Analysis

KMA will work with each jurisdiction to identify a set of commercial development prototypes that provide a representative cross section of commercial development expected to occur in the coming years. Prototypes are expected to span retail, office, and hotel uses. Additional prototypes such as medical office, research and development/ biotech, and/or other non-residential use categories may be considered based on input and discussions with staff and findings of the review of market conditions. KMA has customarily used prototypes of 100,000 square feet in size to make the steps of the analysis easier for readers to follow and compare by land use. The results are in all cases converted to the per square foot level in the final steps of the analysis so that the conclusions may be applied to projects of any size. If there is a desire to represent prototype sizes that are more representative of actual project sizes, we are certainly willing to modify this customary approach, as we have recently done for another commercial nexus assignment.

3. Jobs Housing Nexus Analysis

This section produces the quantitative nexus analysis that meets the requirements of AB 1600 to demonstrate the relationships between the construction of the building types under study and the mitigation required (the impact fee).

KMA has developed a methodology to perform the nexus analysis in a highly efficient manner. The analysis uses employment data drawn from readily available, published government sources that provide cross matrices of occupations by industry types, and local, recent compensation data from the state Employment Development Department, which are updated regularly. KMA updates and refines the methodology frequently, to ensure that it continues to reflect best practices.

For ease of analysis and understanding, we normally conduct the analysis on prototype buildings of 100,000 square feet (as discussed above, building sizes could also be modified to reflect representative project sizes). At the conclusion of the analysis, the findings are divided by the building size to express the linkage in fractions of housing units. The maximum supported mitigation fee is ultimately expressed on a dollar-per-square-foot basis.

The analysis will contain the following steps or subtasks:

- *Category or Building Type Definition* – The types of buildings to be addressed in the study will be defined in the course of the work effort based on recent trends and expected development patterns over the next several years.
- *Translation to Number of Employees* – The findings on employment density and trends from the macro level nexus task, above, will be utilized in this section to estimate the number of employees associated with the prototype 100,000 square foot building.
- *Adjustments for Workers Per Household* – Using U.S. Census data, the number of employees will be adjusted to the number of households, recognizing that many households have more than one working member.



- *Allocation of Employee Households to Income Categories* – The nexus analysis then distributes the employees into an allocation by occupation and from occupation to income level using local wage and salary inputs. To calculate household income, the model employs a distribution of the number of workers per household by household size. For example, four-person households can have one, two, three, or four workers in the household. The model uses Census data to develop a distribution of the number of workers per worker household, by household size. The new employee households are then placed into income categories based on household size and household income.
- *Conclusions on the Number of Households at Each Income Category* – The conclusions are first expressed for the total prototype building and then converted to the per square foot level. The analysis produces findings on the number of housing units for each income classification.

For this multi-jurisdiction effort, two separate “base” jobs housing nexus technical analyses will be prepared which reflect the separate county-specific income limits and census demographic information applicable to Santa Clara and Alameda counties. The base jobs housing nexus analyses for the two counties will then be adapted to each of the participating jurisdictions.

TASK 3: AFFORDABILITY GAPS AND MAXIMUM FEE LEVELS SUPPORTED

This task provides the dollar link between the residential and non-residential nexus findings (from the prior tasks) and the cost of mitigation to determine the maximum justifiable fee levels. This link is made through the application of a set of affordability gaps which represent the net cost or subsidy required to produce affordable units for new worker households.

1. Affordability Gaps

The mitigation cost is the cost to deliver the affordable units in demand, as concluded in the residential and non-residential nexus analyses. The mitigation cost per unit is the affordability gap, or the difference between the cost to develop the affordable unit and the affordable price or unit value. The affordability gap depends on the affordability level in question (i.e. Very Low, Low, and Moderate). Affordable sales prices and rent levels are determined based on Area Median Income.

An affordability gap will be established at each affordability level to be analyzed in the nexus. The scope assumes three to four sets of affordability gaps will be developed that are representative of development costs within different geographic subareas, for example:

- West Valley (i.e. Los Gatos, Saratoga, Campbell, Los Altos, others)
- Silicon Valley Core Cities (i.e. Santa Clara, Milpitas)
- Central East Bay (i.e. Union City, San Leandro)
- North East Bay (Albany) – could be merged with Union City and San Leandro pending the results of the analysis.

Final selection of the appropriate geographic subareas for purposes of the affordability gap analysis will be based on input from participating jurisdictions and affordable unit development cost information assembled in the course of the work effort. While Fremont may be closely linked with the other Silicon Valley communities, due to its location in Alameda County with its separate income limits, it will either need to be grouped with the Alameda County cities for affordability gap purposes or occupy its own separate category.

Development costs should reflect a lower end average cost experience for delivering affordable units within each of the identified geographic sub-areas. Very Low and Low Income Households are generally assumed to be accommodated in rental units (as opposed to ownership units). Typically we assemble development cost information on



built or pipeline 100% affordable projects. For the moderate income tier, affordability gaps are typically based on a modest for-sale product such as a townhome or condominium. We assume Baird and Driskell will facilitate access to information about such projects in Santa Clara and Alameda Counties. The affordability gap analysis can be conducted with or without the assumption of federal tax credits and low cost financing availability, an analysis decision to be discussed as part of the initial work session as described above.

2. Mitigation Cost and Maximum Fees

The affordability gap for each income level is applied to the number of affordable units required to mitigate increased affordable housing demand from Tasks 1 and 2 to produce the total nexus cost, or the highest fee level supported by the nexus analyses.

For the residential nexus analyses, findings may be expressed either on a per market rate unit basis, on a per square foot basis, or both. Each of the residential prototypes identified at the outset of the nexus analysis with market prices and rents tailored for each jurisdiction will produce a different impact fee level. The conclusion of this task will be maximum supported fee levels from a legal or nexus perspective for each market rate prototype in each of the participating communities.

For the non-residential nexus analyses, findings will be expressed in terms of the maximum supported fee level per square foot of building area for each of the non-residential development prototypes identified in the analysis.

3. Overlap Analyses

For jurisdictions that pursue fees on both commercial and residential, KMA recommends that an analysis of potential overlap be prepared. There is a degree of overlap between jobs included in the residential and commercial nexus analyses. The extreme example is a mixed-use retail/residential project where the retail almost exclusively serves the new residents in the project. In this instance,

residential and commercial nexus analyses would each be counting some of the same jobs. While there is some overlap that needs to be addressed, a commercial nexus analysis typically counts many jobs that are not included in the residential nexus and vice versa. KMA has developed a methodology that examines the potential for overlap and demonstrates that the combined residential and commercial fees do not exceed the amount supported by the nexus after accounting for potential overlap.

4. Internal Review and Adjustment

The results of the initial draft residential and non-residential nexus analyses, affordability gap calculations from Tasks 1 through 3 will be refined, calibrated, and summarized in a concise format suitable for internal review. At this point we suggest an all hands meeting to discuss results and further options for fine-tuning analysis assumptions and inputs. Once the technical analysis has been finalized, KMA will proceed to the report drafting phase. Each jurisdiction will also need to decide whether for-sale units are to be included in the residential nexus analysis before report drafting can begin.

TASK 4: TASKS TO ASSIST WITH SELECTING FEE LEVELS

1. Summary of residential and non-residential fees in other jurisdictions

KMA will survey affordable housing requirements on market rate apartment development and non-residential development for each of the participating jurisdictions plus up to six additional comparison jurisdictions.

- a. *Residential Requirements* – The survey will address affordable housing requirements applicable to rental residential development and will provide a summary of key ordinance features such as thresholds and onsite alternatives. The results of the survey will be summarized in one or more charts. A brief narrative will summarize the key conclusions that may be drawn from the comparison.



b. *Non-residential requirements* – KMA will prepare a chart containing a comprehensive listing of jurisdictions that have commercial linkage fees in place. The chart will include an identification of fee levels by building type as well as a summary of key ordinance features such as thresholds and exemptions. KMA has previously assembled most of this information for other assignments. A brief narrative will summarize the key conclusions that may be drawn from the chart.

2. Residential Financial Feasibility

In adopting new fee programs, many jurisdictions find it informative to have an accompanying real estate financial feasibility analysis which analyzes the impacts that fees can have on the financial feasibility of new construction. Adoption of fees on new construction can be contentious with the development community and financial feasibility concerns are often raised by developers. It is for this reason that KMA sometimes incorporates a financial feasibility component to accompany our nexus analyses.

KMA will prepare an analysis of financial feasibility for apartment projects located within each of four geographic sub areas which, as an example, could be defined as:

- West Valley Cities (i.e. Los Gatos, Saratoga, Campbell, Los Altos, others).
- Silicon Valley Core Cities (i.e. Santa Clara, Milpitas, Fremont)
- East Bay Central (i.e. San Leandro, Union City)
- East Bay North (Albany)

The financial feasibility analysis will be intended to provide a representative picture of current apartment feasibility conditions within each of the four geographic areas. The focus of the feasibility analysis will be on apartment projects based on the expectation that many jurisdictions will consider impact fee requirements on apartments only based on the San Jose decision which allows existing inclusionary requirements on for-sale projects to remain in place without a need for nexus support. The feasibility analysis will be illustrative and will not analyze specific

projects in specific locations on specific sites. Representative figures for rent levels and fees and permit costs will need to be used for each of the sub areas understanding conditions may vary within individual communities.

We will conduct the financial feasibility analysis for two apartment prototypes, which we anticipate to include a higher-density prototype with structured parking and a lower-density apartment prototype with surface parking. A survey of market rents will already have been conducted as part of the base nexus study but other feasibility components such as land costs, construction costs, and developer returns will need to be analyzed.

The financial feasibility analysis will be presented as a residual land value analysis that identifies land values supported by current development economics. Residual land values can then be compared against recent land sales to draw conclusions about financial feasibility. As part of the financial feasibility analysis, KMA will analyze the impact potential fee requirements would have on the financial feasibility of residential development. Pro formas modeling the development economics of selected prototypical apartment projects will be prepared, first assuming 100% market rate projects. The pro formas will then be used as a tool to evaluate and test the ability of new apartment developments to absorb the cost of potential affordable housing fee requirements.

Development Costs – KMA will estimate the cost to develop each prototype. Key cost components include: on-site improvements, vertical construction costs, parking costs, architectural and engineering fees, impact and planning fees, financing costs, overhead costs, and all other “indirect” costs of construction. These estimates will be based on KMA’s database of cost data from similar residential projects, third party data sources, as well as contacts with members of the development community. It is assumed that participating jurisdictions will provide an estimate of applicable impact and permit fee requirements and that Baird and Driskell will facilitate the collection and assembly of this information.



Apartment Values – KMA will use the data gathered in the market survey to estimate current rental rates for apartment prototypes. Additionally, KMA will collect and evaluate the prices of recently sold apartment complexes and the capitalization rates reflected in the prices to the extent available. We obtain market data from a variety of sources including Dataquick, CoStar, Real Facts, and current market listings for new apartments on the market. Other data helpful in understanding market conditions includes building permit data and trends (Construction Industry Research Board), residential absorption rates and inventories, and residential pipeline projects.

It is assumed that jurisdictions will provide information on recently completed and pipeline apartment projects by completing a KMA-prepared template outlining the basic requested information such as number of units, average unit size, construction type, and number of stories. It is assumed that Baird and Driskell will coordinate the collection of information about pipeline apartment projects from each jurisdiction.

Warranted Investment and Financial Feasibility – In order for a new development project to be financially feasible, the projected income/revenues must exceed the development costs enough to generate a return (profit) to the developer that adequately recognizes the development risks. As a function of the large volume of residential projects KMA evaluates at any given time, we are well attuned to the developer return thresholds that are required by the private marketplace. To supplement our own sources, we also utilize third party sources to adjust developer return thresholds and cap rates including Real Estate Research Corporation (RERC) and Korpacz Investor Survey, both of which provide regular updates on the housing market.

Testing – KMA will utilize the financial feasibility analysis to test the viability of potential affordable housing fee requirements. If the analysis indicates the potential requirements are not currently viable, KMA will estimate the degree to which land values would need to decrease or apartment rents would need to increase to render the requirements feasible.

3. Non-Residential Total Development Costs

Understanding existing and proposed non-residential fee levels in the context of total development costs is another consideration that many cities include in their fee setting discussions. This task allows potential fee levels to be framed in terms of a percentage of the total development costs. Because fee levels for non-residential development tend to be far lower relative to costs compared to residential, full financial feasibility testing is usually not warranted.

This analysis evaluates the cost but not the rental income side of the financial feasibility equation. Total development costs inclusive of local land costs, local fees and all indirect costs will be summarized in the analysis.

KMA will prepare total development cost summaries for non-residential development located within three to four geographic subareas which, as an example, could be defined as:

- West Valley Cities (i.e. Los Gatos, Saratoga, Campbell, Los Altos, others).
- Silicon Valley Core Cities (i.e. Santa Clara, Milpitas, Fremont)
- East Bay (i.e. San Leandro, Union City, Albany)

For this task, KMA would first identify prototype projects for each of the non-residential land uses (office, retail, etc.) within each of the subareas. KMA would review information on projects in the pipeline to ensure that the prototypes represent projects that are likely to occur over the next several years. For each of the sub areas, KMA will analyze three to five non-residential prototypes.

It is assumed that jurisdictions will provide information on major pipeline projects through completion of a KMA-prepared template outlining the basic information requested such as square footage, construction type, parking configuration, and number of stories. It is assumed that Baird and Driskell will coordinate collection of information about non-residential pipeline projects from each jurisdiction.



Once prototypes have been established, KMA would estimate the cost to develop each prototype. KMA could estimate total development costs including estimates for land acquisition, on-site land improvements, vertical construction costs, parking costs, and indirects. These estimates will be based on existing analyses done for the City, information that KMA has on similar projects, as well as data provided by members of the development community. It is assumed that participating jurisdictions will provide an estimate of applicable impact and permit fee requirements and that Baird and Driskell will facilitate the collection and assembly of this information.

4. Small For-Sale Project Fee Context

One of the purposes of conducting the residential nexus analysis on for-sale projects will be to support potential fee requirements on smaller for-sale projects. While inclusionary requirements applicable to for-sale units do not require nexus support as affirmed by the recent San Jose decision, when requirements apply to small projects where on-site compliance is not practical, nexus support for fee alternatives is still recommended.

To provide context for fees that apply to small for-sale projects, KMA will put potential fee levels in the context of a percentage of the sales prices for market rate units to assist in evaluating the likelihood that proposed requirements would influence development decisions.

TASK 5: WRITTEN PRODUCTS AND REPORTS

1. Residential and Non-Residential Nexus Reports

KMA will prepare separate nexus study reports for each of the participating jurisdictions. Each report will include a description of the analysis, the methodology, the assumptions, and the findings. The reports will be supported by tables, data, and other materials relevant to the analysis. Separate reports will be provided for the residential and non-residential nexus analyses. The explanation of nexus analysis approach and assumptions will be similar across the reports for each jurisdiction.

KMA will prepare draft nexus reports for all of the jurisdictions more or less concurrently unless there is a desire to prioritize reports for certain jurisdictions based upon specific timing needs. Before we can begin drafting the reports, we will need to have finalized the technical analysis and confirmed with individual jurisdictions as to whether for-sale units are to be included as part of the nexus report. If requested, KMA could provide examples of residential and non-residential nexus reports in advance to provide an early opportunity for feedback on the report "template" to be used.

KMA will provide one draft and one final version of each report. Additional interim drafts for individual jurisdictions may be provided on a time and materials basis.

We also anticipate an all hands conference call following circulation of the drafts to review any general comments. All jurisdictions will be responsible for providing a single set of consolidated written comments on the draft reports.

2. Summary and Recommendations Report

A concise summary report covering all the analyses and recommendations will be prepared for the adoption process. The summary and recommendations report would be written for the general public and decision makers, laying out the analysis and conclusions and the context of the recommendations. Recommendations applicable to residential development will focus on requirements for rental projects and small for-sale projects. All other materials would be appendix documents for those interested in the detail and for reference in the ordinance language.

TASK 6: MEETINGS AND COMMUNICATIONS

KMA is recommending the following meetings and conference calls during the conduct of this assignment:

In-Person Workshops

1. *Initial Workshop* – the initial workshop is envisioned approximately 4 – 6 weeks into the work program and would follow a kick-off conference call. The workshop



will include a walk-through of the analysis methodology. A primary objective will be to obtain input into some key analysis decisions such as the income tiers to be addressed in the analysis and the residential and non-residential prototypes. KMA will have conducted some initial market research to enable an informed discussion of potential residential and non-residential prototypes.

2. *Interim Workshop* – Work session following completion of an initial draft of all the key nexus analysis findings to discuss any final refinements to be considered before moving to the report drafting stage.

We expect each workshop to run approximately 3 hours in length. KMA will prepare materials in advance including power point presentations and hand out materials such as outlines for discussion, data request lists, etc. For the initial workshop, KMA will present initial prototypes (residential and non-residential), income definition specifics, affordability gap materials, etc. We will include examples from elsewhere to illustrate how material are assembled and used. The Interim Workshop will focus on analysis results and how the results should be used, and discussion of programs and process for adoption. All sessions are expected to be interactive and allow staff to ask questions to make sure participants understand the analysis and process.

All-Hands Conference Calls

In addition to the in-person workshops, we assume three all-hands phone conferences will be held including a kick-off conference call, a call to review the initial report drafts, and one additional call to be scheduled as-needed.

Individual Jurisdiction Communications

We are assuming a limited level of one-on-one communication by phone and e-mail with individual participating jurisdictions to discuss prototype selection or other jurisdiction-specific issues that cannot be addressed as part of all hands workshops and conference calls. However, this proposal assumes that Baird and Driskell will serve as the first point of contact to jurisdictions throughout the assignment.

It is assumed that Baird and Driskell will coordinate all meetings so staff can meet at the same time. In person meetings will be supplemented with phone and e-mail communication with the Silicon Valley Community Foundation, Baird + Driskell, and participating jurisdictions.

Proposal Assumption: Common Approach

To deliver the nexus studies cost effectively, KMA is proposing that the analyses and reports be standardized in certain respects. We believe standardization can be accomplished without compromise to the validity of the findings or legal defensibility. Additional customization, if desired by some jurisdictions, could be addressed as an optional service. The following elements are proposed to be standardized across each of the nexus analyses:

- *Nexus technical analyses* – the nexus analyses will be based on a common approach and a common set of assumptions. Residential prototypes and pricing will vary by jurisdiction; however, most of the other underlying assumptions of the technical analysis will be consistent across jurisdictions.
- *Commercial Prototypes* – the nexus studies will address a common set of commercial development prototypes representative of the breadth of commercial development expected to be experienced across the participating jurisdictions. The reports will address the fact that not all prototypes are likely to be built in every jurisdiction.
- *Affordability Levels / Income Tiers* – the nexus analyses will address a common set of housing affordability levels (i.e. Very Low, Low, Moderate, etc.). Other tiers can be included if desired, Extremely Low or Median for example.
- *Reports* – The residential and non-residential nexus technical reports for all jurisdictions are assumed to have a standardized format with largely common explanatory text and exhibits.



OPTIONAL SERVICES

The following optional tasks are focused on assistance with program customization, additional meeting participation, and assistance with the adoption process. Optional services are not included as part of the proposed budget. For optional services, we are providing an indicative budget range rather than a firm price proposal. Costs for optional services will vary depending on the specific needs of individual jurisdictions.

Optional Task A. Financial Feasibility Analysis – Additional Customization or Testing

An analysis of real estate financial feasibility for market rate apartment projects is included as part of the basic scope of service. The analysis will provide an analysis for four geographic sub areas but will not be jurisdiction-specific. Individual jurisdictions may wish for further customization to fine tune the analysis to their specific jurisdiction and / or test additional scenarios. KMA can provide additional customization and testing for individual jurisdictions on a time and materials basis. Some jurisdictions may also be interested in analyzing the financial feasibility of for-sale projects.

Optional Task B. Policy Evaluation/Fee Recommendations

This additional service would entail review of the jurisdictions key policy documents that address housing (Housing Element, etc.), review of local market strength for residential and non-residential development and other factors affecting selection of fee levels recommended to take forward for adoption. For cities that have inclusionary programs that require on-site affordable units, KMA will analyze the cost to the project (per market rate unit and per square foot of each market rate prototype) of the on-site requirement so that impact fee levels can be understood in the context of the on-site requirement. Following KMA review of materials and analysis of inclusionary requirements, we would meet with the jurisdiction to discuss recommendations.

In many ways, this is a more policy based, more in-depth and more customized approach to recommendations compared to that which will be provided in the Basic Services part of the work program.

Costs will range from \$2,500 to \$5,000 for most jurisdictions. Cost range depends on number of prototypes, range of conditions within the jurisdiction, and whether there is an inclusionary program that has on-site units.

Optional Task C. Local Program Customization

This task offers a level of services beyond fee levels, indicated in the previous task. A fee program may include thresholds for compliance, step ups, phase in. Also certain exemptions are common and need to be determined before a program is taken forward to adoption. We can also assist with findings language for the ordinance(s) and provide sample ordinances. Finally, we could arrange to subcontract with a legal services firm to draft the ordinance(s). Costs are anticipated to range from \$1,500 to \$3,000 (excluding additional legal).

Optional Task D. Assistance with the Adoption Process / Additional Meetings

KMA may be contracted to attend meetings and/or make presentations to Commissions, Councils and Boards. For presentations, KMA will prepare a power point and work with staff to integrate the material. Also, meetings with stakeholder groups could be added to the work program. In general, \$1,500 per meeting plus expenses should be anticipated, plus an additional \$1,000 for a power point and coordination with staff.



04 Timeline

The following is an illustrative schedule for the multi-jurisdiction effort. We are anticipating the process from initiation of the assignment to completion of all work products will take approximately 8.5 months. We are happy to discuss schedule modifications that may be needed to better align with specific objectives of the participating jurisdictions.

<i>Task / Milestone</i>	<i>Approximate Timing *</i>
All Hands Conference Call to Initiate Assignment	Week 2
Initial Workshop with all jurisdictions	Week 6
Completion of Initial Draft of all Technical Analyses	Week 18
Second All-hands Workshop to review draft analyses	Week 20
Completion of draft Non-Residential Reports (all 11 reports)	Week 25
Completion of draft Residential Reports (all 10 reports)	Week 27
Comments due back on Non-Residential Reports	Week 27
Comments due back on Residential Reports	Week 29
All Hands Conference Call to Review Comments	Week 30
Final Reports	Week 35

**measured from contract execution and authorization to proceed unless otherwise noted. We would also appreciate a two week hiatus over the holidays, with the ensuing dates adjusted accordingly.*



05 Budget

BUDGET ESTIMATE FOR BASE SERVICES TO ALL JURISDICTIONS		Total Budget (Shown @ 10 Jurisdictions)
Task 1 - Residential Nexus		
1 Prototype Selection for Each Jurisdiction		\$4,500
2 Market Survey		\$20,000
3 Nexus analysis		\$39,000
Subtotal Task 1		\$63,500
Task 2 - Non-Residential Nexus		
1 Review of Market Conditions		\$6,500
2 Non-Residential Building Type Selection		\$10,000
3 Jobs Housing Nexus - # of units supported		\$22,000
Subtotal Task 2		\$38,500
Task 3 - Affordability Gaps and Maximum Fee Levels Supported		
1 Affordability Gap Analysis (4 subregions)		\$16,000
2 Mitigation Cost and Maximum Fees		
a. Residential		\$9,000
b. Non-Residential		\$10,000
3 Overlap Analysis		\$20,000
Subtotal Task 3		\$55,000
Task 4 - Tasks to Assist in Setting Fee Levels		
1 Affordable housing fees in comparison cities		\$4,500
2 Financial Feasibility: Apartments (4 subregions)		\$35,000
3 Non-Residential Dvlpmt Cost (4 subregions)		\$25,000
4 Small for-sale project fee context		\$2,500
Subtotal Task 4		\$67,000
Task 5 - Written Products and Reports		
1 Residential Nexus - base report		\$5,000
Customization to each jurisdiction		\$17,000
2 Non-Residential Nexus - base report		\$3,000
Customization to each jurisdiction		\$20,000
3 Summary and Recommendations Reports		\$25,000
Subtotal Task 5		\$70,000
Task 6 - Meetings and Communications		
1 Kickoff Workshop with all jurisdictions		\$5,500
2 Individual jurisdiction communication		\$10,000
3 Workshop with all jurisdictions on results		\$5,000
4 All hands conf. calls (@3, w/3-4 KMA staff)		\$3,375
Subtotal Task 6		\$23,875
Reimbursable Expenses		\$4,000
Total - Base Scope of Services		\$321,875
Total Cost Per Jurisdiction @10 Jurisdictions		\$32,188

Notes: All jurisdictions must have signed on to the effort up front for the cost efficiencies assumed in this budget to be achieved. The budget estimate for tasks related to the residential nexus does not include Fremont because a residential nexus is not needed. The budget estimate will be adjusted based upon the final number of participants. The estimate does not include potential participation by San Jose which is assumed to proceed under a separate contract.



2015/2016 Fee Schedule

A. JERRY KEYSER*	\$280.00
MANAGING PRINCIPALS*	\$280.00
SENIOR PRINCIPALS*	\$270.00
PRINCIPALS*	\$250.00
MANAGERS*	\$225.00
SENIOR ASSOCIATES	\$187.50
ASSOCIATES	\$167.50
SENIOR ANALYSTS	\$150.00
ANALYSTS	\$130.00
TECHNICAL STAFF	\$95.00
ADMINISTRATIVE STAFF	\$80.00

Directly related job expenses not included in the above rates are: auto mileage, parking, air fares, hotels and motels, meals, car rentals, taxies, telephone calls, delivery, electronic data processing, graphics and printing.

Monthly billings for staff time and expenses incurred during the period will be payable within thirty (30) days of invoice date.

** Rates for individuals in these categories will be increased by 50% for time spent in court testimony.*

