



SAN DIEGO
HOUSING
COMMISSION

LAND USE & HOUSING REPORT

DATE ISSUED: April 11, 2011

REPORT NO: LUH 11-007

ATTENTION: Chair and Members of the Land Use & Housing Committee
For the Agenda of April 27, 2011

SUBJECT: Proposed Amendments to Inclusionary Ordinance [Inclusionary Affordable Housing Regulations]

COUNCIL DISTRICT: Citywide

REQUESTED ACTION:

Recommend approval of the amendments to the Inclusionary Affordable Housing Regulations (Chapter 14, Article 2, Division 13 of the San Diego Municipal Code) and Inclusionary Affordable Housing Implementation and Monitoring Procedures ("Procedures Manual") to the Planning Commission and to the San Diego City Council.

STAFF RECOMMENDATION:

That the Land Use & Housing Committee:

- 1) Recommend adoption by San Diego City Council of the proposed amendments to the Inclusionary Affordable Housing Regulations; and,
- 2) Recommend adoption by San Diego City Council of the proposed amendments to the Procedures Manual.

SUMMARY:

The City of San Diego's Inclusionary Affordable Housing Regulations (SDMC §142.1301 et seq.) (the "Regulations" or "Inclusionary Regulations", herein) require the San Diego Housing Commission to annually report to the City Council and the Housing Authority of the City of San Diego on the results of implementing the Inclusionary Regulations. (SDMC §142.1312.) Per the code, the San Diego Housing Commission's report should include information concerning the number of developments before the City for approval, the number of units and developments subject to the Inclusionary Regulations, the number of waivers, variances and exemptions applied for and received, and the number of market rate units and affordable units developed under the Inclusionary Regulations.

This section of the Report is intended to fulfill the Housing Commission's reporting requirements under the Regulations.

1. Number of Projects and Units Subject to Inclusionary Regulations: Since adoption of the Inclusionary Regulations in 2003, a total of 563 new residential developments have come before the City requesting a ministerial building permit, representing a total of 16,116 units. Of these new developments, 46 have building permits pending and 517 have received a building permit. All discretionary projects that have come to fruition have also sought ministerial building permits from the City, and are therefore tracked for purposes of the Regulations, as ministerial projects. These developments are located all over the City but most of the permits were concentrated in the Mission

Beach Community Plan Area (69 permits), Pacific Beach (59 permits) and Uptown (44 permits). If the total permits were examined by number of units, Centre City (6,052 units) experienced the largest number of permits by unit followed by University (1,321 units) and Mission Valley (808 units). The largest number of permits issued for affordable units were found in Centre City (535 affordable units), City Heights (321 affordable units) and Barrio Logan (216 affordable units).

- 2. Waivers and Variances.** Since the Inclusionary Regulations were enacted, there have been 3 variances and 1 waiver. The Morena Vista project was granted a variance to allow fewer units at a higher restricted rent, where the project was also subject to an agreement with the Redevelopment Agency. The other two variances were granted to the Costa Verde North and South condominium conversions allowing the developer to fix the rate of the in lieu fee at the current rate but defer payment until the time that the first condominium sells. One waiver has been granted during the history of the Inclusionary Regulations to the Chabad School's development of student and faculty housing.
- 3. Exemptions.** Exemptions from the Inclusionary Regulations were granted to 159 developments including developments with an existing vesting tentative map, an existing development agreement with the City, and/or projects involving development of affordable, Navy or student housing. This number does not include exemptions for developments located in the North City Future Urbanizing Area, which are subject to different inclusionary zoning requirements in the North City Future Urbanizing Area Framework Plan.
- 4. In Lieu Fees.** Since the adoption of the Inclusionary Regulations, the City has collected a total of \$46.1 million in inclusionary housing in lieu fees. Of this amount, \$44.9 million has been committed toward the development of 1,565 affordable units. Inclusionary housing fees collected are typically leveraged with other funding sources including funds from Housing Trust Fund, Low/Mod Housing Funds from the Redevelopment Agency and other State and Federal resources. A total of \$1.26 million remains uncommitted for use towards future affordable housing developments.
- 5. Study.** Additionally, Section 142.1312 of the Inclusionary Regulations requires the San Diego Housing Commission to direct a study "to determine the relationship in nature and amount between the production of market-rate residential housing and the availability and demand for affordable housing in San Diego." To that end, the Housing Commission issued a request for proposals and contracted with Keyser Marston Associates for the completion of such a study. Keyser Marston Associates has prepared a 2011 Residential Nexus Analysis, attached, which addresses the linkages between the construction of market rate residential units and the demand for affordable housing in the City. The Residential Nexus Analysis illustrates a supported nexus between market rate residential housing and the need for affordable housing in the City of San Diego, which is addressed by the Inclusionary Regulations. The Residential Nexus Analysis determined that the in lieu fee currently at \$4.98 per square foot for projects of 10 or more is reasonable and is significantly lower than the maximum supportable fees from the nexus perspective.

DISCUSSION:

The Costa-Hawkins Rental Housing Act was enacted in response to rent control issues and generally requires that an owner of residential property be allowed to establish the initial rents for a dwelling unit, except when certain exceptions apply. (Cal. Civil Code §1954.52.) In 2009, the California Court of Appeals applied the Costa-Hawkins Rental Housing Act to an inclusionary housing ordinance in the

City of Los Angeles. (*Palmer/Sixth Street Properties L.P. v. City of Los Angeles* (“Palmer”) (2009) 175 Cal. App. 4th 1396.)

General Counsel of the San Diego Housing Commission and the City Attorney’s Office continue to agree that neither *Palmer*, nor any other case law or regulation, has invalidated the City’s Inclusionary Affordable Housing Regulations. Further, the Costa-Hawkins Rental Housing Act only applies to rental units, and, therefore, does not affect the Regulations’ requirements applicable to for-sale residential development or to condominium conversions. Importantly, the Inclusionary Affordable Housing Regulations, as applied to rental residential developments, are significantly different from the inclusionary housing ordinance at issue in the *Palmer* decision.

The in lieu fee in the Regulations is also substantially different in application and calculation from the fee at issue in *Palmer*. The fee at issue in *Palmer* was based “solely” upon the number of units to be made affordable. In San Diego, the fee is based upon the total square footage of the project, including all units. In *Palmer*, the fee was set based upon whether a unit was a low or very low income unit, each type of unit paying a set fee. In San Diego, two projects with the same number of units could pay a slightly different fee, because the square footage of the two projects is different. So the City of San Diego’s fee is not based solely upon the number of affordable units with any project.

For the foregoing reasons and others, General Counsel and the City Attorney have taken the position that rental residential development in the City of San Diego remains subject to the Regulations and that applicants may elect to comply by either providing affordable rental units in exchange for certain development incentives or deviations or density bonuses or by the payment of the fee. Each application is being reviewed, on a case by case basis, to assure compliance with the applicable law.

However, since the *Palmer* decision, the City and Housing Commission have received numerous inquiries about the application of the Inclusionary Affordable Housing Regulations to specific developments. In order to provide clarity with respect to the Regulations in light of *Palmer*, the San Diego Housing Commission, the City, General Counsel of the San Diego Housing Commission and the City Attorney are all recommending an amendment to the Regulations, at this time, to provide desired simplification and clarity. Several other California cities have amended or are in the process of amending their inclusionary programs in light of *Palmer* and the Costa-Hawkins Rental Housing Act.

SUMMARY OF REVISIONS:

Under the current Inclusionary Affordable Housing Regulations, applicants for the development of residential projects that are subject to the Regulations may elect one of three separate and distinct ways of satisfying the Regulations: (1) providing 10 percent of the total dwelling units as affordable for-sale units; (2) providing 10 percent of the total dwelling units as affordable rental units; or (3) paying an in lieu fee.

A. Inclusionary Affordable Housing Fee:

The proposed amendment would require all applicants subject to the Regulations to pay an “Inclusionary Affordable Housing Fee”. Under the proposed amendment, an applicant could, at its sole option, elect to provide affordable for-sale units instead of paying the fee. The rate of the Inclusionary Affordable Housing Fee would be calculated in the same manner as the in lieu fee under the existing Regulations, which is in accordance with the following formula found in the Procedures Manual:

- 50 percent of the difference between the median sales price of all new construction home sales in the City for the last year to the time of adjustment and the amount of money a median-income family of the appropriate size is able to afford to purchase a unit.
- The product of the above calculation is then multiplied by ten percent (10%), the inclusionary requirement.
- The result of the above calculation shall then be divided by the average square footage of the new units constructed in the City in order to determine the level of the Inclusionary Affordable Housing Fee.

It is being proposed that the reduced fee applicable to projects of fewer than ten units be removed, as there is really no justification for this reduction. A separate Condominium Conversion Inclusionary Affordable Housing Fee would also be created, which is discussed in more detail below.

Consistent with current practice, applicants would be required to pay the Inclusionary Affordable Housing Fee prior to receiving their initial building permit(s). Under the proposed amendment, the amount of the Inclusionary Affordable Housing Fee would be determined based on the date that the application for building permit was filed. An applicant could pre-pay the fee, however, which would freeze the fee at the rate in effect at the time of pre-payment.

The Residential Nexus Analysis prepared by Keyser Marston Associates, discussed above, determined that the current fee of \$4.98 per square-foot is substantially below the fee that could be legally charged. Depending upon the building type, the fee being charged is between 7.9 percent and 21.1 percent of the fee that could be charged in accordance with the nexus study. The fees could range from \$23.56 per foot for single family homes to \$62.84 for high density condominium projects. **There is no intention to increase the amount of the fee to the levels supported by the analysis.**

The City requires that 10 percent of the units constructed be affordable, if an applicant chooses to restrict units rather than paying a fee. However, under the findings of the Residential Nexus Analysis, that percentage for newly constructed units could range from 15 percent to 27.4 percent depending upon the building type. Again, there is no recommendation to change the nexus percentages with this proposed amendment. The requirement is proposed to stay at the 10 percent level for all new development. The proposed fee meets all legal nexus requirements of the recent case of *Building Industry Association of Central California v. City of Patterson* ("Patterson") (2009) 171 Cal. App. 4th 886.

B. For-Sale Affordable Units.

Instead of paying the Inclusionary Affordable Housing Fee, under the amended Regulations an applicant can elect to comply with the Regulations by providing at least 10 percent of the total units as affordable to and occupied by targeted ownership households, which are households earning at or below 100 percent of area median income. Any applicants developing condominium conversions could elect to provide at least 5 percent of the total units as affordable for sale units, discussed below.

The requirements applicable to for-sale affordable units in the amended Regulations would not change substantially from the requirements applicable to for-sale affordable units provided under the current Regulations. The sales price would be restricted to an amount that is affordable to households earning at or below 100 percent of area median income. The equity in the unit would still be shared between the owner and the Housing Commission at the time of the first sale. The amended Regulations adopt clarified definitions of “equity” and “resale” based on the documentation currently used for for-sale affordable units provided under the current Regulations. Equity would not be shared if the resale was to another qualified targeted ownership household. The City is still entitled to the first right of refusal of any for-sale affordable unit.

The Procedures Manual, as amended, would require that for any partial unit calculated, the applicant would either pay a prorated Inclusionary Affordable Housing Fee or provide an additional affordable unit, at the applicant’s option. Applicants providing affordable for-sale units would be subject to all of the regulations already in effect concerning such units, including the requirement to record a declaration of covenants, conditions and restrictions against the property secured by a deed of trust in favor of the Commission.

C. Affordable Rental Units.

Under the amended Regulations, any applicant desiring to construct and operate affordable rental housing would apply to the San Diego Housing Commission for an exemption from the payment of the Inclusionary Affordable Housing Fee. To qualify for the exemption, an applicant would be required to demonstrate, to the satisfaction of the San Diego Housing Commission, all of the following:

- (1) That at least ten percent (10%) of the total units at the project will be affordable to and occupied by targeted rental households, which are households earning at or below 65 percent of area median income, for a period of not less than 55 years;
- (2) That the dwelling units are not subject to any prohibitions against the restriction of rents contained within the Costa-Hawkins Rental Housing Act, as explained in the *Palmer* case. The applicant may demonstrate an exemption from the Act by entering into an agreement with a public entity in consideration for a direct financial contribution or any other form of assistance specified in Government Code section 65915 et seq. and/or as otherwise permitted under the provisions of the Costa Hawkins Rental Housing Act; and
- (3) That the applicant agrees to execute a declaration under penalty of perjury stating that the dwelling units at the project satisfy (1) and (2) above.

An applicant who seeks and is granted an exemption for rental affordable housing units would also record a declaration of covenants, conditions and restrictions against the property, which would set forth the restricted rents and occupancy requirements. The declaration would be secured by a deed of trust in favor of the San Diego Housing Commission. This requirement is not a significant change from the current Regulations, but would serve to provide clarity to applicants.

The Procedures Manual, as amended, would require that for any partial unit calculated, the applicant would either pay a prorated Inclusionary Affordable Housing Fee or provide an additional affordable

unit, at the applicant's option. Affordable units provided pursuant to this exemption could be provided off site, subject to the restrictions currently applicable to off-site affordable units. The Procedures Manual would also contain other requirements that are currently applicable to affordable rental units including the method of the determination of rent, construction standards for affordable units, monitoring procedures, etc.

D. Condominium Conversions.

The proposed amendment would create a new section addressing application of Inclusionary Regulations specifically for condominium conversions. All condominium conversions would be required to pay a Condominium Conversion Inclusionary Affordable Housing Fee, which is equal to half of the Inclusionary Affordable Housing Fee. The Condominium Conversion Inclusionary Affordable Housing Fee shall be paid at the close of escrow of the first condominium sold and will be calculated using the rate in effect at that time, just as is currently the practice under the provisions of the Procedures Manual. An applicant would be able to pre-pay the Fee at the rate in effect at the time of payment.

Instead of paying the Condominium Conversion Inclusionary Affordable Housing Fee, a condominium conversion applicant could elect to provide at least 5 percent of total units at the project as affordable to and occupied by targeted ownership households, earning at or below 100 percent AMI. These affordable for-sale units would be provided in the same manner as the affordable for-sale units discussed above. They would be restricted by declaration of covenants, conditions and restriction and deed of trust in favor of the San Diego Housing Commission. They would also be subject to the equity sharing provisions in the Regulations. The 5 percent inclusionary requirement for condominium conversions represents a decrease in the percentage from 10 percent. This is being proposed because the current Residential Nexus Analysis shows that the nexus for condominiums, in this greatly depressed market, is generally between 5 percent and 8 percent, resulting in a recommendation to reduce the inclusionary requirement for condominium conversions to 5 percent.

Even at this reduced percentage, the current per square foot rate of \$4.98 is lower than the rate supported by the Residential Nexus Analysis. Even in this market, the rate could be set in the range of between \$6.57 to \$15.26 per square foot according to the Residential Nexus Analysis. With the proposed change in the Regulations, the rate for all condominium conversions will be \$2.49 per square foot, or one half of the current rate for projects having 10 units or more. This is being suggested because of the current depressed market and because inclusionary requirement is being reduced from 10 percent to 5 percent. Accordingly, under the proposed change the rate for new applications will be \$2.49 per foot for all sized condominium conversion projects, whether below or above 10 units.

A third option available to some applicants developing a condominium conversion is an exemption for condominiums that will initially be affordable to and sold to households earning at or below 80 percent of area median income. The market surveys conducted for the Residential Nexus Analysis indicates that because of the depressed market currently, some condominium conversions will be affordable both before and after conversion at or below 80 percent of AMI. For these projects, there is a recommendation that they be exempt from the regulations, if the applicants seek the exemption. Under this exemption there would be no limit on the size of the units, nor restriction that the sale be to a first time homebuyers, nor that the units be occupied by the low income purchasers. In addition, the buyers

could own other property. Applicants desiring to be exempt from the Regulations would execute a declaration under penalty of perjury stating that all the condominium units in their projects will be initially sold at or below 80 percent of area median income. This exemption is intended to address those condominium conversions. New applications meeting the exemption requirements would be exempt from the Regulations, including payment of the inclusionary fee. However, if the Commission were to later determine that the units were actually being sold at or above the 80 percent level, then the Commission would impose the Condominium Conversion Inclusionary Affordable Housing Fee. This would be determined through a requirement that the applicant report to the Commission as each of the units are sold. At such time the Commission, could spot verify that the exemption is appropriate.

The 80 percent AMI, or low income exemption, is in addition to the 150 percent AMI exemption that is also included within the Regulations. The 150 percent exemption requires that the prospective purchaser be a first time homebuyer, occupy the unit, not own other real estate and that unit contain at least two bedrooms.

E. Pending Projects.

A new section was added to the Procedures Manual to address projects that have already been processed under the existing Inclusionary Affordable Housing Regulations and that have entered into written agreements with the San Diego Housing Commission to pay the "In Lieu Fee", that is applicable at the time of the close of escrow for the first condominium unit within the project. Under these agreements, payment of the In Lieu Fee is required at a future date at the rate in effect on that date. This new section states that for purposes of these agreements the In Lieu Fee shall mean the Inclusionary Affordable Housing Fee in effect at the due date, not the reduced Condominium Conversion Inclusionary Affordable Housing Fee. If the project was a condominium conversion of fewer than 10 units, then the In Lieu Fee shall be half of the Inclusionary Affordable Housing Fee, as is the current law.

F. Other Changes.

Additional revisions to the Regulations and Procedures Manual are being proposed to clarify and simplify the Regulations. Further revisions were needed to effectuate the change from an in lieu fee to an Inclusionary Affordable Housing Fee. Going forward all projects would be required to pay the Inclusionary Affordable Housing Fee, unless it sought and was granted a Costa Hawkins exemption from the Commission or unless the applicant determined to provide affordable for sale housing. The waiver language in the Procedures Manual was removed since that language was previously incorporated into the Regulations.

FISCAL CONSIDERATIONS:

Approval of the action could provide additional income to the Affordable Housing Fund; however, Staff and General Counsel believe that the requirements and options available to applicants are not so significantly changed as to dissuade the development of affordable housing by applicants. Therefore, applicants who would have elected to provide affordable units under the current Inclusionary Affordable Housing Regulations are still expected to provide affordable units under the proposed amendment, after seeking an exemption from the Commission. Likewise, applicants who would have paid the in lieu fee under the Regulations would likely pay the inclusionary affordable housing fee under the proposed

amendments, resulting in no significant change in income anticipated from fees under the amended Inclusionary Affordable Housing Regulations.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

This item was heard at the Housing Commission Board Meeting of April 15, 2011. Staff will be available to report on the outcome. The Inclusionary Affordable Housing Regulations were last amended by the San Diego City Council in January 2010. The proposed amendments have been, or will be, heard at the Code Monitoring Committee on April 13, Community Planning Committee on April 26. The proposed amendments will also be heard by Planning Commission and City Council, in the near future.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Key stakeholders include residential property developers as well as individuals needing affordable rental and for-sale housing. The intended impact is to clarify the existing Inclusionary Affordable Housing Regulations with respect to the recent *Palmer* decision while maintaining the same practical effect of the Regulations in the development of affordable housing opportunities in all areas of the City.

ENVIRONMENTAL REVIEW:

This proposed transaction is not a "project" pursuant to Section 15378(b)(5) the California Environmental Quality Act (CEQA) Guidelines, as determined by the City's Development Services Department. Because no federal funding would result from this action, processing under the National Environmental Policy Act (NEPA) is not required.

Respectfully submitted,

Approved by,

Charles B. Christensen
Charles B. Christensen
General Counsel
San Diego Housing Commission

Richard C. Gentry
Richard C. Gentry
President & Chief Executive Officer

- Attachments:
1. Inclusionary Affordable Housing Regulations, Redline Version
 2. Inclusionary Affordable Housing Regulations, Final Version
 3. Inclusionary Affordable Housing Implementation and Monitoring Procedures, Redline Version
 4. Inclusionary Affordable Housing Implementation and Monitoring Procedures, Final Version
 5. Keyser Marston Associates (KMA) Nexus Study
 6. KMA Addendum Condominium Conversion Nexus Analysis

Hard copies are available for review during business hours in the main lobby of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials on the San Diego Housing Commission website at www.sdhc.org.

ATTACHMENT 1

Article 2: General Development Regulations**Division 13: Inclusionary Affordable Housing Regulations**

(Added 6-3-2003 by O-19189 N.S.)

§ 142.1301 Purpose of Inclusionary Affordable Housing Regulations

The purpose of this Division is to encourage diverse and balanced neighborhoods with housing available for households of all income levels. The intent is to ensure that when developing the limited supply of developable land, housing opportunities for persons of all income levels are provided.

(Added 6-3-2003 by O-19189 N.S.)

§ 142.1302 When Inclusionary Affordable Housing Regulations Apply

This Division applies to all residential *development of two (2) units or more*, except as provided in Section 142.1303. The requirements of this Division shall not be cumulative to state or other local affordable housing requirements where those units are subject to an affordability restriction recorded against the property by the state or local agency. To the extent that state or local regulations are inconsistent with the requirements of this Division for the amount of the fee, length of the restriction or the level of affordability, the more restrictive of the two shall apply.

(Added 6-3-2003 by O-19189 N.S.)

§ 142.1303 Exemptions From the Affordable Housing Inclusionary Regulations

This Division is not applicable to the following:

- (a) Residential *development* located in the North City Future Urbanizing Area that is within *Proposition A Lands* of the City of San Diego or any project located in an area of the City that was previously located in the North City Future Urbanizing Area and has been phase shifted into the *Planned Urbanized Communities*, and is subject to the inclusionary zoning requirements contained in the North City Future Urbanizing Area Framework Plan, San Diego Municipal Code section 143.0450(d), the Subarea Plans, Development Agreements, Affordable Housing Agreements, or conditions of approval of a *development permit*, as applicable.
- (b) Residential *development* or portion of the *development* that meets the following criteria:

- (1) The unit is being sold to persons who own no other real property and will reside in the unit;
 - (2) The unit is affordable to and sold to households earning less than one hundred fifty percent (150%) of the area median income;
 - (3) The unit has two (2) or more bedrooms; and
 - (4) The unit(s) has recorded against it an agreement between the *applicant* and the San Diego Housing Commission assuring that the provisions of Section 142.1303~~(b)~~(c) have been met.
- (c) Rehabilitation of an existing building that does not result in a net increase of *dwelling units* on the *premises*.
- (d) *Density* bonus units constructed in accordance with the provisions of Chapter 14, Article 3, Division 7.
- (e) Certain *condominium conversion developments* as set forth in Section 142.1307(c).

(Amended 3-8-2004 by O-19267 N.S.)

(Amended 4-8-2008 by O-19734 N.S; effective 5-8-2008.)

§ 142.130410 In-Lieu Fee Regulations Inclusionary Affordable Housing Fee

All development subject to this Division, except for *condominium conversion developments* which shall comply with Section 142.1307, shall pay an *Inclusionary Affordable Housing Fee* to the City.

In accordance with Section 142.1306(b)(4), an *applicant* may pay an in lieu fee subject to the following regulations and the Inclusionary Affordable Housing Implementation and Monitoring Procedures Manual:

- (a) The *Inclusionary Affordable Housing Fee* shall be the product of the applicable per square foot charge (i.e., the rate) multiplied by the aggregate gross floor area of all of the units within the development. The rate of the in lieu fee shall be determined as follows:
 - (1) ~~For building permits that are obtained within three (3) years of the date that the subject application for the first tentative map or development permit was deemed complete, the rate of the in lieu fee shall be the rate in effect at the time the application for that first tentative map or development permit was deemed complete.~~

- (2) ~~For building permits that are not obtained within three (3) years of the date that the subject application for the first *tentative map* or *development permit* was *deemed complete*, but are issued within three (3) years of the date of approval of the first *tentative map* or *development permit*, the rate of the in lieu fee shall be the rate in effect at the time that first *tentative map* or *development permit* was approved.~~
- (3) ~~For building permits that are not obtained within three (3) years of the date that the subject application for the first *tentative map* or *development permit* was *deemed complete*, and that are not issued within three (3) years of the date of the approval of the first *tentative map* or *development permit*, the rate of the in lieu fee shall be the rate in effect at the time the application for the building permit is *deemed complete*.~~
- (4) ~~For any *tentative map* or *development permit* approved on or before July 3, 2006, that contains a condition to pay the inclusionary housing in lieu fees, the rate of the in lieu fee at building permit issuance shall be fixed at not more than \$1.25 per square foot for projects of nine (9) or less residential units or \$2.50 per square foot for projects of ten (10) or more residential units for a period of three (3) years from the date the *tentative map* or *development permit* was approved, or until July 3, 2006, whichever occurs later. The rate of the in lieu fee thereafter shall be the rate in effect at the time the application or the building permit is *deemed complete*.~~
- (b) The applicable per square foot charge (i.e., the rate) is calculated annually by the San Diego Housing Commission according to the formula set forth in the Inclusionary Affordable Housing Implementation and Monitoring Procedures Manual. The amount of the in lieu fee shall be the sum of the applicable per square foot charge multiplied by the aggregate gross floor area of all of the units within the development.
- (c) The Inclusionary Affordable Housing Fee shall be determined using the rate in effect at the time the building permit application is filed. The Inclusionary Affordable Housing Fee shall be paid on or before the issuance of a building permit for the development. No building permit may be issued without payment of the in lieu fee.
- (d) Any applicant may pre-pay the Inclusionary Affordable Housing Fee, which shall be determined using the rate in effect on the date of pre-payment. Collection of in lieu fees during the first three (3) years after the initial adoption of this Division shall be in accordance with Table 142-13C or 142-13D, as applicable.

—Table 142-13C

PROJECTS OF 10 OR MORE UNITS	
YEAR ONE	\$1.00/SQ. FOOT
YEAR TWO	\$1.75/SQ. FOOT
YEAR THREE	\$2.50/SQ. FOOT

—Table 142-13D

PROJECTS OF LESS THAN 10 UNITS	
YEAR ONE	\$0.50/SQ. FOOT
YEAR TWO	\$0.875/SQ. FOOT
YEAR THREE	\$1.25/SQ. FOOT

- (e) All funds collected pursuant to this Division shall be deposited into the Affordable Housing Fund. The amount of the in lieu fees shall be adjusted by San Diego Housing Commission, annually, commencing with the fourth year after the initial adoption of this Division, based upon 50% of the difference between the median cost of housing and housing price affordable to the median household.

(Added 6-3-2003 by O-19189 N.S.)

(Amended 8/15/2006 by O-19530 N.S.; effective 9-14-2006.)

§ 142.1305 Exemption from Payment of Inclusionary Affordable Housing Fee for Rental Affordable Housing Units

- (a) An applicant may request an exemption from the requirement to pay an Inclusionary Affordable Housing Fee if the applicant can demonstrate all of the following, to the satisfaction of the San Diego Housing Commission:
- (1) That at least ten percent (10%) of the total dwelling units in the proposed development will be affordable to and occupied by targeted rental households for a period of not less than fifty five (55) years;
 - (2) That the dwelling units are not subject to the Costa Hawkins Rental Housing Act (California Civil Code Section 1954.50 et seq.) for any reason, including without limitation:
 - (i) because the applicant has entered into, or will enter into, a written agreement with a public entity in consideration for a direct financial contribution or any other form of

assistance specified in California Government Code Section 65915 et seq.; or

- (ii) because the applicant has voluntarily sought and will receive tax credits, and/or be issued multifamily housing bonds, and/or be provided with below market interest rate loans or grants for the construction and/or rehabilitation of the dwelling units and/or a project containing the dwelling units.
- (3) That applicant agrees to execute a declaration under penalty of perjury that the dwelling units satisfy the conditions set forth in (1) and (2) above.
- (b) An exemption from payment of Inclusionary Affordable Housing Fee for rental affordable housing units shall be decided administratively by the Chief Executive Officer, or designee, of the San Diego Housing Commission.
- (c) An applicant receiving an exemption under this Section shall record a Declaration of Covenants, Conditions and Restrictions and deed of trust in favor of the San Diego Housing Commission, which satisfy the requirements of Section 142.1311 and the Inclusionary Affordable Housing Implementation and Monitoring Procedures Manual.

§ 142.13069 Election to Provide For-Sale Affordable Housing Units Requirements for Inclusionary Affordable Housing

~~Development of affordable units is subject to the following requirements and the provisions of the Inclusionary Affordable Housing Implementation and Monitoring Procedures Manual:~~

- (a) ~~Instead of paying the applicable Inclusionary Affordable Housing Fee, an applicant may elect to comply with this Division by providing at least ten percent (10%) of the total dwelling units in the proposed development as affordable to targeted ownership households. The affordable units shall be constructed and receive final inspection approval from the Building Official no later than the date that the market rate units receive final inspection approval from the Building Official.~~
 - (1) ~~The applicant may seek an alternative development schedule in accordance with the provisions of Sections 142.1304 and 142.1305 and decided in accordance with Process Two.~~
 - (b) ~~The affordable units shall be comparable in bedroom mix, design and overall quality of construction to the market rate units in the development, except that the affordable units shall not be required to exceed three~~

~~bedrooms per unit. The square footage and interior features of the affordable units shall not be required to be the same as or equivalent to the market-rate units, so long as they are of good quality and are consistent with current building standards for new housing in the City of San Diego.~~

~~(c) Sale or lease of the affordable units shall follow the marketing requirements and procedures contained within the Inclusionary Affordable Housing Implementation and Monitoring Procedures Manual.~~

~~(d) Affordability Levels and Restrictions – Rental Units:~~

~~(1) The units shall be occupied by *targeted rental households*.~~

~~(2) The monthly rent for each unit shall not exceed 1/12 of 30% of 65% average median income, as adjusted for household size, less reasonable allowances for utilities.~~

~~(3) The units shall remain affordable for a period of not less than fifty-five (55) years from the date of issuance of Certificate of Occupancy for the *development* or applicable phase of the *development* through the imposition of a declaration of covenants, conditions and restrictions in first lien position as required in Section 142.1311.~~

~~(be) Affordability Levels and Restrictions For Sale Units The *development* of for-sale affordable housing units is subject to the following requirements and the provisions of the Inclusionary Affordable Housing Implementation and Monitoring Procedures Manual:~~

~~(1) The units shall be occupied by *targeted ownership households*, subject to Section 142.1308(e)(3). The for-sale affordable housing units shall be constructed and receive final inspection approval from the Building Official no later than the date that the market-rate units receive final inspection approval from the Building Official. The *applicant* may seek an alternative development schedule in accordance with the provisions of Sections 142.1308 and 142.1309.~~

~~(2) The sales price for each for-sale affordable housing unit shall not exceed an amount that is affordable to a *targeted ownership households*, as determined by the San Diego Housing Commission. The amount affordable to *targeted ownership households* shall be no greater than 35% of the AMI, adjusted for household size, determined as of the date of the close of escrow and shall not exceed an annual payment for all housing costs, including mortgage principal and interests, taxes, insurance, assessments,~~

and five percent (5%) down payment, subject to Section 142.1308(e)(3).

- (3) The equity in a for-sale~~the~~ affordable housing unit shall be shared as follows: between the owner and the San Diego Housing Commission in an amount based upon length of ownership at the time of the first resale, in accordance with Table 142-13B.
- (A) “Equity” means the difference between the for purposes of this Division is measured by the difference in the original unrestricted fair market value of the affordable unit at the time of the acquisition of the affordable unit and the unrestricted fair market value of the affordable unit on the date of the first resale; (as determined by an appraisal approved by the Commission) and the sum of: (i) the original unrestricted fair market value of the affordable unit at the time of its acquisition by the *targeted ownership household*, and (ii) the actual costs of any Commission approved improvements to the affordable unit. If the foregoing calculation of equity results in a negative number, the equity shall be deemed to be zero. and each and every transfer, lease or refinancing as determined by an appraisal approved by the City.
- (B) “Resale” is defined in the Inclusionary Affordable Housing Implementation and Monitoring Procedures Manual, and includes the sale, conveyance, transfer or refinancing of all or any part of the affordable unit by a *targeted ownership household*. Upon the first resale of the affordable unit during the first 15 years from the date of issuance of the certificate of occupancy, the City and owner of the affordable unit shall share the equity in accordance with the provisions of Table 142-13B.
- (C) Equity shall not be shared if all of the following apply:
- (i) The purchaser of the affordable unit is a *targeted ownership household* approved by the San Diego Housing Commission;
- (ii) The sales price does not exceed an amount that is affordable to *targeted ownership households* as determined by the San Diego Housing Commission; and

(iii) The purchaser assumes all of the obligations of the initial targeted ownership household.

~~Upon each transfer, lease and or refinancing during the first 15 years from the date of issuance of the certificate of occupaney, the City and the Owner shall share the equity in the affordable unit based upon an appraisal of the affordable unit in accordance with the provisions of Table 142-13B.~~

~~(D) Upon any sale or any transfer, whenever it occurs the City shall also receive that sum which is calculated as the difference between the original fair market value of the affordable unit and the restricted value of the affordable unit at the time of the original sale, as determined by an appraisal as approved by the City.~~

~~(5) The unit shall be sold at no less than fair market value.~~

Table 142-13B

Length of Ownership at the Time of Resale, Refinance, or Transfer	Share of Equity to Household
Months 0-12	15%
Year 2	21
Year 3	27
Year 4	33
Year 5	39
Year 6	45
Year 7	51
Year 8	57
Year 9	63
Year 10	69
Year 11	75
Year 12	81
Year 13	87
Year 14	93
Year 15 or after	100%

(4) All funds collected shall be deposited in the Inclusionary Affordable Housing Fund.

- (65) ~~The City of San Diego Housing Commission~~ shall be entitled to the first right of refusal on any ~~“for-sale”~~ for-sale affordable housing unit upon its sale.
- (f6) ~~In accordance with Section 142.1311, e~~Each for-sale affordable housing unit shall have recorded against it a Declaration of Covenants, Conditions and Restrictions that complies with Section 142.1311. The Declaration of Covenants, Conditions and Restrictions shall be secured by a recorded deed of trust in favor of the City of San Diego Housing Commission.

(Added 6-3-2003 by O-19189 N.S.)

§ 142.1307 Inclusionary Affordable Housing Obligations for Condominium Conversions

- (a) All condominium conversion developments subject to this Division shall pay a Condominium Conversion Inclusionary Affordable Housing Fee to the City.
- (1) The Condominium Conversion Inclusionary Affordable Housing Fee shall be one half of the Inclusionary Affordable Housing Fee, calculated pursuant to 142.1304 and the Inclusionary Affordable Housing Implementation and Procedures Manual.
- (2) The Condominium Conversion Inclusionary Affordable Housing Fee shall be paid at the close of escrow of the first condominium sold within the development. The Condominium Conversion Inclusionary Affordable Housing Fee shall be calculated using the rate in effect at the close of escrow of the first condominium sold within the development. The applicant and the San Diego Housing Commission shall enter into a written agreement securing payment of the Condominium Conversion Inclusionary Affordable Housing Fee, which is recorded against the project and secured by a recorded deed of trust in favor of the San Diego Housing Commission. The San Diego Housing Commission shall collect all Condominium Conversion Inclusionary Affordable Housing Fees that are paid at the time of the close of the first escrow.
- (3) Any applicant may pre-pay the Condominium Conversion Inclusionary Affordable Housing Fee, which shall be calculated using the rate in effect on the date of pre-payment. All pre-paid fees shall be collected by the City.
- (4) All funds collected shall be deposited in the Affordable Housing Fund.

- (b) Instead of paying the applicable Condominium Conversion Inclusionary Affordable Housing Fee, an applicant for a condominium conversion development subject to this Division may elect to comply with this Division by providing at least five percent (5%) of the total dwelling units in the development as affordable to and occupied by targeted ownership households subject to Section 142.1306 and the Inclusionary Affordable Housing Implementation Procedures Manual.
- (c) This Division is not applicable to condominium conversion developments that meet all of the following:
- (1) All of the dwelling units in the condominium conversion development are initially affordable to and sold to households earning at or below eighty percent (80%) of the area median income; and
 - (2) The applicant executes a declaration under penalty of perjury that the dwelling units satisfy the condition set forth in (1) above.

In the event that the San Diego Housing Commission determines the dwelling units do not satisfying the conditions set forth in (c)(1) and (c)(2) above, then, upon such discovery, the San Diego Housing Commission shall require the applicant to pay the applicable Condominium Conversion Inclusionary Affordable Housing Fee in effect at the close of escrow of the first condominium sold within the development.

§ 142.1306 — General Inclusionary Affordable Housing Requirements

- (a) ~~At least ten percent (10%) of the total dwelling units in the proposed development shall be as affordable to targeted rental households or targeted ownership households in accordance with Section 142.1309. For any partial unit calculated, the applicant shall pay a prorated amount of the in lieu fee in accordance with Section 142.1310 or provide an additional affordable unit. Condominium conversion units affordable to and sold to households earning less than 150 percent (150%) of the area median income pursuant to an agreement entered into with the San Diego Housing Commission shall not be included in the dwelling units total for purposes of applying the ten percent inclusionary housing requirement.~~(b) ~~With the exception of condominium conversions of twenty or more dwelling units the requirement to provide dwelling units affordable to and occupied by targeted rental households or targeted ownership households, can be met in any of the following ways:~~

- ~~(1) On the same site as the proposed project site;~~
- ~~(2) On a site different from the proposed project site, but within the same community planning area. Nothing in this Division shall preclude an applicant from utilizing affordable units constructed by another in accordance with this Division upon approval by the Housing Commission in accordance with the standards set forth in the Inclusionary Affordable Housing Implementation and Monitoring Procedures Manual;~~
- ~~(3) On a site different from the proposed project site and outside the community planning area if the applicant has obtained a variance in accordance with Section 142.1304. Nothing in this Division shall preclude an applicant from utilizing affordable units, constructed by another applicant in accordance with this Division, upon approval by the Housing Commission pursuant to the standards set forth in the Inclusionary Affordable Housing Implementation and Monitoring Procedures Manual;~~
- ~~(4) Payment of an in lieu fee in accordance with the provisions of Section 142.1310; or~~
- ~~(5) Any combination of the requirements of this Section.~~
- ~~(e) Condominium conversions of twenty or more dwelling units shall satisfy the requirement to provide dwelling units affordable to and occupied by targeted rental households or targeted ownership households on the same site as the condominium conversion project.~~

(Amended 9-8-2004 by O-19267 N.S.)

(Amended 7-5-2006 by O-19505 N.S.; effective 8-5-2006.)

§ 142.1308(4) Variance, Waiver, Adjustment or Reduction of Rules for Inclusionary Affordable Housing Regulations

- (a) ~~Except as provided in Section 142.1304(e), a~~ variance, adjustment, or reduction from the provisions of ~~this Division~~ Section 142.1306 may be requested and decided in accordance with Process Four. A waiver from the provisions of this Division may be requested and decided in accordance with Process Five. Any variance, waiver, adjustment or reduction and shall require either that the findings in Section 142.1309(a)1304(d) or in Section 142.1309(b)1304(e) be made.
- (b) An application for a variance, w waiver, adjustment, or reduction shall be filed in accordance with Section 112.0102 and shall include financial and

other information that the City Manager determines is necessary to perform an independent evaluation of the *applicant's* basis for the variance, waiver, adjustment, or reduction, ~~and shall be a matter of public record.~~

- (c) A *development* located within an adopted redevelopment project area and subject to a San Diego Redevelopment Agency of the City of San Diego agreement may seek a variance, waiver, adjustment, or reduction from the requirements of this Division, upon an express finding that the *development* is fulfilling a stated significant objective of the Redevelopment Agency's approved Five Year Redevelopment Plan for the Redevelopment Project Area. The variance, adjustment, or reduction request shall be reviewed in accordance with Process Four. Waiver requests shall be reviewed in accordance with Process Five.
- ~~(d) No variance, adjustment, or reduction shall be issued unless:~~
- ~~(1) Special circumstances unique to that *development* justify the granting of the variance, adjustment, or reduction;~~
 - ~~(2) The *development* would not be feasible without the modification;~~
 - ~~(3) A specific and substantial financial hardship would occur if the variance, adjustment, or reduction were not granted; and~~
 - ~~(4) No alternative means of compliance are available which would be more effective in attaining the purposes of this Division than the relief requested.~~
- ~~(e) No variance, adjustment, or reduction shall be issued to an *applicant* unless there is an absence of any reasonable relationship or nexus between the impact of the *development* and either the amount of the in lieu fee charged or the inclusionary requirement.~~
- ~~(f) A project that proposes to provide affordable housing on a site different from the proposed project site and outside the community planning area may be approved or conditionally approved only if the decision maker makes the following supplemental findings in addition to the findings in Section 142.1304(d):~~
- ~~(1) The portion of the proposed *development* outside of the community planning area will assist in meeting the goal of providing economically balanced communities; and~~

- (2) ~~The portion of the proposed *development* outside of the community planning area will assist in meeting the goal of providing transit oriented development.~~

(Added 6-3-2003 by O-19189 N.S.)

(Amended 8/15/2006 by O-19530 N.S.; effective 9/14/2006.)

§ 142.13095 Findings for Variance, Waiver, Adjustment or Reduction Approval Rules for Inclusionary Affordable Housing Regulations

- (a) ~~Except as provided in Section 142.1305(c), a waiver, adjustment, or reduction from the provisions of Section 142.1306 may be requested and decided in accordance with Process Five and shall require either that the findings in Section 142.1305(d) or in Section 142.1305(e) be made.~~
- (b) ~~An application for a waiver, adjustment, or reduction shall be filed in accordance with Section 112.0102 and shall include financial and other information that the City Manager determines is necessary to perform an independent evaluation of the *applicant's* rationale for the waiver, adjustment, or reduction and shall be a matter of public record.~~
- (c) ~~A *development* located within an adopted redevelopment project area and subject to a San Diego Redevelopment Agency Agreement may seek a waiver, adjustment, or reduction from the requirements of this Division, upon an express finding that the *development* is fulfilling a stated significant objective(s) of the Redevelopment Agency's approved Five Year Redevelopment Plan for the Redevelopment Project Area. The waiver, adjustment, or reduction shall be in accordance with Process Five.~~
- (~~a~~) The decision maker may approve or conditionally approve an application for a variance. No waiver, adjustment, or reduction shall be issued to an *applicant* unless to the Inclusionary Affordable Housing Regulations only if the decision maker makes the following *findings*:
- (1) Special circumstances, unique to that *development* justify the granting of the variance, waiver, adjustment, or reduction;
 - (2) The *development* would not be feasible without the modification ~~waiver, adjustment, or reduction~~;
 - (3) A specific and substantial financial hardship would occur if the variance, waiver, adjustment, or reduction were not granted; and

- (4) No alternative means of compliance are available which would be more effective in attaining the purposes of this Division than the relief requested.
- (eb) Alternatively to (a) above, the decision maker may approve or conditionally approve an application for a variance, No waiver, adjustment, or reduction to the Inclusionary Affordable Housing Regulations if the decision maker makes a finding that shall be issued to an applicant unless there is an absence of any reasonable relationship or nexus between the impact of the development and either the amount of the in-lieu fee Inclusionary Affordable Housing Fee or the Condominium Conversion Inclusionary Affordable Housing Fee, as applicable, charged or the inclusionary requirement.
- (c) For a development that proposes to provide affordable housing on a site different from the proposed project site and outside the community planning area, the decision maker may approve or conditionally approve a variance to the Inclusionary Affordable Housing Regulations only if the decision maker makes the following supplemental findings:
- (1) The portion of the proposed development outside of the community planning area will assist in meeting the goal of providing economically balanced communities; and
- (2) The portion of the proposed development outside of the community planning area will assist in meeting the goal of providing transit-oriented development.

(Added 6-3-2003 by O-19189 N.S.)

(Amended 8-15-2006 by O-19530 N.S.; effective 9-14-2006.)

§ 142.131007 General Rules for Inclusionary Affordable Housing Regulations

- (a) The Chief Executive Officer of the San Diego Housing Commission shall be responsible for determining ~~targeted rental household and targeted ownership household~~ affordability standards and ~~resident-occupant~~ qualifications for any affordable units provided pursuant to this Division. The San Diego Housing Commission shall also and for monitoring compliance conformance with any documentation created as a result of an applicant's compliance with this Division-Declarations of Covenants, Conditions and Restrictions.
- (b) ~~The City shall establish and adopt submittal requirements, review procedures, and standards and guidelines for affordable housing to be referred to as the Inclusionary Affordable Housing Implementation and~~

~~Monitoring Procedures Manual which shall be included in the Land Development Manual.~~

- (be) The San Diego Housing Commission shall determine the reasonable fee to be paid by the *applicant* for the costs incurred by the San Diego Housing Commission in connection with implementation of this Division.

(Added 6-3-2003 by O-19189 N.S.)

~~§ 142.1308 — Development Review Procedures for Inclusionary Affordable Housing~~

- (a) ~~The City Manager will review applications for *development* and determine whether the proposed *development* is subject to Process One decisions or requires decisions in accordance with Process Two, Three, Four or Five.~~
- (b) ~~If the proposed *development* is subject to Process One decisions only, the *applicant* shall be so advised and informed of the in lieu fee rate in accordance with Section 142.1310 or referred to the San Diego Housing Commission to obtain a Declaration of Covenants, Conditions and Restrictions in accordance with Section 142.1311.~~
- (c) ~~If proposed *development* is subject to Process Two, Three, Four or Five decisions, and the *applicant* intends to provide affordable housing in accordance with Section 142.1306(b)(1) through (3), the *applicant* shall be referred to the San Diego Housing Commission to obtain a Declaration of Covenants, Conditions and Restrictions in accordance with Section 142.1311. If the *applicant* intends to provide affordable housing in accordance with Section 142.1306(b)(4), the provisions of Section 142.1310 shall apply.~~

(Added 6-3-2003 by O-19189 N.S.)

§ 142.1311 Declaration of Covenants, Conditions and Restrictions

All *development of affordable units pursuant to in accordance with Section 142.1305, Section 142.1306, or Section 142.1307(b) of this Division*~~1309, except Section 142.1309(b)(4), shall be subject to the following regulations and the Inclusionary Affordable Housing Implementation and Monitoring Procedures Manual.~~

- (a) The applicable portion of the *development* shall have recorded against it, a Declaration of Covenants, Conditions and Restrictions approved by and in favor of the San Diego Housing Commission, ~~in favor of the City of San Diego.~~

- (b) ~~Any~~The Declaration of Covenants, Conditions and Restrictions required by this Division shall enjoy first lien position and shall be secured by a deed of trust in favor of the San Diego Housing Commission that may be recorded against the project or unit, as applicable, prior to construction or permanent financing.
- (c) ~~The Declaration of Covenants, Conditions and Restrictions shall include the following provisions:~~
- (1) ~~Compliance with the City of San Diego marketing and monitoring procedures.~~
- (2) ~~The affordable units for *targeted rental households* shall remain affordable for fifty-five (55) years from the date of issuance of the first certificate of occupancy.~~
- (3) ~~All affordable units for *targeted ownership households* shall remain affordable as follows:~~
- (A) ~~If the affordable unit is not resold to a *targeted ownership household* at a price described in Section 142.1309(e)(2), provision shall be made in the for-sale affordability restrictions for the recapture of a share of the profits on resale of the affordable unit, if the unit is not resold to a *targeted ownership household* at the sales price described in Section 142.1309(e)(2).~~
- (B) ~~The Declaration of Covenants, Conditions and Restrictions or conditions of approval will include provisions restricting resale prices and purchaser income levels according to the formula specified in the Inclusionary Affordable Housing Implementation and Monitoring Procedures Manual.~~
- (C) ~~In the event a subordination of the deed of trust securing the affordability conditions contained in a Declaration of Covenants, Conditions and Restrictions may be necessary to ensure the *applicant's* receipt of adequate construction or permanent financing for the project, or to enable first time home buyers to qualify for mortgages, the *applicant* shall enter into a separate agreement with the City of San Diego for subordination of the deed of trust securing the affordability restrictions.~~
- (4) ~~The timely performance of the Declaration of Covenants, Conditions and Restrictions shall be secured by a deed of trust in favor of the San Diego Housing Commission assuring performance recorded against the restricted unit or units, and such other instruments as may be required by the Chief Executive Officer of the San Diego Housing Commission to effectuate the~~

viability of the affordability restrictions for the entire term of required affordability.

~~(5) Any other terms necessary to implement the provisions of this Division.~~

(Added 6-3-2003 by O-19189 N.S.)

§ 142.1312 Reporting Requirements

(a) The San Diego Housing Commission shall annually report to the City Council and the Housing Authority of the City of San Diego on the results of implementing this Division including, but not limited to, the following:

(1) The number of *applicants* and location of *developments* that came before the City for ministerial or discretionary approval and the number of *applicants* and location of *developments* that were subject to the requirements of this Division;

(2) The number of *applicants* and location of *developments* that applied for a waiver, variance, reduction or exemption in accordance with this Division Sections 142.1304 and 142.1305 or Section 142.1303, respectively, and the number of *applicants* and location of *developments* that were granted such an exemption or a waiver, variance, reduction or exemption and the terms of each of those actions; variance or waiver; and

(3) The number of market rate units, and the number of affordable units, including the location of all affordable units, and the total Inclusionary Affordable Housing Fees and Condominium Conversion Inclusionary Affordable Housing Fees paid.

~~(b) In conjunction with the comprehensive update of the City of San Diego Progress Guide and General Plan, Housing Element, the San Diego Housing Commission and the Planning Department shall direct a study to determine the relationship in nature and amount between the production of market rate residential housing and the availability and demand for affordable housing in San Diego.~~

(Added 6-3-2003 by O-19189 N.S.)

ATTACHMENT 2

Article 2: General Development Regulations**Division 13: Inclusionary Affordable Housing Regulations**

(Added 6-3-2003 by O-19189 N.S.)

§ 142.1301 Purpose of Inclusionary Affordable Housing Regulations

The purpose of this Division is to encourage diverse and balanced neighborhoods with housing available for households of all income levels. The intent is to ensure that when developing the limited supply of developable land, housing opportunities for persons of all income levels are provided.

(Added 6-3-2003 by O-19189 N.S.)

§ 142.1302 When Inclusionary Affordable Housing Regulations Apply

This Division applies to all residential *development* of two (2) units or more, except as provided in Section 142.1303. The requirements of this Division shall not be cumulative to state or other local affordable housing requirements where those units are subject to an affordability restriction recorded against the property by the state or local agency. To the extent that state or local regulations are inconsistent with the requirements of this Division for the amount of the fee, length of the restriction or the level of affordability, the more restrictive of the two shall apply.

(Added 6-3-2003 by O-19189 N.S.)

§ 142.1303 Exemptions From the Affordable Housing Inclusionary Regulations

This Division is not applicable to the following:

- (a) Residential *development* located in the North City Future Urbanizing Area that is within *Proposition A Lands* of the City of San Diego or any project located in an area of the City that was previously located in the North City Future Urbanizing Area and has been phase shifted into the *Planned Urbanized Communities*, and is subject to the inclusionary zoning requirements contained in the North City Future Urbanizing Area Framework Plan, San Diego Municipal Code section 143.0450(d), the Subarea Plans, Development Agreements, Affordable Housing Agreements, or conditions of approval of a *development permit*, as applicable.
- (b) Residential *development* or portion of the *development* that meets the following criteria:

- (1) The unit is being sold to persons who own no other real property and will reside in the unit;
 - (2) The unit is affordable to and sold to households earning less than one hundred fifty percent (150%) of the area median income;
 - (3) The unit has two (2) or more bedrooms; and
 - (4) The unit(s) has recorded against it an agreement between the *applicant* and the San Diego Housing Commission assuring that the provisions of Section 142.1303(b) have been met.
- (c) Rehabilitation of an existing building that does not result in a net increase of *dwelling units* on the *premises*.
- (d) *Density* bonus units constructed in accordance with the provisions of Chapter 14, Article 3, Division 7.
- (e) Certain *condominium conversion developments* as set forth in Section 142.1307(c).

(Amended 3-8-2004 by O-19267 N.S.)

(Amended 4-8-2008 by O-19734 N.S.; effective 5-8-2008.)

§ 142.1304 Inclusionary Affordable Housing Fee

All *development* subject to this Division, except for *condominium conversion developments* which shall comply with Section 142.1307, shall pay an *Inclusionary Affordable Housing Fee* to the City.

- (a) The *Inclusionary Affordable Housing Fee* shall be the product of the applicable per square foot charge (i.e., the rate) multiplied by the aggregate *gross floor area* of all of the units within the *development*.
- (b) The applicable per square foot charge (i.e., the rate) is calculated annually by the San Diego Housing Commission according to the formula set forth in the Inclusionary Affordable Housing Implementation and Monitoring Procedures Manual.
- (c) The Inclusionary Affordable Housing Fee shall be determined using the rate in effect at the time the building permit application is filed. The Inclusionary Affordable Housing Fee shall be paid on or before the issuance of a building permit for the *development*.

- (d) Any *applicant* may pre-pay the *Inclusionary Affordable Housing Fee*, which shall be determined using the rate in effect on the date of pre-payment.
- (e) All funds collected pursuant to this Division shall be deposited into the Affordable Housing Fund.

(Added 6-3-2003 by O-19189 N.S.)

(Amended 8/15/2006 by O-19530 N.S.; effective 9-14-2006.)

§ 142.1305 Exemption from Payment of Inclusionary Affordable Housing Fee for Rental Affordable Housing Units

- (a) An *applicant* may request an exemption from the requirement to pay an Inclusionary Affordable Housing Fee if the *applicant* can demonstrate all of the following, to the satisfaction of the San Diego Housing Commission:
 - (1) That at least ten percent (10%) of the total *dwelling units* in the proposed *development* will be affordable to and occupied by *targeted rental households* for a period of not less than fifty five (55) years;
 - (2) That the *dwelling units* are not subject to the Costa Hawkins Rental Housing Act (California Civil Code Section 1954.50 *et seq.*) for any reason, including without limitation:
 - (i) because the *applicant* has entered into, or will enter into, a written agreement with a public entity in consideration for a direct financial contribution or any other form of assistance specified in California Government Code Section 65915 *et seq.*; or
 - (ii) because the *applicant* has voluntarily sought and will receive tax credits, and/or be issued multifamily housing bonds, and/or be provided with below market interest rate loans or grants for the construction and/or rehabilitation of the *dwelling units* and/or a project containing the *dwelling units*.
 - (3) That *applicant* agrees to execute a declaration under penalty of perjury that the *dwelling units* satisfy the conditions set forth in (1) and (2) above.
- (b) An exemption from payment of Inclusionary Affordable Housing Fee for rental affordable housing units shall be decided administratively by the Chief Executive Officer, or designee, of the San Diego Housing Commission.

- (c) An *applicant* receiving an exemption under this Section shall record a Declaration of Covenants, Conditions and Restrictions and deed of trust in favor of the San Diego Housing Commission, which satisfy the requirements of Section 142.1311 and the Inclusionary Affordable Housing Implementation and Monitoring Procedures Manual.

§ 142.1306 Election to Provide For-Sale Affordable Housing Units

- (a) Instead of paying the applicable Inclusionary Affordable Housing Fee, an *applicant* may elect to comply with this Division by providing at least ten percent (10%) of the total *dwelling units* in the proposed *development* as affordable to *targeted ownership households*.
- (b) The *development* of for-sale affordable housing units is subject to the following requirements and the provisions of the Inclusionary Affordable Housing Implementation and Monitoring Procedures Manual:
 - (1) The for-sale affordable housing units shall be constructed and receive final inspection approval from the Building Official no later than the date that the market-rate units receive final inspection approval from the Building Official. The *applicant* may seek an alternative development schedule in accordance with the provisions of Sections 142.1308 and 142.1309.
 - (2) The sales price for each for-sale affordable housing unit shall not exceed an amount that is affordable to a *targeted ownership household*, as determined by the San Diego Housing Commission.
 - (3) The equity in a for-sale affordable housing unit shall be shared between the owner and the San Diego Housing Commission in an amount based upon length of ownership at the time of the first resale, in accordance with Table 142-13B.
 - (A) “Equity” means the difference between the unrestricted fair market value of the affordable unit on the date of the first resale (as determined by an appraisal approved by the Commission) and the sum of: (i) the original unrestricted fair market value of the affordable unit at the time of its acquisition by the *targeted ownership household*, and (ii) the actual costs of any Commission approved improvements to the affordable unit. If the foregoing calculation of equity results in a negative number, the equity shall be deemed to be zero.

- (B) “Resale” is defined in the Inclusionary Affordable Housing Implementation and Monitoring Procedures Manual, and includes the sale, conveyance, transfer or refinancing of all or any part of the affordable unit by a *targeted ownership household*.
- (C) Equity shall not be shared if all of the following apply:
 - (i) The purchaser of the affordable unit is a *targeted ownership household* approved by the San Diego Housing Commission;
 - (ii) The sales price does not exceed an amount that is affordable to *targeted ownership households* as determined by the San Diego Housing Commission; and
 - (iii) The purchaser assumes all of the obligations of the initial *targeted ownership household*.

Table 142-13B

Length of Ownership at the Time of Resale	Share of Equity to Household
Months 0-12	15%
Year 2	21
Year 3	27
Year 4	33
Year 5	39
Year 6	45
Year 7	51
Year 8	57
Year 9	63
Year 10	69
Year 11	75
Year 12	81
Year 13	87
Year 14	93
Year 15 or after	100%

- (4) All funds collected shall be deposited in the Affordable Housing Fund.

- (5) The San Diego Housing Commission shall be entitled to the first right of refusal on any for-sale affordable housing unit upon its sale.
- (6) Each for-sale affordable housing unit shall have recorded against it a Declaration of Covenants, Conditions and Restrictions that complies with Section 142.1311. The Declaration of Covenants, Conditions and Restrictions shall be secured by a recorded deed of trust in favor of the San Diego Housing Commission.

(Added 6-3-2003 by O-19189 N.S.)

§ 142.1307 Inclusionary Affordable Housing Obligations for *Condominium Conversions*

- (a) All *condominium conversion developments* subject to this Division shall pay a Condominium Conversion Inclusionary Affordable Housing Fee to the City.
 - (1) The Condominium Conversion Inclusionary Affordable Housing Fee shall be one half of the Inclusionary Affordable Housing Fee, calculated pursuant to 142.1304 and the Inclusionary Affordable Housing Implementation and Procedures Manual.
 - (2) The Condominium Conversion Inclusionary Affordable Housing Fee shall be paid at the close of escrow of the first condominium sold within the *development*. The Condominium Conversion Inclusionary Affordable Housing Fee shall be calculated using the rate in effect at the close of escrow of the first condominium sold within the *development*. The *applicant* and the San Diego Housing Commission shall enter into a written agreement securing payment of the Condominium Conversion Inclusionary Affordable Housing Fee, which is recorded against the project and secured by a recorded deed of trust in favor of the San Diego Housing Commission. The San Diego Housing Commission shall collect all Condominium Conversion Inclusionary Affordable Housing Fees that are paid at the time of the close of the first escrow.
 - (3) Any *applicant* may pre-pay the Condominium Conversion Inclusionary Affordable Housing Fee, which shall be calculated using the rate in effect on the date of pre-payment. All pre-paid fees shall be collected by the City.
 - (4) All funds collected shall be deposited in the Affordable Housing Fund.

- (b) Instead of paying the applicable Condominium Conversion Inclusionary Affordable Housing Fee, an *applicant* for a *condominium conversion development* subject to this Division may elect to comply with this Division by providing at least five percent (5%) of the total *dwelling units* in the *development* as affordable to and occupied by *targeted ownership households* subject to Section 142.1306 and the Inclusionary Affordable Housing Implementation Procedures Manual.
- (c) This Division is not applicable to *condominium conversion developments* that meet all of the following:
 - (1) All of the *dwelling units* in the *condominium conversion development* are initially affordable to and sold to households earning at or below eighty percent (80%) of the area median income; and
 - (2) The *applicant* executes a declaration under penalty of perjury that the *dwelling units* satisfy the condition set forth in (1) above.

In the event that the San Diego Housing Commission determines the *dwelling units* do not satisfying the conditions set forth in (c)(1) and (c)(2) above, then, upon such discovery, the San Diego Housing Commission shall require the *applicant* to pay the applicable Condominium Conversion Inclusionary Affordable Housing Fee in effect at the close of escrow of the first condominium sold within the *development*.

§ 142.1308 Variance, Waiver, Adjustment or Reduction of Inclusionary Affordable Housing Regulations

- (a) A variance, adjustment, or reduction from the provisions of this Division may be requested and decided in accordance with Process Four. A waiver from the provisions of this Division may be requested and decided in accordance with Process Five. Any variance, waiver, adjustment or reduction shall require either that the findings in Section 142.1309(a) or Section 142.1309(b) be made.
- (b) An application for a variance, waiver, adjustment, or reduction shall be filed in accordance with Section 112.0102 and shall include financial and other information that the City Manager determines is necessary to perform an independent evaluation of the *applicant's* basis for the variance, waiver, adjustment, or reduction.
- (c) A *development* located within an adopted redevelopment project area and subject to a Redevelopment Agency of the City of San Diego agreement may seek a variance, waiver, adjustment, or reduction from the requirements of this Division, upon an express finding that the

development is fulfilling a stated significant objective of the Redevelopment Agency's approved Five Year Redevelopment Plan for the Redevelopment Project Area. The variance, adjustment, or reduction request shall be reviewed in accordance with Process Four. Waiver requests shall be reviewed in accordance with Process Five.

(Added 6-3-2003 by O-19189 N.S.)

(Amended 8/15/2006 by O-19530 N.S.; effective 9/14/2006.)

§ 142.1309 Findings for Variance, Waiver, Adjustment or Reduction Approval

- (a) The decision maker may approve or conditionally approve an application for a variance, waiver, adjustment or reduction to the Inclusionary Affordable Housing Regulations only if the decision maker makes the following *findings*:
- (1) Special circumstances unique to that *development* justify the granting of the variance, waiver, adjustment, or reduction;
 - (2) The *development* would not be feasible without the modification;
 - (3) A specific and substantial financial hardship would occur if the variance, waiver, adjustment, or reduction were not granted; and
 - (4) No alternative means of compliance are available which would be more effective in attaining the purposes of this Division than the relief requested.
- (b) Alternatively to (a) above, the decision maker may approve or conditionally approve an application for a variance, waiver, adjustment, or reduction to the Inclusionary Affordable Housing Regulations if the decision maker makes a *finding* that there is an absence of any reasonable relationship or nexus between the impact of the *development* and either the amount of the Inclusionary Affordable Housing Fee or the Condominium Conversion Inclusionary Affordable Housing Fee, as applicable, charged or the inclusionary requirement.
- (c) For a *development* that proposes to provide affordable housing on a site different from the proposed project site and outside the community planning area, the decision maker may approve or conditionally approve a variance to the Inclusionary Affordable Housing Regulations only if the decision maker makes the following supplemental *findings*:

- (1) The portion of the proposed *development* outside of the community planning area will assist in meeting the goal of providing economically balanced communities; and
- (2) The portion of the proposed *development* outside of the community planning area will assist in meeting the goal of providing transit-oriented development.

(Added 6-3-2003 by O-19189 N.S.)

(Amended 8-15-2006 by O-19530 N.S.; effective 9-14-2006.)

§ 142.1310 General Rules for Inclusionary Affordable Housing Regulations

- (a) The Chief Executive Officer of the San Diego Housing Commission shall be responsible for determining affordability standards and occupant qualifications for any affordable units provided pursuant to this Division. The San Diego Housing Commission shall also monitor compliance with any documentation created as a result of an *applicant's* compliance with this Division.
- (b) The San Diego Housing Commission shall determine the reasonable fee to be paid by the *applicant* for the costs incurred by the San Diego Housing Commission in connection with implementation of this Division.

(Added 6-3-2003 by O-19189 N.S.)

§ 142.1311 Declaration of Covenants, Conditions and Restrictions

All *development* of affordable units pursuant to Section 142.1305, Section 142.1306, or Section 142.1307(b) of this Division shall be subject to the following and the Inclusionary Affordable Housing Implementation and Monitoring Procedures Manual.

- (a) The applicable portion of the *development* shall have recorded against it, a Declaration of Covenants, Conditions and Restrictions approved by and in favor of the San Diego Housing Commission.
- (b) Any Declaration of Covenants, Conditions and Restrictions required by this Division shall enjoy first lien position and shall be secured by a deed of trust in favor of the San Diego Housing Commission recorded against the project or unit, as applicable, prior to construction or permanent financing.

(Added 6-3-2003 by O-19189 N.S.)

§ 142.1312 Reporting Requirements

- (a) The San Diego Housing Commission shall annually report to the City Council and the Housing Authority of the City of San Diego on the results of implementing this Division including, but not limited to, the following:
- (1) The number of *applicants* and location of *developments* that came before the City for ministerial or discretionary approval and the number of *applicants* and location of *developments* that were subject to the requirements of this Division;
 - (2) The number of *applicants* and location of *developments* that applied for a waiver, variance, reduction or exemption in accordance with this Division, and the number of *applicants* and location of *developments* that were granted a waiver, variance, reduction or exemption and the terms of each of those actions; and
 - (3) The number of market rate units, the number of affordable units, including the location of all affordable units, and the total Inclusionary Affordable Housing Fees and Condominium Conversion Inclusionary Affordable Housing Fees paid.

(Added 6-3-2003 by O-19189 N.S.)

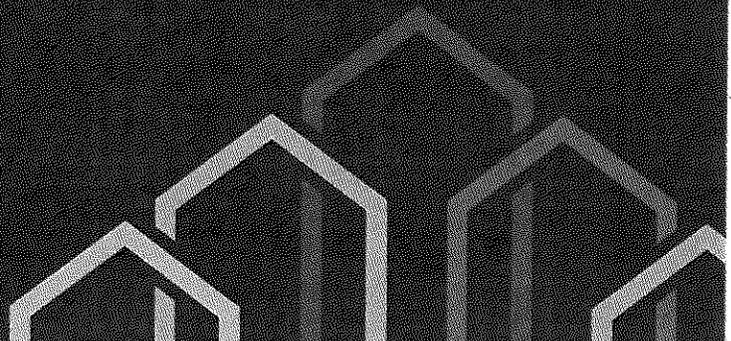
ATTACHMENT 3



SAN DIEGO
HOUSING
COMMISSION

San Diego Housing Commission Inclusionary Affordable Housing Implementation and Monitoring Procedures 2010

San Diego Housing Commission
Real Estate Department
1122 Broadway, Suite 300
San Diego, CA 92101
www.sdhc.org



Inclusionary Affordable Housing Implementation & Monitoring Procedures



Regulations pertaining to the City of San Diego’s Inclusionary Housing Program (“Program”) are incorporated in San Diego Municipal Code (“SDMC”) Chapter 14, Article 2, Division 13 (the “Inclusionary Regulations”). The purpose of this Inclusionary Affordable Housing Implementation and Monitoring Procedures Manual (“Procedures Manual”) is to provide additional detail in the implementation and administration of the Program. Italicized words are defined in the Land Development Code.

I. Development Review Procedures

Specific development procedures are summarized in the Development Services Department Information Bulletin 532. *Applicants* constructing affordable units pursuant to the requirements of the Program will be eligible for expedited permit processing through the Affordable/Infill Housing and Sustainable Buildings Expedite Program as implemented by Council Policy 600-27 (See Information Bulletin 538).

The City decision maker will review applications for *development* and determine whether the proposed *development* is subject to Process One decisions or requires decisions in accordance with Process Two, Three, Four or Five. Any applicant of *development* electing to provide affordable for-sale housing units or exempt under Section 142.1303(b), Section 142.1305 or Section 142.1307(c) shall be referred to the San Diego Housing Commission to obtain the documentation required under the applicable Section(s).

II. Inclusionary Affordable Housing Fee In-Lieu Fees *(moved from back of Manual)*

Pursuant to Section 143.1310, an Applicant may pay a fee in lieu of constructing affordable units.

~~Where no building permit application is filed in connection with a condominium conversion project, the in-lieu fees shall be paid in full no later than the close of escrow of the first unit sold within the project, subject to an agreement with the San Diego Housing Commission. The Applicant shall pay the then current, applicable in-lieu fee amount~~

The amount of the Inclusionary Affordable Housing Fee for each *development* in-lieu fees to be charged and collected for each Residential Development Project shall be the product of the applicable per square foot charge (i.e., the rate) multiplied by the aggregate *gross floor area* ~~gross floor area~~, as defined in the San Diego Municipal Code, of all of the units within the *development* Residential Development Project (excluding garages and carports and other parking structures).

~~The following In-Lieu Fees shall be collected during the first three (3) years after the Program is effective:~~

PROJECTS OF 10 OR MORE UNITS	
YEAR ONE	\$1.00/ SQ. FOOT
YEAR TWO	\$1.75/SQ. FOOT

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YEAR THREE	\$2.50/SQ FOOT
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PROJECTS OF LESS THAN 10 UNITS	
YEAR ONE	\$0.50/SQ FOOT
YEAR TWO	\$0.875/SQ FOOT
YEAR THREE	\$1.25/SQ FOOT

A. The applicable square foot charge (i.e., the rate) level of the in-lieu fee shall be revised annually commencing on the fourth year based on the following formula and shall not exceed the amount determined as follows:

- Fifty percent of the difference between the median sales price of all homes sales in the City of San Diego for the last quarter of the year prior to the time of adjustment (as established by an independent and reputable real estate data firm that publishes data on no less than a quarterly basis) and the amount of money a median-income family of four is able to afford to purchase a home.
- The product of the above calculation shall then be ~~multiplied~~ divided by 10%, in order to represent the level of obligation under the Program.
- The product of the above calculation shall then be divided by ~~2,000 Square Feet~~ which represents the average size in (Square Feet) of a unit constructed within the City of San Diego (as established by an independent and reputable real estate data firm that publishes data on no less than a quarterly basis), in order to determine the level of the in-lieu fee for projects of ten or more units. Average size of a unit may be adjusted from time to time.
- ~~The level of the in-lieu fee for projects of less than 10 units shall be 50% of the amount set for projects of 10 or more units.~~

Example Only:

Assume that the median income household can afford to purchase a home priced at \$174,000. The median home price within the City of San Diego is \$274,000. Fifty percent of the difference between the median home price and that which the median income household can afford is \$50,000. Ten percent of this number is \$5,000. This number is divided by 2,000 SF (for purposes of this example only) to produce an in-lieu fee level of \$2.50 per square foot for projects of 10 or more. ~~The level of the in-lieu fee for projects of less than 10 units would be 50% of this or \$1.25 per square foot.~~

~~Pursuant to the above formula, Tthe in-lieu fee rate used to calculate the Inclusionary Affordable Housing Fee from July 3, 2009 to present was and is \$4.98/square foot for projects with 10 or more units and \$2.49 for projects with 9 or fewer units.~~

III. Exemption from Inclusionary Affordable Housing Fee for Rental Affordable Housing Units.

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- A. Pursuant to Section 142.1305, an *applicant* may request an exemption from the requirement to pay the Inclusionary Affordable Housing Fee if *applicant* demonstrates all the requirements of Section 142.1305(a) to Commission’s satisfaction.
1. An *applicant* shall provide at least 10% of the total dwelling units as affordable to and occupied by *targeted rental households* (“Rental Affordable Housing Units”). For any partial unit calculated, the *applicant* shall pay a prorated amount of the Inclusionary Affordable Housing Fee or provide an additional Rental Affordable Housing Units.
 2. Section 142.1305(a)(3) requires *applicant* execute a declaration under penalty of perjury. Such declaration shall be on a form created by Commission for this purpose and may be revised from time to time to address changes in the applicable state law.
- B. The *development* of Rental Affordable Housing Units under Section 142.1305 of the Inclusionary Regulations is subject to the following:
1. The Rental Affordable Housing Units shall be constructed and receive final inspection approval from the Building Official no later than the date that the market rate units receive final inspection approval from the Building Official.
 2. The Rental Affordable Housing Units shall be comparable in bedroom mix, design and overall quality of construction to the market rate units in the *development*, except that the affordable units shall not be required to exceed three bedrooms per unit. The square footage and interior features of the Rental Affordable Housing Units shall not be required to be the same as or equivalent to the market rate units, so long as they are of good quality and are consistent with current building standards for new housing in the City of San Diego.
 3. The *applicant* shall adhere to the marketing, monitoring, and enforcement procedures outlined in this section. Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status or disability. *Applicants* shall comply with the terms of their approved affirmative marketing plan, as may be amended from time to time, consistent with City Council Policy 600- 20 and Fair Housing Law. The requirements of the affirmative marketing program shall be binding on the original *applicant’s* successors in interest.



4. The Rental Affordable Housing Units shall be occupied by *targeted rental households* for the entire term of the Declaration of Covenants, Conditions and Restrictions entered into by the Commission and *applicant*.

5. The Rental Affordable Housing Units shall remain affordable for a period of not less than fifty-five (55) years from the date of issuance of a Certificate of Occupancy for the *development* or applicable phase of the *development*.

Targeted Rental Households and Targeted Ownership Households

Program requirements can be fulfilled through the provision of rental or for-sale housing. Rental units meeting program requirements shall be affordable at rents affordable to households earning 65% or less of the Area Median Income (“AMI”). For-sale units meeting program requirements shall be affordable to households earning 100% AMI or less. Income restrictions shall be adjusted annually based upon the revisions to Area Median Income limits as promulgated from time to time by HCD.

Targeted Rental Household

6. *Targeted Rental Household* are households whose aggregate gross annual income does not exceed 65% Area Median Income¹ (AMI). Rent calculations shall be based on 1/12 of 30% of 65% of the updated AMI and shall include rent and all tenant paid utilities, fees and charges for a *targeted rental household*, as adjusted for household size limits as adjusted for household size by the U.S. Department of Housing and Urban Development (HUD) for San Diego County at 65% AMI. The current rent levels as of June 2010 as adjusted by household size and utility allowance are as follows:

2010 65% Area Median Income and Rent Restrictions			
Household Size	Unit Size	Income	Gross Rent*
One	Studio	\$35,750	\$894
Two	1 bedroom	\$40,850	\$1,021
Three	2 bedroom	\$45,950	\$1,149
Four	3 bedroom	\$51,050	\$1,276

*Gross rent is equal to cash rent plus all tenant-paid utilities. See the “San Diego Housing Commission Utility Allocation Schedule” to calculate the tenant-paid utilities based on the project’s actual utilities mix. Any fees required by owner that would otherwise be optional to

¹ For purposes of this Procedures Manual and the Inclusionary Regulations, the Area Median Income means the area median income, as adjusted for family size, for the San Diego Metropolitan Area as promulgated by the United States Department of Housing and Urban Development (“HUD”).

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the tenant (such as renter's insurance) shall be deducted from the gross rent.

7. The eligibility of each prospective tenant and/or household *targeted rental household* under the restrictions set forth above shall be certified by the San Diego Housing Commission. Applicants shall submit documentation for certification to the San Diego Housing Commission for a determination of tenant eligibility, prior to tenant occupancy. No Rental Affordable Housing Affordable Unit may be rented to a prospective tenant or occupied by any person unless and until the San Diego Housing Commission has determined that the prospective tenant or occupant has satisfied the eligibility requirements.

IV. Election to Provide For-Sale Affordable Housing Units. Targeted Ownership Household

Pursuant to Section 142.1306, any applicant may elect to comply with the Inclusionary Regulations by providing at least ten percent (10%) of the total dwelling units in the proposed development as affordable to targeted ownership households (the "For-Sale Affordable Housing Units").

- A. For any partial unit calculated, the applicant shall pay a prorated amount of the Inclusionary Affordable Housing Fee or provide an additional for For-Sale Affordable Housing Unit. Any units provided as 150% Units pursuant to an agreement entered into with the Commission shall not be included in the dwelling units total for purposes of applying the ten percent (10%) calculation.
- B. The "Maximum Sales Price" for each For-Sale Affordable Housing Unit shall not exceed an amount that is affordable to targeted ownership households. The Maximum Sales Price shall be established based on housing costs that do not exceed 35% of the AMI, adjusted for household size. This amount shall be determined as of the date of the close of escrow and shall not exceed an annual payment for all housing costs, including mortgage principal and interest, taxes, insurance, HOA and assessments. The Maximum Sales Price assumes a 5% down payment, payment of taxes and insurance, and prevailing 30-year fixed-rate interest rates.

Targeted Ownership Household price restrictions shall be based on the updated AMI limits adjusted for household size by HUD for San Diego MSA at 100% AMI. Program Maximum Sales Prices restrictions as of 2010 are as follows:

2010 MAXIMUM SALES PRICE RESTRICTIONS **100% AREA MEDIAN INCOME**

Unit Size (bedrooms)	Maximum Sales Price
Studio	\$203,923

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One	\$230,290
Two	\$256,655
Three	\$286,893

2010 MAXIMUM INCOME 100% AREA MEDIAN INCOME

Household Size	Income
One	\$52,850
Two	\$60,400
Three	\$67,950
Four	\$75,500
Five	\$81,550

~~The sales price restrictions shall be established based on housing costs that do not exceed 35% of the annual median household income, including mortgage principal and interests, taxes, insurance, HOA and assessments. Purchase price assumes 5% down payment, payment of taxes and insurance, and prevailing 30-year fixed-rate interest rates. Upon request, the San Diego Housing Commission shall prepare and make available to Applicant *applicant* any general information that the San Diego Housing Commission possesses regarding income limitations, sales prices, occupancy policies and restrictions which are applicable to the For-Sale Affordable Housing Units-affected units. The Maximum Sales Price applicable to specific units Actual sales prices for units restricted at 100% AMI will be calculated on a project-by-project basis.~~

- C. ~~Commission shall certify the~~The eligibility of each prospective buyer and the sales price prior to the close of escrow for any For-Sale Affordable Housing Unit under the restrictions set forth above shall be certified by the ~~San Diego Housing Commission. Applicants~~*Applicants* shall submit documentation for certification to the ~~San Diego Housing Commission~~ for a determination of buyer eligibility prior to close of ~~Escrow~~ on each For-Sale Affordable Housing Unit~~restricted unit.~~
- D. ~~For-Sale Affordable Housing Units~~ must be owner occupied unless the ~~San Diego Housing Commission~~ has determined a hardship on a case-by-case basis. ~~Except where authorized by the San Diego Housing Commission for a specific unit, renting a restricted unit would trigger a recapture in equity pursuant to San Diego Municipal Code Section 142.1309 (e).~~
- E. ~~The equity in the For-Sale Affordable Housing Units shall be calculated and shared between the owner and Commission at the time of the first resale, as set forth in the Inclusionary Regulations.~~
1. “Resale” means any of the following:

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- a. The sale, conveyance or transfer of all or any part of the For-Sale Affordable Housing Unit or any interest in the For-Sale Affordable Housing Unit by a *targeted ownership household*;
 - b. If the *targeted ownership household* is not a natural person, the sale, conveyance or transfer of all or any part or any beneficial interest in the *targeted ownership household*;
 - c. Any refinancing of all or any part of the For-Sale Affordable Housing Unit by a *targeted ownership household*, except as provided in (2) below;
 - d. The failure of the *targeted ownership household* to occupy the For-Sale Affordable Housing Unit as his, her, or their primary residence;
 - e. The leasing of all or any part of the For-Sale Affordable Housing Unit, except where authorized by the Commission for a hardship determined on a case-by-case basis;
 - f. Any material breach of the documentation recorded against the For-Sale Affordable Housing Unit in favor of the Commission; or
 - g. The filing of bankruptcy by the *targeted ownership household*.
2. Notwithstanding the foregoing, a refinancing of the For-Sale Affordable Housing Unit shall not be considered a Resale, provided either:
- a. The principal balance of the *targeted ownership household's* loan after the refinancing, does not exceed the principal balance of the *targeted ownership household's* loan before the refinancing, plus reasonable closing costs; or
 - b. All of the following conditions are met, and provided that the Commission provides advance written consent to the refinancing to the *targeted ownership household*: (A) the *targeted ownership household* receives cash from such refinancing, which does not exceed ten percent (10%) of the principal balance of the *targeted ownership household's* first loan before the refinancing; (B) such cash is borrowed for the purpose of and is used for improvements to the affordable unit, which improvements are preapproved by the Commission prior to the *targeted ownership household's* obtaining the refinancing; and (C) the total amount of all the loans secured by the affordable unit do not exceed 100% of the value of the For-

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Sale Affordable Housing Unit, including payment of the Commission's share of the Equity.

- F. The For-Sale Affordable Housing Unit shall be sold at no less than fair market value.

V. Declaration of Covenants, Conditions and Restrictions for Affordable Units.

The development of Rental Affordable Housing Units and For-Sale Affordable Housing Units (collectively, "Affordable Units") pursuant to the Inclusionary Regulations is subject to the following requirements:

- A. The applicable portion of the development shall have recorded against it a Declaration of Covenants, Conditions and Restrictions approved by and in favor of the Commission. The Declaration of Covenants, Conditions and Restrictions shall enjoy first lien position.
- B. The timely performance of the Declaration of Covenants, Conditions and Restrictions shall be secured by a deed of trust in favor of the Commission and such other instruments as may be required by the Chief Executive Officer of the Commission to effectuate the viability of the affordability restrictions for the entire term of required affordability. The deed of trust may be recorded against the project or unit, as applicable, prior to construction or permanent financing.
- C. In the event a subordination of the deed of trust securing the Declaration of Covenants, Conditions and Restrictions may be necessary to ensure the applicant's receipt of adequate construction or permanent financing for the project, or to enable first time home buyers to qualify for mortgages, the applicant shall enter into a separate agreement with the San Diego Housing Commission for subordination of the deed of trust.

VI. Exemption of Naturally Affordable For-Sale Units ("150% Units").

Pursuant to Section 142.1303 contains exemptions from the Inclusionary Regulations, including an exemption from the Inclusionary Regulations for any residential development or portion of the development that are naturally affordable for-sale units ("150% Units").

- A. Pursuant to Section 142.1303(b) of the Inclusionary Regulations of the Municipal Code, any portion of a residential development project that meets all of the following is criteria shall be exempted from the requirements of the Program, including payment of the in-lieu fee:
- 1. The 150% Unit units contained within the residential development project are for sale to private household(s); is being sold to persons who owns no other real property, for use as the buyer's and will reside in the unit as their primary residence;

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- ~~2. The 150% Unit is affordable to and units are specifically targeted for, sold to, and occupied by households earning less than 150% AMI; and~~
 - ~~3. The 150% Unit has Each qualifying unit must have two (2) or more bedrooms; and (not required for condo conversions).~~
 - 4. ~~The 150% Unit unit(s) subject to this exemption has recorded against it an agreement between the Applicant and the Chief Executive Officer of the San Diego Housing Commission assuring that the provisions of Section 142.1303(b) above have been met. The San Diego Housing Commission will certify the eligibility of the prospective buyers.~~
- B. Applicants with qualifying 150% units as described above shall be allowed to self-certify that units meet the required affordability level and eligibility of buyers.
- C. The 150% Unit(s) subject to this exemption shall have recorded against it an agreement between the applicant and the Commission assuring that the provisions above have been met.
- D. In the event that the applicantApplicant is unable to fulfill the requirements of this provision, the Inclusionary Regulations Program requirements will be applied to the units that would have been exempted. The applicant shall Applicant may choose to pay the then-current, applicable Inclusionary Affordable Housing Fee or make an election to provide 10% of the total units at the development as For-Sale Affordable Housing Unitsin lieu fee or provide the affordable units as provided for in the Inclusionary Housing Ordinance.
- E. Qualifying 150% Uunits shall be sold at prices at or below the “Maximum 150% Sales Price” as. The Maximum Sales Price shall be the sales price determined and published by the San Diego Housing Commission on an annual basis. to be the Maximum Sales Price for a unit affordable to a household with income at 150% AMI, adjusted for unit size, based upon the number of bedrooms located within the 150% Unit(s). The Maximum 150% Sales Price is the Maximum Sales Price for a unit affordable to a household with an income at or below 150% Area Median Income (AMI), adjusted for unit size. The Maximum 150% Sales Price shall be determined by the San Diego Housing Commission in its reasonable discretion as the amount which will result in an annual housing cost to the purchaser of the 150% Unit, which does not exceed the thirty-five percent (35%) of one hundred fifty percent (150%) of AMIArea Median Income adjusted for household size, determined as of the date of the execution of a binding purchase and sale agreement for the 150% Unit and shall include, without limitation, mortgage principal and interest, taxes, insurance, HOA and assessments.

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~~Maximum eligible incomes and Maximum Sales Price restrictions shall be adjusted based upon the revisions to Area Median Income limits as promulgated from time to time by HUD.~~

All 150% Units qualifying for this exemption for the year 2010 shall be affordable at or below the maximum sales prices shown in the chart below.

2010 SALES PRICE RESTRICTIONS 150% AREA MEDIAN INCOME

Unit Size (bedrooms)	Maximum Sales Price
Studio	\$323,312
One	\$366,733
Two	\$410,154
Three	\$457,448

The maximum eligible incomes for 2010 are as follows:

2010 MAXIMUM INCOME 150% AREA MEDIAN INCOME

Household Size	Income
One	\$79,275
Two	\$90,600
Three	\$101,925
Four	\$113,250

Condominium Conversions

~~Pursuant to Section 143.1306 of the Municipal Code, condominium conversion units affordable to and sold to households earning less than 150% AMI shall be exempted from the requirements of the Program, including payment of the in-lieu fee. Qualifying units shall be sold to private household(s), who owns no other real property, for use as a primary residence.~~

~~Applicants with qualifying condominium conversion units (“150% units”) as described above shall be allowed to self-certify that units meet the required affordability level and eligibility of buyers.~~

- F. ~~Compliance with the exemption from the provisions of the Inclusionary Regulations Housing Ordinance shall be determined at the time of the execution of the purchase and sale agreement, when the purchase price is fixed. Applicants shall enter into an agreement with the San Diego Housing Commission to ensure compliance.~~

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G. ~~The San Diego Housing~~ Commission may, but shall not be obligated to, perform the following monitoring functions and services, on a periodic basis:

1. ~~(A) r~~Reviewing the applications of prospective or actual occupants and/or purchasers of the affected 150% Units, to spot check the eligibility of such persons and/or households as eligible occupants and/or households;
2. ~~(B) r~~Reviewing the documentation submitted by applicantsApplicants in connection with the certification process for eligible households and/or occupants.

Notwithstanding the foregoing description of the ~~San Diego Housing~~ Commission's functions, no person or entity, including the applicantApplicant shall have any claim or right of action against the ~~San Diego Housing~~ Commission based on any alleged failure to perform such function, ~~except that Applicant may reasonably rely upon the San Diego Housing Commission's tenant eligibility determination and the Applicant shall not be liable to the San Diego Housing Commission for any damages, attributable to the San Diego Housing Commission's sole negligence or willful misconduct in conducting any eligibility determinations and/or monitoring.~~)

VII. Condominium Conversions.

The Condominium Conversion Inclusionary Affordable Housing Fee upon the approval of the amended Procedures Manual by the Council the initial Condominium Conversion Inclusionary Affordable Housing Fee shall be \$2.49/square foot.

- A. Election to Provide 5% of Converted Condominiums as For-Sale Affordable Housing Units.
 1. All units provided pursuant to Section 142.1307(b) of the Regulations shall be considered For-Sale Affordable Housing Units subject to all of the provisions of the Regulations and this Procedures Manual applicable to For-Sale Affordable Housing Units.
 2. For any partial unit calculated, the applicant shall pay a prorated amount of the Condominium Conversion Inclusionary Affordable Housing Fee or provide an additional for For-Sale Affordable Housing Unit. Any units provided as 150% Units pursuant to an agreement entered into with the Commission shall not be included in the dwelling units total for purposes of applying the five percent (5%) calculation.
- B. Exemption for Condominium Conversions Affordable Households Earning 80% AMI or less.
 1. Pursuant to Section 142.1307(c) of the Inclusionary Regulations, any condominium conversion development where all of the dwelling units will

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initially be affordable to and sold to households earning less than eighty percent (80%) of the Area Median Income are exempt from the Inclusionary Regulations.

2. The applicant for such exempt condominium conversion development shall execute a declaration under penalty of perjury. Such declaration shall be on a form created by Commission for this purpose and may be revised from time to time.

3. Qualifying exempt condominium conversion units shall be sold at prices at or below the “Maximum 80% Sales Price”, as determined and published by the Commission on an annual basis. The Maximum 80% Sales Price is the Maximum Sales Price for a unit affordable to a household with an income at or below 80% Area Median Income (AMI), adjusted for unit size. The Maximum 80% Sales Price shall be determined by the Commission in its reasonable discretion as the amount which will result in an annual housing cost to the purchaser of the unit, which does not exceed the thirty-five percent (35%) of 80% of AMI adjusted for household size, determined as of the date of the execution of a binding purchase and sale agreement for the exempt condominium unit and shall include, without limitation, mortgage principal and interest, taxes, insurance, HOA and assessments.

All condominium conversion units qualifying for this exemption for the year 2010 shall be affordable at or below the maximum sales prices shown below.

2010 SALES PRICE RESTRICTIONS
80% AREA MEDIAN INCOME

<u>Unit Size (bedrooms)</u>	<u>Maximum Sales Price</u>
<u>Studio</u>	<u>\$156,885</u>
<u>One</u>	<u>\$176,495</u>
<u>Two</u>	<u>\$196,322</u>
<u>Three</u>	<u>\$219,638</u>

The maximum eligible incomes for 2010 are as follows:

2010 MAXIMUM INCOME
80% AREA MEDIAN INCOME

<u>Household Size</u>	<u>Income</u>
<u>One</u>	<u>\$55,000</u>
<u>Two</u>	<u>\$62,800</u>
<u>Three</u>	<u>\$70,700</u>
<u>Four</u>	<u>\$78,500</u>



4. Applicants with qualifying condominium conversion units as described above shall be allowed to self-certify that units meet the required affordability level and eligibility of buyers. Applicants shall provide documentation concerning purchasers of the units and sales prices to Commission, at Commission's request.
5. Compliance with Section 142.1307(c) shall be determined at the time of the execution of the purchase and sale agreement, when the purchase price is fixed.
6. In the event that the applicant is unable to fulfill the requirements of Section 142.1307(c) and this Procedures Manual, the Inclusionary Regulations will be applied to the units that would have been exempt. The applicant shall pay the then-current, applicable Condominium Conversion Inclusionary Affordable Housing Fee in effect at the close of escrow of the first condominium sold within the development.

VIII. Off-Site Housing

- A. An applicant electing to provide Affordable Units If the Applicant elects, pursuant to Section 142.1306 (b)(2) of the San Diego Municipal Code, that desires to construct the Affordable Units on a site different than the proposed development and Off-Site Units to satisfy the requirements of this Program, the Applicant shall construct the Units within the same Community Planning Area, as delineated in the General Plan of the City of San Diego, as the Principal Project. An alternate site for the construction of the Affordable Units shall obtain be subject to the advance written approval of the Planning Director of the City of San Diego and the Chief Executive Officer of the San Diego Housing Commission (and the Executive Director of the Redevelopment Agency if the development is located within a Redevelopment Project Area) or the Redevelopment Agency and the Chief Executive Officer of the San Diego Housing Commission, in the event the Affordable Development Project is located in a Redevelopment Project Area.
- B. An applicant Applicant electing to provide Affordable Units may satisfy the requirements of the Inclusionary Regulations this Program by the use of Affordable Units constructed by other developers, in addition to any to be built to meet their respective affordable housing requirements as set forth in the Ordinance, by transfer of credits between developers, if and when approved by the Planning Director of the City of San Diego and the Chief Executive Officer of the San Diego Housing Commission. The Receiver applicant Applicant would be precluded from may not utilizing any local public funds to meet the Program's affordability requirements. The approval of the Receiver Site would be is subject to all applicable approvals set forth in this Procedures Manual and the Inclusionary Regulations Ordinance.

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- ~~C. AnIf the *applicant* Applicant electings, pursuant to Section 142.1306 (b)(3) of the San Diego Municipal Code, to construct the aAffordable uUnits on a site different from the proposed *development* primary development site and outside the community planning area, ~~the applicant must shall comply obtain a variance in accordance with Section 142.1309(c). 04 in accordance with Process Four. An alternate site for the construction of the Affordable Units shall be subject to the advance written approval of the Planning Director of the City of San Diego and the Chief Executive Officer of the San Diego Housing Commission or the Redevelopment Agency and the Chief Executive Officer of the San Diego Housing Commission, in the event the Affordable Residential Development Project is located in a Redevelopment Project Area. The use of an alternate site for the construction of the Affordable Units outside of the Community Planning Area of the Principal Project must be found to support the community and economic balance and/or transit orientation goals.~~~~
- D. It is expected that the receiver site will be a new construction development; however, existing market-rate developments may be provided if the President and CEO of the Commission determines that the condition and age of the *development* will not preclude the provision of decent, safe and sanitary housing for the full 55-year period without the need for substantial rehabilitation. *Developments with historic designation will not qualify as a receiver site. The approval of the receiver site would be subject to all applicable approvals set forth in this Procedures Manual and the Ordinance.*

IX. Alternative Development Schedule and Phasing of Units

- A. ~~Pursuant to San Diego Municipal Code Section 142.1309(a)(1), an Applicant may seek approval for an alternative development schedule subject to a Process Two approval. An *applicant* Applicant approved for an alternative development schedule may provide Affordable Units in accordance with the following:~~
1. Affordable Units built subject to a variance authorized by the Inclusionary Regulations this Program shall be constructed, completed, and ready for occupancy no later than the date that the Market Rate Housing is constructed, completed and ready for occupancy unless there is an otherwise acceptable agreement for an alternative development schedule which is satisfactory to the Chief Executive Officer of the Housing Commission or the CEO of the San Diego Housing Commission (and the Executive Director of the Redevelopment Agency if the *development* in the event that the Principal Project is located within a Redevelopment Project Area).
 2. The timely construction of the Affordable Units affordable housing shall be assured by the posting of a bond and the execution of agreements satisfactory to the Chief Executive Officer CEO of the San Diego Housing

Inclusionary Affordable Housing Implementation & Monitoring Procedures



Commission on or before the issuance of the first building permit for any unit in the proposed development~~Residential Development Project~~.

- B. In the event that the ~~development~~development is proposed to be constructed in phases or the ~~Affordable Units are affordable housing~~ is proposed to be constructed off-site, an alternative development schedule may be approved, subject to a written agreement between the ~~applicant~~Applicant and the ~~Chief Executive Officer~~ CEO of the ~~San Diego Housing~~ Commission, such as the following:
1. The issuance of building permit for the Affordable ~~Units Housing Project~~ shall occur on or before the earlier of: (i) the issuance of building permits for construction of the number which represents 50% of the ~~M~~market ~~R~~rate ~~U~~units within the ~~development~~Project; or (ii) the date which is eighteen (18) months after the filing of final map for the ~~M~~market ~~R~~rate ~~u~~nits~~Project~~, or (iii) a date which is eighteen (18) months after the receipt of the building permit for the first ~~M~~market ~~R~~rate ~~U~~unit if no final map is filed;
 2. Completion of construction of the Affordable ~~Units Housing Project~~ shall occur upon the earlier of twelve (12) months after the issuance of building permits for the Affordable ~~Units Housing Project~~ as described above; or the date which is two and one-half years after the earliest date determined above.
 3. The issuance of building permits for the construction of the number which represents 75% of market rate units for the ~~development~~ Project shall not occur until the completion of all of the Affordable Units is authorized by the City.
 4. Occupancy of the Affordable ~~Units Housing Project~~ by persons meeting the ~~Program~~ Eligibility requirements set forth in this Manual shall occur not later than 180 days after the completion of construction as determined above.

Determining Amount of In Lieu Fee(s)

~~The San Diego Municipal Code Section 142.1310(a), provides “the rate of the in lieu fee shall be determined at the time the building permit application is filed”. Therefore, at the time the building permit application is filed, Development Services shall determine the amount of the in lieu fee and will advise the applicant of the amount of the applicable in lieu fee, in accordance with the following:~~

- (1) ~~For building permits that are obtained within three (3) years of the date that the subject application for the first tentative map or development permit was deemed~~

Inclusionary Affordable Housing Implementation & Monitoring Procedures



~~complete, the rate of the in lieu fee shall be the rate in effect at the time the application for that first tentative map or development permit was deemed completed.~~

~~(2) For building permits that are not obtained within three (3) years of the date that the subject application for the first tentative map or development permit was deemed complete, but are issued within three (3) years of the date of approval of the first tentative map or development permit, the rate of the in lieu fee shall be the rate in effect at the time that first tentative map or development permit was approved.~~

~~(3) For building permits that are not obtained within three (3) years of the date that the subject application for the first tentative map or development permit was deemed complete, and that are not issued within three (3) years of the date of the approval of the first tentative map or development permit, the rate of the in lieu fee shall be the rate in effect at the time the application for the building permit is deemed complete.~~

~~(4) For any tentative map or development permit approved on or before July 3, 2006, that contains a condition to pay the inclusionary housing in lieu fees, the rate of the in lieu fee at building permit issuance shall be fixed at not more than \$1.25 per square foot for projects of nine (9) or less residential units or \$2.50 per square foot for projects of ten (10) or more residential units for a period of three (3) years from the date the tentative map or development permit was approved, or until July 3, 2006, whichever occurs later. The rate of the in lieu fee thereafter shall be the rate in effect at the time the application for the building permit is deemed complete.~~

X. Conversion of Tenure Type for of Affordable Units

Any Affordable Units, constructed pursuant to the Program, ~~that proposed to change the type of tenure~~ from rental to for-sale or for-sale to rental must satisfy the requirements of this Procedures Manual and the Inclusionary Regulations.

A. ~~Any Affordable Rental Units to be converted to ownership units must satisfy the requirements of this Procedures Manual. Any Rental Units to be converted to For-Sale Affordable Housing Units shall be sold at or below the Maximum Purchase Sales Price to *targeted ownership households* Targeted Ownership Households meeting the income qualifications specified in the Notice of Affordable Restrictions or conditions of approval, with a right of first refusal for the occupant(s) of such Affordable Units at the time of conversion. All provisions of the Program at the time of said conversion shall apply to the conversion of the Unit, including sales price and length and method of restriction.~~

B. ~~Any Affordable Ownership Units to be converted to rental units must satisfy the requirements of this Procedures Manual. Any For-Sale Affordable Housing Units Affordable Ownership Units to be converted to Rental Affordable Housing Units shall be rented at or below the rents set forth herein Maximum Rental Rate to *targeted rental households* provided the *applicant* also demonstrates that the units are not subject to the Costa Hawkins Rental Housing Act, for any legal reason.~~

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~~including but not limited without limitation: Targeted Rental Households meeting the income qualifications specified in the Notice of Affordable Restrictions or conditions of approval. All provisions of the Program at the time of said conversion shall apply to the conversion of the Unit, including rental rate and length and method of restriction.~~

1. because the *applicant* has entered into an agreement with the a public agency in consideration for a direct financial contribution or any other form of assistance specified in California Government Code section 65915 *et seq.*: or
2. because the *applicant* has voluntarily sought and will receive tax credits, and/or be issued multifamily housing bonds, and/or be provided with below market interest rate loans or grants for the construction and/or rehabilitation of the *dwelling units* and/or a project containing the *dwelling units*.

XI. Affirmative Marketing Requirements

The conditions of approval shall specify that ~~*applicant*~~Applicant shall adhere to the marketing, monitoring, and enforcement procedures outlined in this section. Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status or disability. ~~*Applicants*~~Applicants shall comply with the terms of their approved affirmative marketing plan, as may be amended from time to time, consistent with City Council Policy 600- 20 and Fair Housing Law. The requirements of the affirmative marketing program shall be binding on the original ~~*Applicant's*~~Applicant's successors in interest to the extent that the first sales to the general public are covered.

XII. Ongoing Monitoring

A. Monitoring Fees – Rental Affordable Housing Units

1. An initial monitoring fee of \$500 will be assessed as a one-time charge to cover costs for developing the compliance monitoring plan, computer database program and reporting system for the project, and training sessions for owner/manager. This fee is only applicable to *developments providing Rental Affordable Housing Units*~~rental properties~~.
2. Annual ~~M~~monitoring fees will be required for all Rental Affordable Housing Units~~rental affordable units developed under the Program~~. The base monitoring fee per unit is \$65 for the first 40 units. The base fee charged decreases \$10 for each unit more than 40 units, and decreases \$20 for each unit more than 80 units.

1 to 40 Units \$65 per unit



41 to 80 Units \$55 per unit

81+ Units \$45 per unit

- B. ~~The Annual Monitoring fee shall be adjusted upward annually for increased costs due to inflation. The adjustment shall reflect the change in the Consumer Price Index for all Urban Consumers (CPI-U) for the County of San Diego.~~
- C. ~~For developments projects that contain For-Sale Affordable Housing Units affordable for sale units, a \$1,000 per unit fee will be required for monitoring and determining eligibility for For-Sale Affordable Housing Units price restricted units. The fee is due upon execution of the Declaration of Covenants, Conditions and Restrictions a cooperation agreement between the Applicant and the Housing Commission.~~

XII. Determination of Inclusionary In Lieu Fees under Existing Agreements with the Commission.

Any requirement to pay the “Inclusionary In Lieu Fee” or “In Lieu Fee” that is contained in any written agreement with the Commission, entered into in order to comply with prior versions of the Inclusionary Regulations, shall be satisfied by payment of an amount equal to the amount of the Inclusionary Affordable Housing Fee in effect at the time payment is due under the agreement. In the event that the “Inclusionary In Lieu Fee” or “In Lieu Fee” was previously applicable to a project comprised of ten or fewer units, then the amount payable in order to satisfy that obligation contained in the agreement[s] shall be one half [1/2] of the Inclusionary Affordable Housing Fee in effect at the time payment is due under the terms of the agreement[s].

However, this provision setting fees, shall not apply to any agreement[s] that fixed the amount of payment due at a set rate in the agreement[s]. In those cases, the amount of payment shall be the amount fixed in the applicable agreement[s] and not the rate in effect at the time that the payment is due.

Waivers, Adjustments and/or Reductions

~~The City Council of the City of San Diego desires to clarify the procedures that allow potential lack of nexus challenges to the constitutionality of the Inclusionary Ordinance under the provisions of San Diego Municipal Code Section 142.1305. The Council declares that this amendment to the Procedures Manual is declaratory of its existing intent and policy and remedies that exist under the current ordinance and under state law. This Procedures Manual was adopted by Resolution Number R-298003, adopted on May 20, 2003, and may be updated, revised and/or clarified by resolution.~~

~~An applicant for or developer of any development, project or property subject to the requirements of the Inclusionary Ordinance may appeal for a reduction, adjustment or waiver of the requirements of the Inclusionary Ordinance by following the procedures outlined in Section~~

Inclusionary Affordable Housing Implementation & Monitoring Procedures



~~142.1304 and/or 142.1305, based upon the absence of any reasonable relationship or nexus between the impact of the development and either the amount of the in lieu fee or the inclusionary housing requirement. If such lack of nexus is established under either Section 142.1304(d)(1) (variance) and/or 142.1305(d)(1) (waiver), then the findings required under 142.1304(d)(2), (3) and (4) for a variance and/or Section 142.1305(d)(2), (3) and (4) for a waiver, shall automatically be deemed established by the decision makers.~~

~~It is the intent of this policy to be applicable until the City Council amends the Inclusionary Ordinance to reflect this policy concerning reduction, adjustment and waivers.~~

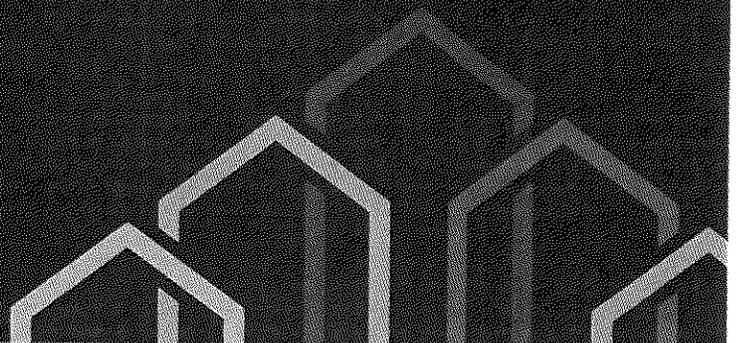
ATTACHMENT 4



SAN DIEGO
HOUSING
COMMISSION

San Diego Housing Commission Inclusionary Affordable Housing Implementation and Monitoring Procedures 2010

San Diego Housing Commission
Real Estate Department
1122 Broadway, Suite 300
San Diego, CA 92101
www.sdhc.org



Inclusionary Affordable Housing Implementation & Monitoring Procedures



Regulations pertaining to the City of San Diego's Inclusionary Housing Program ("Program") are incorporated in San Diego Municipal Code ("SDMC") Chapter 14, Article 2, Division 13 (the "Inclusionary Regulations"). The purpose of this Inclusionary Affordable Housing Implementation and Monitoring Procedures Manual ("Procedures Manual") is to provide additional detail in the implementation and administration of the Program. Italicized words are defined in the Land Development Code.

I. Development Review Procedures

Specific development procedures are summarized in the Development Services Department Information Bulletin 532. *Applicants* constructing affordable units pursuant to the Program will be eligible for expedited permit processing through the Affordable/Infill Housing and Sustainable Buildings Expedite Program as implemented by Council Policy 600-27 (See Information Bulletin 538).

The City decision maker will review applications for *development* and determine whether the proposed *development* is subject to Process One decisions or requires decisions in accordance with Process Two, Three, Four or Five. Any *applicant of development* electing to provide affordable for-sale housing units or exempt under Section 142.1303(b), Section 142.1305 or Section 142.1307(c) shall be referred to the San Diego Housing Commission to obtain the documentation required under the applicable Section(s).

II. Inclusionary Affordable Housing Fee

The amount of the Inclusionary Affordable Housing Fee for each *development* shall be the product of the applicable per square foot charge (i.e., the rate) multiplied by the aggregate *gross floor area* as defined in the San Diego Municipal Code, of all of the units within the *development* (excluding garages and carports and other parking structures).

- A. The applicable square foot charge (i.e., the rate) shall be revised annually based on the following formula and shall not exceed the amount determined as follows:
 - Fifty percent of the difference between the median sales price of all homes sales in the City of San Diego for the last quarter of the year prior to the time of adjustment (as established by an independent and reputable real estate data firm that publishes data on no less than a quarterly basis) and the amount of money a median-income family of four is able to afford to purchase a home.
 - The product of the above calculation shall then be multiplied by 10%, in order to represent the level of obligation under the Program.
 - The product of the above calculation shall then be divided by average size in Square Feet of a unit constructed within the City of San Diego (as established by an independent and reputable real estate data firm that publishes data on no less than a quarterly basis), in order to determine the level of the fee. Average size of a unit may be adjusted from time to time.



Example Only:

Assume that the median income household can afford to purchase a home priced at \$174,000. The median home price within the City of San Diego is \$274,000. Fifty percent of the difference between the median home price and that which the median income household can afford is \$50,000. Ten percent of this number is \$5,000. This number is divided by 2,000 SF (for purposes of this example only) to produce an in-lieu fee level of \$2.50 per square foot.

The rate used to calculate the Inclusionary Affordable Housing Fee from July 3, 2009 to present was and is \$4.98/square foot.

III. Exemption from Inclusionary Affordable Housing Fee for Rental Affordable Housing Units.

- A. Pursuant to Section 142.1305, an *applicant* may request an exemption from the requirement to pay the Inclusionary Affordable Housing Fee if *applicant* demonstrates all the requirements of Section 142.1305(a) to Commission's satisfaction.
 - 1. An *applicant* shall provide at least 10% of the total dwelling units as affordable to and occupied by *targeted rental households* ("Rental Affordable Housing Units"). For any partial unit calculated, the *applicant* shall pay a prorated amount of the Inclusionary Affordable Housing Fee or provide an additional Rental Affordable Housing Units.
 - 2. Section 142.1305(a)(3) requires *applicant* execute a declaration under penalty of perjury. Such declaration shall be on a form created by Commission for this purpose and may be revised from time to time to address changes in the applicable state law.
- B. The *development* of Rental Affordable Housing Units under Section 142.1305 of the Inclusionary Regulations is subject to the following:
 - 1. The Rental Affordable Housing Units shall be constructed and receive final inspection approval from the Building Official no later than the date that the market rate units receive final inspection approval from the Building Official.
 - 2. The Rental Affordable Housing Units shall be comparable in bedroom mix, design and overall quality of construction to the market rate units in the *development*, except that the affordable units shall not be required to exceed three bedrooms per unit. The square footage and interior features of the Rental Affordable Housing Units shall not be required to be the same as or equivalent to the market rate units, so long as they are of good

Inclusionary Affordable Housing Implementation & Monitoring Procedures



quality and are consistent with current building standards for new housing in the City of San Diego.

3. The *applicant* shall adhere to the marketing, monitoring, and enforcement procedures outlined in this section. Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status or disability. *Applicants* shall comply with the terms of their approved affirmative marketing plan, as may be amended from time to time, consistent with City Council Policy 600- 20 and Fair Housing Law. The requirements of the affirmative marketing program shall be binding on the original *applicant*'s successors in interest.
4. The Rental Affordable Housing Units shall be occupied by *targeted rental households* for the entire term of the Declaration of Covenants, Conditions and Restrictions entered into by the Commission and *applicant*.
5. The Rental Affordable Housing Units shall remain affordable for a period of not less than fifty-five (55) years from the date of issuance of a Certificate of Occupancy for the *development* or applicable phase of the *development*.
6. *Targeted rental household* are households whose aggregate gross annual income does not exceed 65% Area Median Income¹ (AMI). Rent calculations shall be based on 1/12 of 30% of 65% of AMI and shall include rent and all tenant paid utilities, fees and charges for a *targeted rental household*, as adjusted for household size. The current rent levels as of June 2010 as adjusted by household size and utility allowance are as follows:

2010 65% Area Median Income and Rent Restrictions			
Household Size	Unit Size	Income	Gross Rent*
One	Studio	\$35,750	\$894
Two	1 bedroom	\$40,850	\$1,021
Three	2 bedroom	\$45,950	\$1,149
Four	3 bedroom	\$51,050	\$1,276

*Gross rent is equal to cash rent plus all tenant-paid utilities. See the "San Diego Housing Commission Utility Allocation Schedule" to calculate the tenant-paid utilities based on the project's actual utilities mix. Any fees required by owner that would otherwise be optional to

¹ For purposes of this Procedures Manual and the Inclusionary Regulations, the Area Median Income means the area median income, as adjusted for family size, for the San Diego Metropolitan Area as promulgated by the United States Department of Housing and Urban Development ("HUD").



the tenant (such as renter's insurance) shall be deducted from the gross rent.

7. The eligibility of each prospective *targeted rental household* shall be certified by the Commission. *Applicants* shall submit documentation for certification to the Commission for a determination of tenant eligibility, prior to tenant occupancy. No Rental Affordable Housing Unit may be rented to a prospective tenant or occupied by any person unless and until the Commission has determined that the prospective tenant or occupant has satisfied the eligibility requirements.

IV. Election to Provide For-Sale Affordable Housing Units.

Pursuant to Section 142.1306, any *applicant* may elect to comply with the Inclusionary Regulations by providing at least ten percent (10%) of the total *dwelling units* in the proposed *development* as affordable to *targeted ownership households* (the "For-Sale Affordable Housing Units").

- A. For any partial unit calculated, the *applicant* shall pay a prorated amount of the Inclusionary Affordable Housing Fee or provide an additional For-Sale Affordable Housing Unit. Any units provided as 150% Units pursuant to an agreement entered into with the Commission shall not be included in the *dwelling units* total for purposes of applying the ten percent (10%) calculation.
- B. The "Maximum Sales Price" for each For-Sale Affordable Housing Unit shall not exceed an amount that is affordable to *targeted ownership households*. The Maximum Sales Price shall be established based on housing costs that do not exceed 35% of the AMI, adjusted for household size. This amount shall be determined as of the date of the close of escrow and shall not exceed an annual payment for all housing costs, including mortgage principal and interest, taxes, insurance, HOA and assessments. The Maximum Sales Price assumes a 5% down payment, payment of taxes and insurance, and prevailing 30-year fixed-rate interest rates.

Maximum Sales Prices as of 2010 are as follows:

**2010 MAXIMUM SALES PRICE
100% AREA MEDIAN INCOME**

Unit Size (bedrooms)	Maximum Sales Price
Studio	\$203,923
One	\$230,290
Two	\$256,655
Three	\$286,893



**2010 MAXIMUM INCOME
100% AREA MEDIAN INCOME**

Household Size	Income
One	\$52,850
Two	\$60,400
Three	\$67,950
Four	\$75,500
Five	\$81,550

Upon request, the Commission shall prepare and make available to *applicant* any general information that the Commission possesses regarding income limitations, sales prices, occupancy policies and restrictions which are applicable to the For-Sale Affordable Housing Units. The Maximum Sales Price applicable to specific units restricted at 100% AMI will be calculated on a project-by-project basis.

- C. Commission shall certify the eligibility of each prospective buyer and the sales price prior to the close of escrow for any For-Sale Affordable Housing Unit. *Applicants* shall submit documentation for certification to the Commission for a determination of buyer eligibility prior to close of escrow on each For-Sale Affordable Housing Unit.
- D. For-Sale Affordable Housing Units must be owner occupied unless the Commission has determined a hardship on a case-by-case basis.
- E. The equity in the For-Sale Affordable Housing Units shall be calculated and shared between the owner and Commission at the time of the first resale, as set forth in the Inclusionary Regulations.
 - 1. “Resale” means any of the following:
 - a. The sale, conveyance or transfer of all or any part of the For-Sale Affordable Housing Unit or any interest in the For-Sale Affordable Housing Unit by a *targeted ownership household*;
 - b. If the *targeted ownership household* is not a natural person, the sale, conveyance or transfer of all or any part or any beneficial interest in the *targeted ownership household*;
 - c. Any refinancing of all or any part of the For-Sale Affordable Housing Unit by a *targeted ownership household*, except as provided in (2) below;
 - d. The failure of the *targeted ownership household* to occupy the For-Sale Affordable Housing Unit as his, her, or their primary residence;



- e. The leasing of all or any part of the For-Sale Affordable Housing Unit, except where authorized by the Commission for a hardship determined on a case-by-case basis;
 - f. Any material breach of the documentation recorded against the For-Sale Affordable Housing Unit in favor of the Commission; or
 - g. The filing of bankruptcy by the *targeted ownership household*.
2. Notwithstanding the foregoing, a refinancing of the For-Sale Affordable Housing Unit shall not be considered a Resale, provided either:
- a. The principal balance of the *targeted ownership household's* loan after the refinancing, does not exceed the principal balance of the *targeted ownership household's* loan before the refinancing, plus reasonable closing costs; or
 - b. All of the following conditions are met, and provided that the Commission provides advance written consent to the refinancing to the *targeted ownership household*: (A) the *targeted ownership household* receives cash from such refinancing, which does not exceed ten percent (10%) of the principal balance of the *targeted ownership household's* first loan before the refinancing; (B) such cash is borrowed for the purpose of and is used for improvements to the affordable unit, which improvements are preapproved by the Commission prior to the *targeted ownership household's* obtaining the refinancing; and (C) the total amount of all the loans secured by the affordable unit do not exceed 100% of the value of the For-Sale Affordable Housing Unit, including payment of the Commission's share of the Equity.
- F. The For-Sale Affordable Housing Unit shall be sold at no less than fair market value.

V. Declaration of Covenants, Conditions and Restrictions for Affordable Units.

The *development* of Rental Affordable Housing Units and For-Sale Affordable Housing Units (collectively, "Affordable Units") pursuant to the Inclusionary Regulations is subject to the following requirements:

- A. The applicable portion of the *development* shall have recorded against it a Declaration of Covenants, Conditions and Restrictions approved by and in favor



of the Commission. The Declaration of Covenants, Conditions and Restrictions shall enjoy first lien position.

- B. The timely performance of the Declaration of Covenants, Conditions and Restrictions shall be secured by a deed of trust in favor of the Commission and such other instruments as may be required by the Chief Executive Officer of the Commission to effectuate the viability of the affordability restrictions for the entire term of required affordability. The deed of trust may be recorded against the project or unit, as applicable, prior to construction or permanent financing.
- C. In the event a subordination of the deed of trust securing the Declaration of Covenants, Conditions and Restrictions may be necessary to ensure the *applicant's* receipt of adequate construction or permanent financing for the project, or to enable first time home buyers to qualify for mortgages, the *applicant* shall enter into a separate agreement with the San Diego Housing Commission for subordination of the deed of trust.

VI. Exemption of Naturally Affordable For-Sale Units (“150% Units”).

Section 142.1303 contains exemptions from the Inclusionary Regulations, including an exemption from the Inclusionary Regulations for any residential *development* or portion of the *development* that are naturally affordable for-sale units (“150% Units”).

- A. Pursuant to Section 142.1303(b) of the Inclusionary Regulations, any portion of a residential *development* that meets all of the following is exempt:
 - 1. The 150% Unit is being sold to persons who own no other real property and will reside in the unit as their primary residence;
 - 2. The 150% Unit is affordable to and households earning less than 150% AMI;
 - 3. The 150% Unit has two (2) or more bedrooms; and
 - 4. The 150% Unit has recorded against it an agreement between the *applicant* and the Commission assuring that the provisions of Section 142.1303(b) have been met.
- B. *Applicants* with qualifying 150% units as described above shall be allowed to self-certify that units meet the required affordability level and eligibility of buyers.
- C. The 150% Unit(s) subject to this exemption shall have recorded against it an agreement between the *applicant* and the Commission assuring that the provisions above have been met.

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- D. In the event that the *applicant* is unable to fulfill the requirements of this provision, the Inclusionary Regulations will be applied to the units that would have been exempted. The *applicant* shall pay the then-current, applicable Inclusionary Affordable Housing Fee or make an election to provide 10% of the total units at the development as For-Sale Affordable Housing Units.
- E. Qualifying 150% Units shall be sold at prices at or below the “Maximum 150% Sales Price” as determined and published by the Commission on an annual basis. The Maximum 150% Sales Price is the Maximum Sales Price for a unit affordable to a household with an income at or below 150% Area Median Income (AMI), adjusted for unit size. The Maximum 150% Sales Price shall be determined by the Commission in its reasonable discretion as the amount which will result in an annual housing cost to the purchaser of the 150% Unit, which does not exceed the thirty-five percent (35%) of 150% of AMI adjusted for household size, determined as of the date of the execution of a binding purchase and sale agreement for the 150% Unit and shall include, without limitation, mortgage principal and interest, taxes, insurance, HOA and assessments.

All 150% Units qualifying for this exemption for the year 2010 shall be affordable at or below the maximum sales prices shown below.

2010 SALES PRICE RESTRICTIONS 150% AREA MEDIAN INCOME

Unit Size (bedrooms)	Maximum Sales Price
Studio	\$323,312
One	\$366,733
Two	\$410,154
Three	\$457,448

The maximum eligible incomes for 2010 are as follows:

2010 MAXIMUM INCOME 150% AREA MEDIAN INCOME

Household Size	Income
One	\$79,275
Two	\$90,600
Three	\$101,925
Four	\$113,250

- F. Compliance with the exemption from the provisions of the Inclusionary Regulations shall be determined at the time of the execution of the purchase and sale agreement, when the purchase price is fixed.



- G. Commission may, but shall not be obligated to, perform the following monitoring functions and services, on a periodic basis:
1. Reviewing the applications of prospective or actual occupants and/or purchasers of the 150% Units, to spot check the eligibility of such persons and/or households as eligible occupants and/or households;
 2. Reviewing the documentation submitted by *applicants* in connection with the certification process for eligible households and/or occupants.

Notwithstanding the foregoing description of the Commission's functions, no person or entity, including the *applicant* shall have any claim or right of action against the Commission based on any alleged failure to perform such function.

VII. Condominium Conversions.

The Condominium Conversion Inclusionary Affordable Housing Fee upon the approval of the amended Procedures Manual by the Council the initial Condominium Conversion Inclusionary Affordable Housing Fee shall be \$2.49/square foot.

- A. Election to Provide 5% of Converted Condominiums as For-Sale Affordable Housing Units.
1. All units provided pursuant to Section 142.1307(b) of the Regulations shall be considered For-Sale Affordable Housing Units subject to all of the provisions of the Regulations and this Procedures Manual applicable to For-Sale Affordable Housing Units.
 2. For any partial unit calculated, the *applicant* shall pay a prorated amount of the Condominium Conversion Inclusionary Affordable Housing Fee or provide an additional for For-Sale Affordable Housing Unit. Any units provided as 150% Units pursuant to an agreement entered into with the Commission shall not be included in the *dwelling units* total for purposes of applying the five percent (5%) calculation.
- B. Exemption for *Condominium Conversions* Affordable Households Earning 80% AMI or less.
1. Pursuant to Section 142.1307(c) of the Inclusionary Regulations, any *condominium conversion development* where all of the *dwelling units* will initially be affordable to and sold to households earning less than eighty percent (80%) of the Area Median Income are exempt from the Inclusionary Regulations.
 2. The *applicant* for such exempt condominium conversion development shall execute a declaration under penalty of perjury. Such declaration



shall be on a form created by Commission for this purpose and may be revised from time to time.

3. Qualifying exempt condominium conversion units shall be sold at prices at or below the “Maximum 80% Sales Price”, as determined and published by the Commission on an annual basis. The Maximum 80% Sales Price is the Maximum Sales Price for a unit affordable to a household with an income at or below 80% Area Median Income (AMI), adjusted for unit size. The Maximum 80% Sales Price shall be determined by the Commission in its reasonable discretion as the amount which will result in an annual housing cost to the purchaser of the unit, which does not exceed the thirty-five percent (35%) of 80% of AMI adjusted for household size, determined as of the date of the execution of a binding purchase and sale agreement for the exempt condominium unit and shall include, without limitation, mortgage principal and interest, taxes, insurance, HOA and assessments.

All *condominium conversion* units qualifying for this exemption for the year 2010 shall be affordable at or below the maximum sales prices shown below.

**2010 SALES PRICE RESTRICTIONS
80% AREA MEDIAN INCOME**

Unit Size (bedrooms)	Maximum Sales Price
Studio	\$156,885
One	\$176,495
Two	\$196,322
Three	\$219,638

The maximum eligible incomes for 2010 are as follows:

**2010 MAXIMUM INCOME
80% AREA MEDIAN INCOME**

Household Size	Income
One	\$55,000
Two	\$62,800
Three	\$70,700
Four	\$78,500

4. *Applicants* with qualifying *condominium conversion* units as described above shall be allowed to self-certify that units meet the required affordability level and eligibility of buyers. Applicants shall provide documentation concerning purchasers of the units and sales prices to Commission, at Commission’s request.



5. Compliance with Section 142.1307(c) shall be determined at the time of the execution of the purchase and sale agreement, when the purchase price is fixed.
6. In the event that the *applicant* is unable to fulfill the requirements of Section 142.1307(c) and this Procedures Manual, the Inclusionary Regulations will be applied to the units that would have been exempt. The *applicant* shall pay the then-current, applicable Condominium Conversion Inclusionary Affordable Housing Fee in effect at the close of escrow of the first condominium sold within the *development*.

VIII. Off-Site Housing

- A. An *applicant* electing to provide Affordable Units, that desires to construct the Affordable Units on a site different than the proposed *development* and within the same community planning area shall obtain the advance written approval of the Planning Director of the City and the Chief Executive Officer of the Commission (and the Executive Director of the Redevelopment Agency if the *development* is located within a Redevelopment Project Area).
- B. An *applicant* electing to provide Affordable Units may satisfy the requirements of the Inclusionary Regulations by the use of Affordable Units constructed by other developers, by transfer of credits between developers, if and when approved by the Planning Director of the City and the Chief Executive Officer of the Commission. The receiver *applicant* may not utilize any local public funds to meet the affordability requirements. The approval of the receiver site is subject to all applicable approvals set forth in this Procedures Manual and the Inclusionary Regulations.
- C. An *applicant* electing to construct the Affordable Units on a site different from the proposed *development* site and outside the community planning area shall comply with Section 142.1309(c).
- D. It is expected that the receiver site will be a new construction development; however, existing market-rate developments may be provided if the President and CEO of the Commission determines that the condition and age of the *development* will not preclude the provision of decent, safe and sanitary housing for the full 55-year period without the need for substantial rehabilitation. *Developments* with historic designation will not qualify as a receiver site. The approval of the receiver site would be subject to all applicable approvals set forth in this Procedures Manual and the Ordinance.

IX. Alternative Development Schedule and Phasing of Units

- A. An *applicant* approved for an alternative development schedule may provide Affordable Units in accordance with the following:



1. Affordable Units built subject to a variance authorized by the Inclusionary Regulations shall be constructed, completed, and ready for occupancy no later than the date that the market rate housing is constructed, completed and ready for occupancy unless there is an otherwise acceptable agreement for an alternative development schedule which is satisfactory to the Chief Executive Officer of the Commission (and the Executive Director of the Redevelopment Agency if the *development* is located within a Redevelopment Project Area).
 2. The timely construction of the Affordable Units shall be assured by the posting of a bond and the execution of agreements satisfactory to the Chief Executive Officer of the Commission on or before the issuance of the first building permit for any unit in the proposed *development*.
- B. In the event that the *development* is proposed to be constructed in phases or the Affordable Units are proposed to be constructed off-site, an alternative development schedule may be approved, subject to a written agreement between the *applicant* and the Chief Executive Officer of the Commission, such as the following:
1. The issuance of building permit for the Affordable Units shall occur on or before the earlier of: (i) the issuance of building permits for construction of the number which represents 50% of the market rate units within the *development*; or (ii) the date which is eighteen (18) months after the filing of final map for the market rate units, or (iii) a date which is eighteen (18) months after the receipt of the building permit for the first market rate unit if no final map is filed.
 2. Completion of construction of the Affordable Units shall occur upon the earlier of twelve (12) months after the issuance of building permits for the Affordable Units as described above; or the date which is two and one-half years after the earliest date determined above.
 3. The issuance of building permits for the construction of the number which represents 75% of market rate units for the *development* shall not occur until the completion of all of the Affordable Units is authorized by the City.
 4. Occupancy of the Affordable Units by persons meeting the eligibility requirements set forth in this Manual shall occur not later than 180 days after the completion of construction as determined above.



X. Conversion of Type of Affordable Units

Any Affordable Units, constructed pursuant to the Program, that propose to change from rental to for-sale or for-sale to rental must satisfy the requirements of this Procedures Manual and the Inclusionary Regulations.

- A. Any Rental Units to be converted to For-Sale Affordable Housing Units shall be sold at or below the Maximum Sales Price to *targeted ownership households*, with a right of first refusal for the occupant(s) of such Affordable Units at the time of conversion.

- B. Any For-Sale Affordable Housing Units to be converted to Rental Affordable Housing Units shall be rented at or below the rents set forth herein to *targeted rental households* provided the *applicant* also demonstrates that the units are not subject to the Costa Hawkins Rental Housing Act, for any legal reason, including but not limited without limitation:
 - 1. because the *applicant* has entered into an agreement with the a public agency in consideration for a direct financial contribution or any other form of assistance specified in California Government Code section 65915 *et seq.*: or

 - 2. because the *applicant* has voluntarily sought and will receive tax credits, and/or be issued multifamily housing bonds, and/or be provided with below market interest rate loans or grants for the construction and/or rehabilitation of the *dwelling units* and/or a project containing the *dwelling units*.

XI. Affirmative Marketing Requirements

The conditions of approval shall specify that *applicant* shall adhere to the marketing, monitoring, and enforcement procedures outlined in this section. Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status or disability. *Applicants* shall comply with the terms of their approved affirmative marketing plan, as may be amended from time to time, consistent with City Council Policy 600-20 and Fair Housing Law. The requirements of the affirmative marketing program shall be binding on the original *Applicant's* successors in interest to the extent that the first sales to the general public are covered.

XII. Ongoing Monitoring

- A. Monitoring Fees – Rental Affordable Housing Units
 - 1. An initial monitoring fee of \$500 will be assessed as a one-time charge to cover costs for developing the compliance monitoring plan, computer

Inclusionary Affordable Housing Implementation & Monitoring Procedures



database program and reporting system for the project, and training sessions for owner/manager. This fee is only applicable to *developments* providing Rental Affordable Housing Units.

2. Annual monitoring fees will be required for all Rental Affordable Housing Units. The base monitoring fee per unit is \$65 for the first 40 units. The base fee charged decreases \$10 for each unit more than 40 units, and decreases \$20 for each unit more than 80 units.

1 to 40 Units \$65 per unit

41 to 80 Units \$55 per unit

81+ Units \$45 per unit

- B. The annual monitoring fee shall be adjusted upward annually for increased costs due to inflation. The adjustment shall reflect the change in the Consumer Price Index for all Urban Consumers (CPI-U) for the County of San Diego.
- C. For *developments* that contain For-Sale Affordable Housing Units, a \$1,000 per unit fee will be required for monitoring and determining eligibility for For-Sale Affordable Housing Units. The fee is due upon execution of the Declaration of Covenants, Conditions and Restrictions.

XII. Determination of Inclusionary In Lieu Fees under Existing Agreements with the Commission.

Any requirement to pay the “Inclusionary In Lieu Fee” or “In Lieu Fee” that is contained in any written agreement with the Commission, entered into in order to comply with prior versions of the Inclusionary Regulations, shall be satisfied by payment of an amount equal to the amount of the Inclusionary Affordable Housing Fee in effect at the time payment is due under the agreement. In the event that the “Inclusionary In Lieu Fee” or “In Lieu Fee” was previously applicable to a project comprised of ten or fewer units, then the amount payable in order to satisfy that obligation contained in the agreement[s] shall be one half [1/2] of the Inclusionary Affordable Housing Fee in effect at the time payment is due under the terms of the agreement[s].

However, this provision setting fees, shall not apply to any agreement[s] that fixed the amount of payment due at a set rate in the agreement[s]. In those cases, the amount of payment shall be the amount fixed in the applicable agreement[s] and not the rate in effect at the time that the payment is due.

ATTACHMENT 5

RESIDENTIAL NEXUS ANALYSIS

Inclusionary Housing Ordinance

San Diego, California

Prepared for

City of San Diego

Keyser Marston Associates, Inc.

January 2011

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SUMMARY REPORT

INTRODUCTION

This Summary Report provides an overview of the analysis and a discussion of the findings of a residential nexus analysis conducted to examine the Inclusionary Housing Ordinance of the City of San Diego (City). The materials have been prepared by Keyser Marston Associates (KMA) for the San Diego Housing Commission (SDHC) pursuant to a contractual agreement. The residential nexus analysis addresses market rate residential projects in San Diego and the various types of units that are subject to the City's Inclusionary Housing Ordinance; the analysis quantifies the linkages between new market rate units and the demand for affordable housing in San Diego.

The City of San Diego's existing Inclusionary Housing Ordinance requires all new residential construction projects of two or more units to provide units at affordable prices or rent levels, or pay an in-lieu fee. For ownership units, the developer must set aside at least 10% of units at prices affordable to households earning up to 100% of Area Median Income (AMI). For rental units, the developer must set aside at least 10% of units at prices affordable to households earning up to 65% of AMI. The current in-lieu fee for projects with fewer than 10 units is \$2.49 per square foot; for projects with 10 or more units, the in-lieu fee is \$4.98 per square foot. The in-lieu fee is recalculated annually.

The Nexus Concept

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

Impact Methodology and Models Used

The analysis is performed using two models. The IMPLAN model is a commercially available model developed over 30 years ago to quantify the impacts of changes in a local economy, including the employment impacts of changes in personal income. The IMPLAN model is "inputted" with net new personal income in San Diego and moves through a series of adjustments to disposable income, a distribution of expenditures, and ultimately produces a quantification of jobs generated by industry. The KMA jobs housing nexus model, which was developed nearly 20 years ago to analyze the income structure of job growth, is used to determine the household income of new employee households, identifying how many are at lower income and housing affordability levels.

Organization of this Document

- Following this Summary Report is the technical nexus analysis report (Appendix I) and a detailed discussion of market rate and affordable residential values (Appendix II). The Summary Report is not intended as a stand alone document and should not be printed or distributed without the appendices explaining all the analyses and underlying assumptions.
- Appendix I contains the full Residential Nexus Analysis Report and all the tables that are a part of the analysis.
- Appendix II – Residential Values – Market and Affordable. This is a background section that establishes the market values of various types of attached and detached residential units or “projects” based on surveys of new units selling in San Diego. This appendix also contains a discussion of affordable sales prices and rent levels at various affordability levels, per the current Area Median Income, and contains a calculation of affordability gaps.

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

Analysis Summary

The Prototypes

Six residential prototypes were identified for San Diego based on market surveys, input from City and SDHC staff, and KMA's extensive prior work in San Diego. The six prototypes are summarized below:

- A single family detached unit, at an average density of 5 units to the acre, a mix of three and four bedrooms, 2,750 square feet, selling for \$633,000, or \$230 per square foot on average.
- A townhome unit, built at an average of 20 units to the acre, a mix of two and three bedrooms, 1,400 square feet selling for \$375,000, an average of \$268 per square foot.
- A stacked flat condominium unit, built at an average of 50 units per acre, a mix of one, two and three bedrooms, 1,050 square feet, selling for approximately \$420,000, or at \$400 per square foot.
- A mid- to high-rise condominium unit, built at an average of 200 units per acre, a mix of one, two and three bedrooms, 950 square feet, selling for approximately \$546,000, or at \$575 per square foot.

- A garden apartment unit in a project with an average density of 25 units per acre. Unit size averages 950 square feet, a mix of one, two and three bedroom units, renting for \$1,708 per month. It is noted that the rent required is slightly higher than current rent levels in San Diego. Based on our analysis, rents will have to approximate the level used in this analysis for new construction (without government assistance) to be feasible.
- A stacked flat apartment unit in a project with an average density of 60 units per acre. Average unit size is 850 square feet, a mix of one, two and three bedroom units, renting for \$2,090 per month. Again, the rent required is slightly higher than current rent levels in San Diego. Based on our analysis, rents will have to approximate the level used in this analysis for new construction (without government assistance) to be feasible.

Household Income

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

<i>Household Income</i>						
	<i>Single Family</i>	<i>Townhome</i>	<i>Low Density Condominium</i>	<i>Higher Density Condominium</i>	<i>Garden Apartments</i>	<i>Stacked Flat Apartments</i>
Gross Household Income	\$155,000	\$91,000	\$105,000	\$134,000	\$68,300	\$83,600

As would be expected, the higher priced units translate to higher household income, with rental units and the townhome units being affordable to households at a more modest income level.

Jobs Generated

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

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

Jobs Generated per 100 Units						
	<i>Single Family</i>	<i>Townhome</i>	<i>Low Density Condominium</i>	<i>Higher Density Condominium</i>	<i>Garden Apartments</i>	<i>Stacked Flat Apartments</i>
Gross Household Income	\$155,000	\$91,000	\$105,000	\$134,000	\$68,300	\$83,600
Total Jobs Generated, 100 units	89.7	57.9	64.9	82.9	42.6	53.2

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

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

Compensation Levels of Jobs and Household Income

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

The output of the model is the number of new worker households by income level (expressed in relation to the AMI) attributable to the new residential units and new households in San Diego.

New Worker Households by Income Level per 100 Market Rate Units						
	<i>Single Family</i>	<i>Townhome</i>	<i>Low Density Condominium</i>	<i>Higher Density Condominium</i>	<i>Garden Apartments</i>	<i>Stacked Flat Apartments</i>
Under 65% AMI	26.4	16.9	19.1	24.4	12.4	15.5
65% to 100% AMI	11.3	7.3	8.1	10.4	5.3	6.7
Total, Less than 100% AMI	37.7	24.2	27.2	34.8	17.7	22.2
Greater than 100% AMI	14.1	9.3	10.3	13.2	6.9	8.6
Total, New Households	51.9	33.5	37.5	47.9	24.6	30.7

Comparison of Analysis Results to Inclusionary Percentages

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

Each tier is cumulative, or inclusive of the tiers above it.

Cumulative Inclusionary Percentage Supported by Nexus Analysis						
	<i>Single Family</i>	<i>Townhome</i>	<i>Low Density Condominium</i>	<i>Higher Density Condominium</i>	<i>Garden Apartments</i>	<i>Stacked Flat Apartments</i>
Under 65% AMI	20.9%	14.4%	16.0%	19.6%	11.0%	13.4%
65% to 100% AMI	27.4%	19.5%	21.4%	25.8%	15.0%	18.2%

The conclusion of the analysis is that the market rate units analyzed support percentages up through Median Income (100% AMI) in the range of 15 to 27%. The City's current requirements are 10% at Median for ownership units and 10% at 65% AMI for rental units; the nexus analysis supports these percentages. Needless to say, units priced higher than the \$633,000 unit analyzed would produce even higher on-site percentage requirements.

Fee Levels Supported by the Nexus Analysis

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

Each income or affordability tier is associated with a subsidy needed to produce and deliver a unit at the specified affordability level. These subsidies are equal to affordability gaps, or the difference between the cost of development and the sales price or unit value supported by the rent that can be paid by a household at the specified income level.

The cost of developing new residential units in San Diego was assembled from a number of sources. Land costs were gathered from recent land sale data collected by KMA. KMA is also actively working on a number of multifamily projects in various locations in the San Diego area and has recent developer pro forma financial analyses from which to draw cost information.

Appendix II presents the survey materials, methodology and findings as well as affordable rent, unit value and sales price calculations. The affordability gaps used in the analysis incorporate a policy to match households at various income levels with types of residential units. Specifically,

it is assumed that households under 65% AMI will be housed in rental apartments. Median income households, or those in the 65% to 100% tier, are assumed to be housed in townhome units.

Affordable sales prices and rent levels are calculated by KMA based on the SDHC methodology. Sales prices are calculated assuming a household earns 100% of median income and spends 35% of household income on housing expenses. Rents are calculated assuming a low income household earns 65% of median income and spends 30% of income on housing.

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

Nexus Per Market Rate Unit							
<i>Income Category</i>	<i>Affordability Gap</i>	<i>Single Family</i>	<i>Town-home</i>	<i>Low Density Condo</i>	<i>Higher Density Condo</i>	<i>Garden Apartments</i>	<i>Stacked Flat Apartments</i>
Under 65% AMI	\$193,000	\$51,000	\$32,600	\$36,900	\$47,000	\$23,900	\$29,900
65% to 100% AMI	\$122,000	\$13,800	\$8,900	\$9,900	\$12,700	\$6,500	\$8,100
Total Nexus Costs		\$64,800	\$41,500	\$46,800	\$59,700	\$30,400	\$38,000

For ownership or for-sale units, the Residential Nexus Analysis supports maximum fee levels of at least \$41,500 per market rate unit. The per unit costs indicated in the table above result in a predictable higher cost per unit associated with the bigger or more expensive housing unit and the higher income (and expenditures) of the more affluent households.

For rental units, the maximum supported nexus fee level ranges from \$30,400 to \$38,000 per market rate unit.

The Total Nexus Costs indicated above may also be expressed on a per square foot level. The square foot areas of the prototype units used throughout the analysis become the basis for the calculation. Again, see Appendix II for more discussion of the prototypes. The results per square foot are as follows:

Total Nexus Cost Per Sq. Ft.							
<i>Income Category</i>	<i>Affordability Gap</i>	<i>Single Family</i>	<i>Town-home</i>	<i>Low Density Condo</i>	<i>Higher Density Condo</i>	<i>Garden Apartments</i>	<i>Stacked Flat Apartments</i>
<i>Prototype Size (SF)</i>		<i>2,750 SF</i>	<i>1,400 SF</i>	<i>1,050 SF</i>	<i>950 SF</i>	<i>950 SF</i>	<i>850 SF</i>
Under 65% AMI	\$193,000	\$18.55	\$23.29	\$35.14	\$49.47	\$25.16	\$35.18
65% to 100% AMI	\$122,000	\$5.02	\$6.36	\$9.43	\$13.37	\$6.84	\$9.53
Total Nexus Costs		\$23.56	\$29.64	\$44.57	\$62.84	\$32.00	\$44.71

The maximum supportable fee levels are significantly higher than the City's current fee, which is equal to \$4.98 per square foot for projects with 10 or more units.

The calculated fee levels indicated above, per unit or per square foot, are maximum fees supported by the nexus analysis. Establishing the appropriate fee level for the City is a policy matter that will be determined by the City Council.

This analysis has been prepared solely to demonstrate support for inclusionary measures and fees from the nexus perspective.

APPENDIX I: RESIDENTIAL NEXUS ANALYSIS

INTRODUCTION AND OVERVIEW

Keyser Marston Associates (KMA) has prepared this residential nexus analysis for the San Diego Housing Commission (SDHC) per a contractual agreement. This residential nexus analysis addresses market rate residential projects and the various types of units that are subject to the Inclusionary Housing Ordinance, and quantifies the linkages between new market rate units and the demand for affordable housing generated by the residents of new units.

The San Diego Context and Purpose of Report

The City of San Diego's existing Inclusionary Housing Ordinance requires all new residential construction projects of two or more units to provide units at affordable prices or rent levels, or pay an in-lieu fee. For ownership units, the developer must set aside at least 10% of units at prices affordable to households earning up to 100% of AMI. For rental units, the developer must set aside at least 10% of units at prices affordable to households earning up to 65% of AMI. The current in-lieu fee for projects with fewer than 10 units is \$2.49 per square foot; for projects with 10 or more units, the in-lieu fee is \$4.98 per square foot. The in-lieu fee is recalculated annually.

The Nexus Concept

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

Use of This Study

An impact analysis of this nature has been prepared for the limited purpose of determining nexus support to the City of San Diego's Inclusionary Housing Ordinance affecting residential development. It has not been prepared as a document to guide policy design in the broader context.

Methodology and Models Used

The methodology or analysis procedure for this nexus analysis starts with the sales price (or rental rate) of a new market rate residential unit, and moves through a series of linkages to the gross income of the household that purchased or rented the unit, the disposable income of the new household, the annual expenditures on goods and services, the jobs associated with the purchases and delivery of services, the income of the workers doing those jobs, the household income of the workers and, ultimately, the affordability level of the housing needed by the

worker households. The steps of the analysis from household income to jobs generated were performed using the IMPLAN model, a model widely used for over 30 years to quantify the impacts of changes in a local economy, including employment impacts from changes in personal income. From job generation by industry, KMA used its own jobs housing nexus model to quantify the income of worker households by affordability level.

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

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

Net New Underlying Assumption

An underlying assumption of the analysis is that households that purchase or rent new units represent net new households in San Diego. If purchasers or renters have relocated from elsewhere in the city, vacancies have been created that will be filled. An adjustment to new construction of units would be warranted if San Diego were experiencing a significant level of demolitions or loss of existing housing inventory. However, the rate of housing unit removal is so low as to not warrant an adjustment or offset.

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

Geographic Area of Impact

The analysis quantifies impacts occurring within San Diego County. While the majority of impacts will occur within the City of San Diego since it is a large city with a broad range of retail and service outlets, hospitals and other institutions, some impacts will be experienced elsewhere in the County and beyond. The IMPLAN model computes the jobs generated within

the County and sorts out those that occur beyond the county boundaries. The results therefore slightly underestimate the total impact of new housing on the total need for affordable housing.

Job impacts, like most types of impacts, occur irrespective of political boundaries. And like other types of impact analyses, such as traffic, impacts beyond city boundaries are experienced, are relevant, and are important. See Addendum for further discussion.

Disclaimer

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

A. MARKET RATE UNITS AND GROSS HOUSEHOLD INCOME

This section describes the prototypical market rate units that are subject to affordable housing requirements under the City of San Diego's Inclusionary Housing Ordinance and the income of the purchaser and renter households. Household income is the input to the IMPLAN model described in Section B of this report. These are the starting points of the chain of linkages that connect new market rate units to incremental demand for affordable residential units.

This section provides a summary of the prototypes and household income. More description and supporting tables are provided in Appendix II.

Recent Housing Market Activity and Prototypical Units

In identifying residential prototypes, KMA undertook a survey of residential units currently being marketed throughout the City. KMA accessed readily available data on real estate sales values and apartment rents, which included new for-sale projects as well as resales of newer units. Four for-sale prototypes and two rental prototypes were identified. These prototypes represent both projects currently being proposed and developed and projects that have potential for development in the foreseeable future.

For-Sale Project Prototypes

The for-sale prototypes are as follows:

- A single family detached unit, at an average of 5 units to the acre, a mix of three and four bedrooms, 2,750 square feet, selling for \$633,000, or \$230 per square foot on average.
- A townhome unit, built at an average of 20 units to the acre, a mix of two and three bedrooms, 1,400 square feet selling for \$375,000, an average of \$268 per square foot.
- A stacked flat condominium unit, built at an average of 50 units per acre, a mix of one, two and three bedrooms, 1,050 square feet, selling for approximately \$420,000, or at \$400 per square foot.
- A mid- to high-rise condominium unit, built at an average of 200 units per acre, a mix of one, two and three bedrooms, 950 square feet, selling for approximately \$546,000, or at \$575 per square foot.

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

Rental Project Prototypes

Like much of San Diego County, San Diego has experienced little development of rental apartments in recent years. In 2008 and 2009, San Diego experienced a slight decline in rent levels and a slight increase in vacancy rates. As of this writing in late 2010, conditions have already changed and rents are beginning to move in an upward direction while vacancies decline slightly (Marcus and Millchap survey). Vacancy levels never did exceed 5% even in the worst months in the San Diego region. In short, the rental market is poised for strengthening to the extent that new construction is anticipated within the next two years. In fact, some developers are preparing to enter the market with minimum initial returns but with an anticipation of better returns in the future.

For the purposes of the nexus analysis, the prototypes are as follows:

- A garden apartment unit in a project with an average density of 25 units per acre. Unit size averages 950 square feet, a mix of one, two and three bedroom units, renting for \$1,708 per month.
- A stacked flat apartment unit in a project with an average density of 60 units per acre. Average unit size is 850 square feet, a mix of one, two and three bedroom units, renting for \$2,090 per month.

Reference is made to the market survey material in Appendix II.

Summary

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

Nexus Prototypes						
	<i>Single Family</i>	<i>Townhome</i>	<i>Low Density Condo</i>	<i>Higher Density Condo</i>	<i>Garden Apt.</i>	<i>Stacked Flat Apt.</i>
Avg. Unit Size	2,750 sf	1,400 sf	1,050 sf	950 sf	950 sf	850 sf
Avg. No. of Bedrooms	3.5	2.5	1.8	1.8	1.8	1.8
Avg. Rent/Sales Price	\$633,000	\$375,000	\$420,000	\$546,000	\$1,708/mo.	\$2,090/mo.
Avg. Rent/Sales Price per sf	\$230	\$268	\$400	\$575	\$1.80	\$2.46

Income of Housing Unit Purchasers or Renter

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

For Sale Units

To make the determination for ownership units, terms for the purchase of residential units used in the analysis are slightly less favorable than what can be achieved at the current time since current terms are not likely to endure. The selected terms for the analysis are: 10% down payment, 30 year fixed rate mortgage, 6.0% interest rate. The tables at the end of this section provide the details.

The single family detached unit includes as an expense an allowance for maintenance and insurance. The attached unit prototypes, townhomes and condominiums, include as expenses monthly homeowners' association (HOA) dues, per industry practice. All ownership product types include an estimate of property taxes as well. A key assumption is that housing costs run, on average, at about 35% of gross income. During the housing boom, lending institutions were willing to accept higher than 35% for all debt as a share of income, but most households have other forms of debt, such as auto loans, student loans, and credit card debt. We have seen a return to more conservative lending practices in the past few years.

Apartment Units

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

The estimated gross household incomes of the purchasers or renters of the prototype units are calculated in tables A-1 through A-6, and summarized below.

Household Income						
	<i>Single Family</i>	<i>Townhome</i>	<i>Low Density Condominium</i>	<i>Higher Density Condominium</i>	<i>Garden Apartments</i>	<i>Stacked Flat Apartments</i>
Gross Household Income	\$155,000	\$91,000	\$105,000	\$134,000	\$68,300	\$83,600

The nexus analysis is conducted on 100-unit building modules for ease of presentation, and to avoid awkward fractions. Tables A-7 and A-8 summarize the conclusions of this section and calculate the total gross household income for the 100-unit building modules. This is the input into the IMPLAN model.

**TABLE A-1
 PROTOTYPE 1: SFD
 SALES PRICE TO INCOME RATIO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN DIEGO**

		Prototype 1 Single Family Detached
Sales Price	\$230 /SF 2,750 SF	\$633,000
Mortgage Payment		
Downpayment @ 10%	10%	\$63,300
Loan Amount		\$569,700
Interest Rate		6.00%
Term of Mortgage		30 years
Annual Mortgage Payment		\$40,988
Other Costs		
HOA Dues	\$150 per month	\$1,800
Maintenance & Insurance	\$300 per month	\$3,600
Property Taxes	1.25% of sales price	\$7,900
Total Annual Housing Cost		\$54,288
% of Income Spent on Hsg		35%
Annual Income Required		\$155,000
Sales Price to Income Ratio		4.1

**TABLE A-2
 PROTOTYPE 2: TOWNHOME
 SALES PRICE TO INCOME RATIO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN DIEGO**

			<u>Prototype 2 Townhome</u>
Sales Price	\$268 /SF	1,400 SF	\$375,000
Mortgage Payment			
Downpayment @ 10%		10%	\$37,500
Loan Amount			\$337,500
Interest Rate			6.00%
Term of Mortgage			30 years
Annual Mortgage Payment			\$24,282
Other Costs			
HOA Dues	\$175 per month		\$2,100
Maintenance & Insurance	\$75 per month		\$900
Property Taxes	1.25% of sales price		\$4,700
Total Annual Housing Cost			\$31,982
% of Income Spent on Hsg			35%
Annual Income Required			\$91,000
Sales Price to Income Ratio			4.1

**TABLE A-3
 PROTOTYPE 3: STACKED FLAT CONDOMINIUM
 SALES PRICE TO INCOME RATIO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN DIEGO**

			Prototype 3 Stacked Flat Condominium
Sales Price	\$400 /SF	1,050 SF	\$420,000
Mortgage Payment			
Downpayment @ 10%		10%	\$42,000
Loan Amount			\$378,000
Interest Rate			6.00%
Term of Mortgage			30 years
Annual Mortgage Payment			\$27,196
Other Costs			
HOA Dues	\$300	per month	\$3,600
Maintenance / Insurance	\$50	per month	\$600
Property Taxes	1.25%	of sales price	\$5,300
Total Annual Housing Cost			<u>\$36,696</u>
% of Income Spent on Hsg			35%
Annual Income Required			\$105,000
Sales Price to Income Ratio			4.0

**TABLE A-4
 PROTOTYPE 4: MID- / HIGH-RISE CONDOMINIUM
 SALES PRICE TO INCOME RATIO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN DIEGO**

			Prototype 4 Mid-Rise to High-Rise Condominium
Sales Price	\$575 /SF	950 SF	\$546,000
Mortgage Payment			
Downpayment @ 10%		10%	\$54,600
Loan Amount			\$491,400
Interest Rate			6.00%
Term of Mortgage			30 years
Annual Mortgage Payment			\$35,354
Other Costs			
HOA Dues	\$400 per month		\$4,800
Maintenance / Insurance	\$50 per month		\$600
Property Taxes	1.25% of sales price		\$6,800
Total Annual Housing Cost			<hr/> \$46,954
% of Income Spent on Hsg			35%
Annual Income Required			\$134,000
Sales Price to Income Ratio			4.1

**TABLE A-5
 PROTOTYPE 5: GARDEN APARTMENTS
 ANNUAL RENT TO INCOME RATIO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN DIEGO**

	Prototype 5 Garden - Style Apartment Units		
Market Rent			
Monthly	\$1.80 /SF	950 SF	\$1,708
Annual			\$20,496
% of Income Spent on Rent (excludes utilities)			30%
Annual Household Income Required			\$68,300
Annual Rent to Income Ratio			3.3

**TABLE A-6
 PROTOTYPE 6: STACKED FLAT APARTMENTS
 ANNUAL RENT TO INCOME RATIO
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN DIEGO**

	Prototype 6 Stacked Flats Apartment Units		
Market Rent			
Monthly	\$2.46 /SF	850 SF	\$2,090
Annual			\$25,080
% of Income Spent on Rent (excludes utilities)			30%
Annual Household Income Required			\$83,600
Annual Rent to Income Ratio			3.3

**TABLE A-7
FOR SALE PROTOTYPES SUMMARY
SALES PRICE TO INCOME RATIO
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO**

0

	<u>Per Unit</u>	<u>Per Sq.Ft.</u>	<u>100 Unit Building Module</u>
PROTOTYPE 1: SFD			
Units			100 Units
Building Sq.Ft. (net salable area)	2,750		275,000
Sales Price	\$633,000	\$230	\$63,300,000
Sales Price to Income Ratio	4.1		4.1
Gross Household Income	\$155,000	\$56.36	\$15,500,000
PROTOTYPE 2: TOWNHOME			
Units			100 Units
Building Sq.Ft. (net salable area)	1,400		140,000
Sales Price	\$375,000	\$268	\$37,500,000
Sales Price to Income Ratio	4.1		4.1
Gross Household Income	\$91,000	\$33.09	\$9,100,000
PROTOTYPE 3: STACKED FLAT CONDOMINIUM			
Units			100 Units
Building Sq.Ft. (net salable area)	1,050		105,000
Sales Price	\$420,000	\$400	\$42,000,000
Sales Price to Income Ratio	4.0		4.0
Gross Household Income	\$105,000	\$38.18	\$10,500,000
PROTOTYPE 4: MID- / HIGH-RISE CONDOMINIUM			
Units			100 Units
Building Sq.Ft. (net salable area)	950		95,000
Sales Price	\$546,000	\$575	\$54,600,000
Sales Price to Income Ratio	4.1		4.1
Gross Household Income	\$134,000	\$48.73	\$13,400,000

**TABLE A-8
RESIDENTIAL HOUSEHOLD SUMMARY - RENTAL
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO**

	<u>Per Unit</u>	<u>Per Sq.Ft.</u>	<u>100 Unit Building Module</u>
PROTOTYPE 5: GARDEN APARTMENTS			
Units			100 Units
Building Sq.Ft. (net rentable area)	950		95,000
Rent			
Monthly	\$1,708	\$1.80 /SF	\$170,800
Annual	\$20,496	\$21.57 /SF	\$2,049,600
Rent to Income Ratio	3.3		3.3
Gross Household Income	\$68,300	\$71.89	\$6,830,000
PROTOTYPE 6: STACKED FLAT APARTMENTS			
Units			100 Units
Building Sq.Ft. (net rentable area)	850		85,000
Rent			
Monthly	\$2,090	\$2.46 /SF	\$209,000
Annual	\$25,080	\$29.51 /SF	\$2,508,000
Rent to Income Ratio	3.3		3.3
Gross Household Income	\$83,600	\$98.35	\$8,360,000

B. THE IMPLAN MODEL

Consumer spending by residents of new housing units will create jobs, particularly in sectors such as restaurants, health care, and retail, which are closely connected to the expenditures of residents. The widely used economic analysis tool, IMPLAN (IMpact Analysis for PLANning), was used to quantify these new jobs by industry sector.

IMPLAN Model Description

The IMPLAN model is an economic analysis software package now commercially available through the Minnesota IMPLAN Group. IMPLAN was originally developed by the U.S. Forest Service, the Federal Emergency Management Agency, and the U.S. Department of the Interior Bureau of Land Management and has been in use since the 1970s and refined over time. It has become a widely used tool for analyzing economic impacts from a broad range of applications from major construction projects to natural resource programs.

IMPLAN is based on an input-output accounting of commodity flows within an economy from producers to intermediate and final consumers. The model establishes a matrix of supply chain relationships between industries and also between households and the producers of household goods and services. Assumptions about the portion of inputs or supplies for a given industry likely to be met by local suppliers, and the portion supplied from outside the region or study area are derived internally within the model using data on the industrial structure of the region.

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

Data sets are available for each county and state, so the model can be tailored to the specific economic conditions of the region being analyzed. This analysis utilizes the data set for San Diego County. As will be discussed, much of the employment impact is in local-serving sectors, such as retail, eating and drinking establishments, and medical services. The vast majority of these jobs will be located in San Diego. In addition, the employment impacts will extend throughout the County and beyond based on where jobs are located that serve San Diego residents.

Application of the IMPLAN Model to Estimate Job Growth

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

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

Jobs Generated per 100 Units						
	<i>Single Family</i>	<i>Townhome</i>	<i>Low Density Condo</i>	<i>Higher Density Condo</i>	<i>Garden Apts</i>	<i>Stacked Flat Apartments</i>
Gross Household Income	\$155,000	\$91,000	\$105,000	\$134,000	\$68,300	\$83,600
Total Jobs Generated, 100 units	89.7	57.9	64.9	82.9	42.6	53.2

Table B-1 provides a detailed summary of employment generated by industry. The table shows industries sorted by projected employment. Expenditure patterns vary by income level, and the IMPLAN results are calculated according to the income bracket. In the case of the San Diego prototypes, garden apartment households are in one income category, townhome and stacked flat apartment households are in a second, condominium owner households (low and higher density) are in a third, and single family households are in a fourth. Estimated employment is shown for each IMPLAN industry sector representing 1% or more of total employment. The jobs that are generated within the County are heavily in the retail industries, in restaurants and other eating establishments, and in industries that are provide local services such as health care and real estate.

The jobs counted in the IMPLAN model cover all jobs, full and part time, similar to the U.S. Census and all reporting agencies (unless otherwise indicated).

TABLE B-1
 IMPLAN MODEL OUTPUT
 EMPLOYMENT GENERATED
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN DIEGO

Per 100 Market Rate Units

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Gross Income of New Residents (in 100 Market Rate Units)¹
 Employment Generated by Income Differential by Industry²

	PROTOTYPE 1: SFD	% of Jobs	PROTOTYPE 2: TOWNHOME	% of Jobs	PROTOTYPE 3: STACKED FLAT CONDOMINIUM	% of Jobs	PROTOTYPE 4: MID- / HIGH-RISE CONDOMINIUM	% of Jobs	PROTOTYPE 5: GARDEN APARTMENTS	% of Jobs	PROTOTYPE 6: STACKED FLAT APARTMENTS	% of Jobs
	\$15,500,000		\$9,100,000		\$10,500,000		\$13,400,000		\$6,830,000		\$8,360,000	
Food services and drinking places	9.6	11%	7.0	12%	7.5	9.5	12%	5.0	12%	6.4	12%	
Real estate establishments	4.2	5%	3.8	7%	3.5	4.5	5%	3.0	7%	3.5	7%	
Offices of physicians, dentists, and other health practitioners	4.7	5%	3.6	6%	3.6	4.6	6%	2.6	6%	3.3	6%	
Wholesale trade businesses	2.1	2%	2.2	4%	2.3	2.9	3%	1.6	4%	2.0	4%	
Retail Stores - Food and beverage	3.2	4%	2.2	4%	2.5	3.2	4%	1.3	3%	2.0	4%	
Retail Stores - General merchandise	3.1	3%	2.1	4%	2.5	3.1	4%	1.3	3%	1.9	4%	
Retail Stores - Motor vehicle and parts	2.3	3%	1.6	3%	1.8	2.3	3%	1.0	2%	1.4	3%	
Private hospitals	2.6	3%	1.6	3%	1.7	2.2	3%	1.5	4%	1.4	3%	
Private household operations	3.7	4%	1.5	3%	2.5	3.1	4%	1.0	2%	1.4	3%	
Retail Nonstores - Direct and electronic sales	2.2	2%	1.7	3%	1.7	2.2	3%	0.9	2%	1.4	3%	
Securities, commodity contracts, investments	1.9	2%	1.4	2%	1.5	1.9	2%	1.0	2%	1.3	2%	
Retail Stores - Clothing and clothing accessories	1.9	2%	1.3	2%	1.5	1.9	2%	0.8	2%	1.2	2%	
Retail Stores - Miscellaneous	1.7	2%	1.1	2%	1.3	1.7	2%	0.7	2%	1.0	2%	
Nursing and residential care facilities	2.4	3%	1.1	2%	1.5	2.0	2%	1.2	3%	1.0	2%	
Employment services	1.5	2%	1.0	2%	1.1	1.4	2%	0.8	2%	0.9	2%	
Retail Stores - Building material and garden supply	1.2	1%	0.8	1%	1.0	1.2	2%	0.5	1%	0.8	1%	
Retail Stores - Health and personal care	1.2	1%	0.8	1%	1.0	1.2	1%	0.5	1%	0.8	1%	
Insurance carriers	1.3	1%	0.8	1%	0.9	1.2	1%	0.6	1%	0.7	1%	
Automotive repair and maintenance, except car washes	1.3	1%	0.8	1%	0.9	1.1	1%	0.6	1%	0.7	1%	
Services to buildings and dwellings	1.3	1%	0.8	1%	0.9	1.1	1%	0.6	1%	0.7	1%	
Individual and family services	1.8	2%	0.8	1%	0.9	1.1	1%	0.7	2%	0.7	1%	

TABLE B-1
 IMPLAN MODEL OUTPUT
 EMPLOYMENT GENERATED
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN DIEGO

Per 100 Market Rate Units

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	PROTOTYPE 1: SFD	% of Jobs	PROTOTYPE 2: TOWNHOME	% of Jobs	PROTOTYPE 3: STACKED FLAT CONDOMINIUM	PROTOTYPE 4: MID-/ HIGH-RISE CONDOMINIUM	% of Jobs	PROTOTYPE 5: GARDEN APARTMENTS	% of Jobs	PROTOTYPE 6: STACKED FLAT APARTMENTS	% of Jobs
Banking and depository credit	1.0	1%	0.8	1%	0.8	1.0	1%	0.5	1%	0.7	1%
Civic, social, professional, and similar organizations	1.3	1%	0.7	1%	0.8	1.1	1%	0.6	1%	0.7	1%
Medical & diagnostic labs, outpatient & other ambulatory care	1.0	1%	0.7	1%	0.7	0.9	1%	0.5	1%	0.7	1%
Legal services	1.0	1%	0.7	1%	0.8	1.0	1%	0.5	1%	0.6	1%
Personal care services	1.1	1%	0.7	1%	0.8	1.0	1%	0.6	1%	0.6	1%
Private elementary and secondary schools	2.1	2%	0.6	1%	1.0	1.2	2%	0.5	1%	0.6	1%
Amusement parks, arcades, other entertainment	1.2	1%	0.6	1%	0.7	0.9	1%	0.5	1%	0.5	1%
Retail Stores - Sporting goods, hobby, book and music	0.9	1%	0.6	1%	0.7	0.9	1%	0.4	1%	0.5	1%
Other private educational services	1.1	1%	0.6	1%	0.7	0.9	1%	0.7	2%	0.5	1%
Private colleges, universities, and professional schools	1.4	2%	0.6	1%	0.8	1.0	1%	0.5	1%	0.5	1%
Child day care services	1.1	1%	0.4	1%	0.5	0.7	1%	0.4	1%	0.4	1%
All Other	21.5	24%	13.2	23%	14.7	18.7	23%	9.9	23%	12.1	23%
Total Employment Generated	89.7	100%	57.9	100%	64.9	82.9	100%	42.6	100%	53.2	100%

1 The IMPLAN model tracks how increases in consumer spending creates jobs in the local economy. See Tables A-7 and A-8 for estimates of the gross income of residents of the prototypical 100 unit buildings. The model produces results by income category. For this analysis, there are four household income categories: \$50,000 - \$75,000 (Prototype 5) \$75,000 - \$100,000 (Prototypes 2 and 6), \$100,000 - \$150,000 (Prototypes 3 and 4) and greater than \$150,000 (Prototype 1). Expenditures patterns, and therefore, occupation distribution, varies by income category.

2 For Industries representing more than 1% of total employment for any of the four IMPLAN income categories (see note 1).

C. THE KMA JOBS HOUSING NEXUS MODEL

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

Analysis Approach and Framework

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

The analysis addresses the affordable unit demand associated with new market rate residential units in San Diego County. The table below shows the 2010 San Diego County Area Median Income and 65% of AMI level. The income categories are consistent with those included in the City's Inclusionary Housing Ordinance.

2010 Income Limits for San Diego County						
	Household Size (Persons)					
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6 +</i>
65% of Median	\$35,750	\$40,850	\$45,955	\$51,050	\$55,150	\$59,200
100% of Median	\$52,850	\$60,400	\$67,950	\$75,500	\$81,550	\$87,600

The analysis is conducted using a model that KMA developed and has applied to similar evaluations in many other jurisdictions. This model was also used to conduct the City of San Diego's Jobs Housing Nexus Study. The model inputs are all local data to the extent possible, and are fully documented in the following description.

Analysis Steps

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

Step 1 – Estimate of Total New Employees

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

Step 2 – Adjustment from Employees to Employee Households

This step (Table C-1) converts the number of employees to the number of employee households, recognizing that there is, on average, more than one worker per household, and thus the number of housing units in demand for new workers is reduced. The workers-per-worker-household ratio eliminates from the equation all non-working households, such as retired persons, students, and those on public assistance. The County average of 1.73 workers per worker household (from the U. S. Census Bureau: 2006-2008 American Community Survey) is used for this step in the analysis. The number of jobs is divided by 1.73 to determine the number of worker households. (Average workers related to all households is a lower ratio because all households are counted in the denominator, not just worker households; using average workers per total households would produce greater demand for housing units.) The 1.73 ratio covers all workers, full and part time.

Step 3 – Occupational Distribution of Employees

The occupational breakdown of employees is the first step to arrive at income level. The output from the IMPLAN model provides the number of employees by industry sector. The IMPLAN output is paired with data from the Department of Labor, Bureau of Labor Statistics May 2009 Occupational Employment Survey (OES) to estimate the occupational composition of employees for each industry sector. (Industry refers to the economic activity in which workers are primarily engaged, such as retail or manufacturing, while occupation describes the jobs of the workers in the industry, such as sales clerks or managers in retail stores and machine operators and managers in manufacturing. Each industry has its own distinct cross section of occupations or occupational mix.)

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

National-level employment totals for each industry within the OES were pro-rated to match the employment distribution projected using the IMPLAN model, which varies by income category. Occupational composition within each industry was held constant. The result is the estimated occupational mix of employees. Table C-3 presents a summary of the results for garden apartment rental households. Table C-4 presents a summary for townhome and stacked flat

apartment households, Table C-5 for condominium owner households, and Table C-6 for single family households.

As shown on Table C-1, new jobs will be distributed across a variety of occupational categories. The three largest occupational categories are office and administrative support positions (17-18%), sales positions (15-17%), and food preparation and serving jobs (12-13%). Step 3 of Table C-1 indicates both the percentage of total employee households and the number of net new employee households by occupation associated with 100 new market rate units.

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

In this step, occupation is translated to income based on recent San Diego County wage and salary information from the California Employment Development Department. The wage and salary information summarized in Tables C-7 (garden apartment renter households), C-8 (for townhome and stacked flat apartment households), C-9 (condominium owner households) and C-10 (single family households) provided the income inputs to the model. This step in the analysis calculates the number of employee households that fall into each income category for each household size.

Individual *employee* income data was used to calculate the number of *households* that fall into the income categories by assuming that multiple earner households are, on average, formed of individuals with similar incomes. Employee households not falling into one of the major occupation categories per Tables C-3 through C-6 are assumed to have the same income distribution as the major occupation categories.

Step 5 – Estimate of Household Size Distribution

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

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

For this step KMA built a cross-matrix of household size and income to establish probability factors for the two criteria in combination. For each occupational group a probability factor was calculated for each income level and household size/number of workers combination, and multiplied by the number of households. Table C-2 shows the result after completing Steps 4, 5,

and 6. The calculated number of households that meet size and income criteria shown are for the under 65% of AMI category generated by 100 market rate prototype units. The methodology was repeated for the higher income tier, resulting in a total count of worker households per 100 units.

Summary Findings

Table C-11 indicates the results of the analysis for the residential prototype units. The table presents the number of households generated in each affordability category and the total number over 100% of Area Median Income.

According to Table C-11, approximately 70% of new worker households generated by the expenditures of new residents have incomes below 100% of AMI, with most of these households earning less than 65% of AMI. The finding that the jobs associated with consumer spending tend to be low-paying jobs where the workers will require housing affordable at the lower income levels is not surprising. As noted above, direct consumer spending results in employment that is concentrated in lower paid occupations including food preparation, administrative, and retail sales.

The findings in Table C-11 are presented below. The table shows the total demand for affordable housing units associated with 100 market rate units.

<i>New Worker Households by Income Level per 100 Market Rate Units</i>						
	<i>Single Family</i>	<i>Townhome</i>	<i>Low Density Condominium</i>	<i>Higher Density Condominium</i>	<i>Garden Apartments</i>	<i>Stacked Flat Apartments</i>
Under 65% AMI	26.4	16.9	19.1	24.4	12.4	15.5
65% to 100% AMI	11.3	7.3	8.1	10.4	5.3	6.7
Total, Less than 100% AMI	37.7	24.2	27.2	34.8	17.7	22.2
Greater than 100% AMI	14.1	9.3	10.3	13.2	6.9	8.6
Total, New Households	51.9	33.5	37.5	47.9	24.6	30.7

Comparison of Analysis Results to Inclusionary Program

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

The inset table below presents the results of the analysis, drawn from Table C-12, which contains greater detail. Each tier is cumulative, or inclusive of the tiers above.

Cumulative Inclusionary Percentage Supported by Nexus Analysis						
	<i>Single Family</i>	<i>Townhome</i>	<i>Low Density Condominium</i>	<i>Higher Density Condominium</i>	<i>Garden Apartments</i>	<i>Stacked Flat Apartments</i>
Under 65% AMI	20.9%	14.4%	16.0%	19.6%	11.0%	13.4%
65% to 100% AMI	27.4%	19.5%	21.4%	25.8%	15.0%	18.2%

The findings of the analysis are presented for each of the prototypes. The single family detached unit results in Total Impacts of 27.4% up through Median Income (100% AMI). The townhome unit supports an inclusionary program up to 19.5%. The nexus analysis supports an inclusionary program for low density condominium units of up to 21.4% and higher density condominiums up to 25.8%. For ownership units, the conclusion is therefore that the current Inclusionary Housing Ordinance (10% up through Median Income) is supported by the analysis.

The rental units support an inclusionary program of up to 11% to 13.4% for units up to 65% AMI. The current program requires 10% of units at 65% AMI.

Conclusion

The analysis has demonstrated that the percentage requirements embodied in the current City of San Diego Inclusionary Housing Ordinance are supported by the residential nexus analysis. The new households that buy new units in San Diego generate impacts, through their expenditures on goods and services, which result in demand for additional affordable units in amounts higher than the current Inclusionary Housing Ordinance requires.

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

	PROTOTYPE 1: SFD	PROTOTYPE 2: TOWNHOME	PROTOTYPE 3: STACKED FLAT CONDOMINIUM	PROTOTYPE 4: MID- / HIGH-RISE CONDOMINIUM	PROTOTYPE 5: GARDEN APARTMENTS	PROTOTYPE 6: STACKED FLAT APARTMENTS
Step 1 - Employees ¹	89.7	57.9	64.9	82.9	42.6	53.2
Step 2 - Adjustment for Number of Households (1.73)	51.9	33.5	37.5	47.9	24.6	30.7
Step 3 - Occupation Distribution ²						
Management Occupations	4.1%	4.2%	4.1%	4.1%	4.4%	4.2%
Business and Financial Operations	4.2%	4.3%	4.2%	4.2%	4.4%	4.3%
Computer and Mathematical	1.1%	1.2%	1.2%	1.2%	1.2%	1.2%
Architecture and Engineering	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%
Life, Physical, and Social Science	0.4%	0.4%	0.4%	0.4%	0.5%	0.4%
Community and Social Services	1.9%	1.4%	1.5%	1.5%	1.7%	1.4%
Legal	0.7%	0.8%	0.8%	0.8%	0.8%	0.8%
Education, Training, and Library	4.1%	2.5%	3.0%	3.0%	3.1%	2.5%
Arts, Design, Entertainment, Sports, and Media	1.6%	1.4%	1.5%	1.5%	1.6%	1.4%
Healthcare Practitioners and Technical	5.9%	6.1%	5.8%	5.8%	6.5%	6.1%
Healthcare Support	3.6%	3.4%	3.4%	3.4%	3.9%	3.4%
Protective Service	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
Food Preparation and Serving Related	11.8%	12.7%	12.4%	12.4%	12.7%	12.7%
Building and Grounds Cleaning and Maint.	6.4%	5.1%	6.0%	6.0%	5.0%	5.1%
Personal Care and Service	4.4%	3.6%	3.7%	3.7%	4.2%	3.6%
Sales and Related	15.4%	16.6%	16.7%	16.7%	14.7%	16.6%
Office and Administrative Support	17.4%	18.3%	17.8%	17.8%	18.1%	18.3%
Farming, Fishing, and Forestry	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Construction and Extraction	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Installation, Maintenance, and Repair	3.9%	4.3%	4.1%	4.1%	4.3%	4.3%
Production	1.8%	1.8%	1.8%	1.8%	1.7%	1.8%
Transportation and Material Moving	4.9%	5.1%	5.1%	5.1%	4.9%	5.1%
Other / Not Identified	<u>3.9%</u>	<u>4.2%</u>	<u>4.2%</u>	<u>4.2%</u>	<u>4.0%</u>	<u>4.2%</u>
Totals	100%	100%	100%	100%	100%	100%
Management Occupations	2.1	1.4	1.5	2.0	1.1	1.3
Business and Financial Operations	2.2	1.4	1.6	2.0	1.1	1.3
Computer and Mathematical	0.6	0.4	0.4	0.6	0.3	0.4
Architecture and Engineering	0.2	0.1	0.1	0.2	0.1	0.1
Life, Physical, and Social Science	0.2	0.1	0.2	0.2	0.1	0.1
Community and Social Services	1.0	0.5	0.5	0.7	0.4	0.4
Legal	0.4	0.3	0.3	0.4	0.2	0.2
Education, Training, and Library	2.1	0.8	1.1	1.4	0.8	0.8
Arts, Design, Entertainment, Sports, and Media	0.8	0.5	0.5	0.7	0.4	0.4
Healthcare Practitioners and Technical	3.0	2.0	2.2	2.8	1.6	1.9
Healthcare Support	1.9	1.1	1.3	1.6	0.9	1.0
Protective Service	0.6	0.4	0.4	0.5	0.3	0.3
Food Preparation and Serving Related	6.1	4.3	4.6	5.9	3.1	3.9
Building and Grounds Cleaning and Maint.	3.3	1.7	2.2	2.9	1.2	1.6
Personal Care and Service	2.3	1.2	1.4	1.8	1.0	1.1
Sales and Related	8.0	5.6	6.3	8.0	3.6	5.1
Office and Administrative Support	9.0	6.1	6.7	8.6	4.4	5.6
Farming, Fishing, and Forestry	0.0	0.0	0.0	0.0	0.0	0.0
Construction and Extraction	0.5	0.3	0.3	0.4	0.2	0.3
Installation, Maintenance, and Repair	2.0	1.5	1.5	2.0	1.0	1.3
Production	0.9	0.6	0.7	0.9	0.4	0.5
Transportation and Material Moving	2.6	1.7	1.9	2.4	1.2	1.6
Other / Not Identified	<u>2.0</u>	<u>1.4</u>	<u>1.6</u>	<u>2.0</u>	<u>1.0</u>	<u>1.3</u>
Totals	51.9	33.5	37.5	47.9	24.6	30.7

Notes:

¹ Estimated employment generated by household expenditures within 100 prototypical market rate units. Employment estimates are based on the IMPLAN Group's economic model, IMPLAN, for San Diego County. Estimates vary by household income level. For this analysis, there are four household income categories: \$50,000 - \$75,000 (Prototype 5) \$75,000 - \$100,000 (Prototypes 2 and 6), \$100,000 - \$150,000 (Prototypes 3 and 4) and greater than \$150,000 (Prototype 1). Expenditures patterns, and therefore, occupation distribution, varies by income category.

² See Appendix Tables for additional information from which the percentage distributions were derived.

TABLE C-2
LOW INCOME EMPLOYEE HOUSEHOLDS¹ GENERATED
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO

Per 100 Market Rate Units

PROTOTYPE 1: SFD	PROTOTYPE 2: TOWNHOME	PROTOTYPE 3: STACKED FLAT CONDOMINIUM	PROTOTYPE 4: MID- / HIGH- RISE CONDOMINIUM	PROTOTYPE 5: GARDEN APARTMENTS	PROTOTYPE 6: STACKED FLAT APARTMENTS
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Step 4, 5, & 6 - Low Income Households (under 65% AMI) within Major Occupation Categories²

Management	0.05	0.05	0.04	0.06	0.03	0.04
Business and Financial Operations	0.10	0.06	0.07	0.09	0.05	0.06
Computer and Mathematical	-	-	-	-	-	-
Architecture and Engineering	-	-	-	-	-	-
Life, Physical and Social Science	-	-	-	-	-	-
Community and Social Services	-	-	-	-	-	-
Legal	-	-	-	-	-	-
Education Training and Library	0.54	0.24	0.29	0.37	0.20	0.22
Arts, Design, Entertainment, Sports, & Media	-	-	-	-	-	-
Healthcare Practitioners and Technical	0.11	0.07	0.08	0.11	0.06	0.07
Healthcare Support	1.16	0.67	0.78	0.99	0.58	0.61
Protective Service	-	-	-	-	-	-
Food Preparation and Serving Related	4.97	3.46	3.77	4.81	2.54	3.18
Building Grounds and Maintenance	2.29	1.17	1.55	1.97	0.85	1.07
Personal Care and Service	1.59	0.85	0.98	1.25	0.72	0.78
Sales and Related	5.77	3.81	4.32	5.51	2.61	3.50
Office and Admin	3.96	2.70	2.96	3.78	1.95	2.48
Farm, Fishing, and Forestry	-	-	-	-	-	-
Construction and Extraction	-	-	-	-	-	-
Installation Maintenance and Repair	0.60	0.43	0.45	0.58	0.31	0.40
Production	-	-	-	-	-	-
Transportation and Material Moving	1.59	1.07	1.20	1.53	0.75	0.98
Low Income Households - Major Occupations	22.74	14.58	16.49	21.04	10.65	13.40
Low Income Households¹ - all other occupations	3.66	2.31	2.61	3.33	1.73	2.12
Total Low Income Households¹	26.40	16.89	19.10	24.37	12.38	15.52

¹ Includes households earning from zero through 65% of San Diego County Area Median Income.

² See Tables C-3 through C-10 for additional information on Major Occupation Categories.

**TABLE C-3
 2009 OCCUPATION DISTRIBUTION FOR JOBS GENERATED BY HOUSEHOLDS EARNING \$50-\$75,000
 SAN DIEGO COUNTY
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN DIEGO, CA**

Major Occupations (2% or more)	Occupation Distribution ¹
Management occupations	4.4%
Business and financial operations occupations	4.4%
Education, training, and library occupations	3.1%
Healthcare practitioner and technical occupations	6.5%
Healthcare support occupations	3.9%
Food preparation and serving related occupations	12.7%
Building and grounds cleaning and maintenance occupations	5.0%
Personal care and service occupations	4.2%
Sales and related occupations	14.7%
Office and administrative support occupations	18.1%
Installation, maintenance, and repair occupations	4.3%
Transportation and material moving occupations	4.9%
All Other	<u>14.0%</u>
INDUSTRY TOTAL	100.0%

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

**TABLE C-4
 2009 OCCUPATION DISTRIBUTION FOR JOBS GENERATED BY HOUSEHOLDS EARNING \$75-\$100,000
 SAN DIEGO COUNTY
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN DIEGO, CA**

Major Occupations (2% or more)	Occupation Distribution ¹
Management occupations	4.2%
Business and financial operations occupations	4.3%
Education, training, and library occupations	2.5%
Healthcare practitioner and technical occupations	6.1%
Healthcare support occupations	3.4%
Food preparation and serving related occupations	12.7%
Building and grounds cleaning and maintenance occupations	5.1%
Personal care and service occupations	3.6%
Sales and related occupations	16.6%
Office and administrative support occupations	18.3%
Installation, maintenance, and repair occupations	4.3%
Transportation and material moving occupations	5.1%
All Other	<u>13.7%</u>
INDUSTRY TOTAL	100.0%

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

**TABLE C-5
 2009 OCCUPATION DISTRIBUTION FOR JOBS GENERATED BY HOUSEHOLDS EARNING \$100-\$150,000
 SAN DIEGO COUNTY
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN DIEGO, CA**

Major Occupations (2% or more)	Occupation Distribution ¹
Management occupations	4.1%
Business and financial operations occupations	4.2%
Education, training, and library occupations	3.0%
Healthcare practitioner and technical occupations	5.8%
Healthcare support occupations	3.4%
Food preparation and serving related occupations	12.4%
Building and grounds cleaning and maintenance occupations	6.0%
Personal care and service occupations	3.7%
Sales and related occupations	16.7%
Office and administrative support occupations	17.8%
Installation, maintenance, and repair occupations	4.1%
Transportation and material moving occupations	5.1%
All Other	<u>13.7%</u>
INDUSTRY TOTAL	100.0%

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

**TABLE C-6
 2009 OCCUPATION DISTRIBUTION FOR JOBS GENERATED BY HOUSEHOLDS EARNING \$150,000+
 SAN DIEGO COUNTY
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN DIEGO, CA**

Major Occupations (2% or more)	Occupation Distribution ¹
Management occupations	4.1%
Business and financial operations occupations	4.2%
Education, training, and library occupations	4.1%
Healthcare practitioner and technical occupations	5.9%
Healthcare support occupations	3.6%
Food preparation and serving related occupations	11.8%
Building and grounds cleaning and maintenance occupations	6.4%
Personal care and service occupations	4.4%
Sales and related occupations	15.4%
Office and administrative support occupations	17.4%
Installation, maintenance, and repair occupations	3.9%
Transportation and material moving occupations	4.9%
All Other	<u>13.9%</u>
INDUSTRY TOTAL	100.0%

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

TABLE C-7
 AVERAGE ANNUAL COMPENSATION, 2010
 HOUSEHOLDS EARNING \$50-\$75,000
 SAN DIEGO COUNTY
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN DIEGO, CA

JOBS GENERATED BY HOUSEHOLDS
 EARNING \$50-\$75,000

Occupation ³	2010 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Jobs Generated
<i>Page 1 of 3</i>			
<i>Management occupations</i>			
Chief executives	\$200,600	4.3%	0.2%
General and operations managers	\$125,400	29.3%	1.3%
Sales managers	\$112,400	5.3%	0.2%
Financial managers	\$126,600	9.3%	0.4%
Food service managers	\$52,000	4.7%	0.2%
Medical and health services managers	\$104,000	5.0%	0.2%
Property, real estate, and community association managers	\$62,600	13.0%	0.6%
Managers, all other	\$112,500	4.0%	0.2%
All other Management Occupations (Avg. All Categories)	<u>\$111,300</u>	<u>25.2%</u>	<u>1.1%</u>
	Weighted Mean Annual Wage	\$111,300	100.0%
<i>Business and financial operations occupations</i>			
Claims adjusters, examiners, and investigators	\$58,000	5.5%	0.2%
Management analysts	\$94,900	6.4%	0.3%
Business operations specialists, all other	\$66,900	13.7%	0.6%
Accountants and auditors	\$71,200	17.8%	0.8%
Financial analysts	\$91,900	7.6%	0.3%
Personal financial advisors	\$72,300	7.8%	0.3%
Loan officers	\$69,300	6.5%	0.3%
All Other Business and financial operations occupations (Avg. All Categories)	<u>\$73,800</u>	<u>34.6%</u>	<u>1.5%</u>
	Weighted Mean Annual Wage	\$73,800	100.0%
<i>Education, training, and library occupations</i>			
Vocational education teachers, postsecondary	\$64,600	5.3%	0.2%
Preschool teachers, except special education	\$29,300	13.4%	0.4%
Elementary school teachers, except special education	\$69,600	7.7%	0.2%
Secondary school teachers, except special and vocational education	\$67,500	5.3%	0.2%
Self-enrichment education teachers	\$38,900	10.5%	0.3%
Teachers and instructors, all other	\$52,200	10.2%	0.3%
Teacher assistants	\$28,800	14.8%	0.5%
All Other Education, training, and library occupations (Avg. All Categories)	<u>\$44,600</u>	<u>32.8%</u>	<u>1.0%</u>
	Weighted Mean Annual Wage	\$44,600	100.0%
<i>Healthcare practitioner and technical occupations</i>			
Pharmacists	\$117,200	4.3%	0.3%
Physicians and surgeons, all other	\$218,700	4.9%	0.3%
Registered nurses	\$82,100	29.8%	1.9%
Dental hygienists	\$91,600	4.4%	0.3%
Pharmacy technicians	\$37,600	5.5%	0.4%
Licensed practical and licensed vocational nurses	\$47,900	9.7%	0.6%
All Other Healthcare practitioner and technical occupations (Avg. All Categories)	<u>\$86,900</u>	<u>41.4%</u>	<u>2.7%</u>
	Weighted Mean Annual Wage	\$86,900	100.0%

TABLE C-7
AVERAGE ANNUAL COMPENSATION, 2010
HOUSEHOLDS EARNING \$50-\$75,000
SAN DIEGO COUNTY
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA

JOBS GENERATED BY HOUSEHOLDS
EARNING \$50-\$75,000

Occupation ³	2010 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Jobs Generated
<i>Page 2 of 3</i>			
<i>Healthcare support occupations</i>			
Home health aides	\$22,700	21.8%	0.8%
Nursing aides, orderlies, and attendants	\$25,200	30.0%	1.2%
Dental assistants	\$36,400	12.3%	0.5%
Medical assistants	\$31,200	18.3%	0.7%
All Other Healthcare support occupations (Avg. All Categories)	<u>\$27,600</u>	<u>17.6%</u>	<u>0.7%</u>
Weighted Mean Annual Wage	\$27,600	100.0%	3.9%
<i>Food preparation and serving related occupations</i>			
First-line supervisors/managers of food preparation and serving workers	\$31,800	6.9%	0.9%
Cooks, fast food	\$19,600	5.3%	0.7%
Cooks, restaurant	\$25,800	8.1%	1.0%
Food preparation workers	\$21,600	6.9%	0.9%
Bartenders	\$21,700	4.7%	0.6%
Combined food preparation and serving workers, including fast food	\$20,500	24.6%	3.1%
Counter attendants, cafeteria, food concession, and coffee shop	\$20,900	4.0%	0.5%
Waiters and waitresses	\$21,200	21.1%	2.7%
Dishwashers	\$19,700	4.5%	0.6%
All Other Food preparation and serving related occupations (Avg. All Categories)	<u>\$22,200</u>	<u>13.9%</u>	<u>1.8%</u>
Weighted Mean Annual Wage	\$22,200	100.0%	12.7%
<i>Building and grounds cleaning and maintenance occupations</i>			
Janitors and cleaners, except maids and housekeeping cleaners	\$25,700	49.4%	2.5%
Maids and housekeeping cleaners	\$21,200	12.4%	0.6%
Landscaping and groundskeeping workers	\$27,200	25.9%	1.3%
All Other Building and grounds cleaning and maintenance occupations (Avg. All Categories)	<u>\$25,500</u>	<u>12.4%</u>	<u>0.6%</u>
Weighted Mean Annual Wage	\$25,500	100.0%	5.0%
<i>Personal care and service occupations</i>			
Nonfarm animal caretakers	\$27,800	5.3%	0.2%
Amusement and recreation attendants	\$20,900	7.9%	0.3%
Hairdressers, hairstylists, and cosmetologists	\$25,100	17.0%	0.7%
Child care workers	\$24,500	13.7%	0.6%
Personal and home care aides	\$21,600	17.6%	0.7%
Fitness trainers and aerobics instructors	\$37,400	6.8%	0.3%
Recreation workers	\$24,000	6.0%	0.2%
All Other Personal care and service occupations (Avg. All Categories)	<u>\$24,900</u>	<u>25.7%</u>	<u>1.1%</u>
Weighted Mean Annual Wage	\$24,900	100.0%	4.2%
<i>Sales and related occupations</i>			
First-line supervisors/managers of retail sales workers	\$41,000	8.3%	1.2%
Cashiers	\$21,700	25.1%	3.7%
Counter and rental clerks	\$26,700	4.9%	0.7%
Retail salespersons	\$26,100	33.5%	4.9%
Sales representatives, wholesale and manufacturing, except technical and scientific products	\$65,300	5.3%	0.8%
All Other Sales and related occupations (Avg. All Categories)	<u>\$29,000</u>	<u>23.0%</u>	<u>3.4%</u>
Weighted Mean Annual Wage	\$29,000	100.0%	14.7%

TABLE C-7
 AVERAGE ANNUAL COMPENSATION, 2010
 HOUSEHOLDS EARNING \$50-\$75,000
 SAN DIEGO COUNTY
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN DIEGO, CA

JOBS GENERATED BY HOUSEHOLDS
 EARNING \$50-\$75,000

Occupation ³	2010 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Jobs Generated
<i>Office and administrative support occupations</i>			
First-line supervisors/managers of office and administrative support workers	\$54,500	6.4%	1.2%
Bookkeeping, accounting, and auditing clerks	\$38,200	8.1%	1.5%
Customer service representatives	\$37,500	10.0%	1.8%
Receptionists and information clerks	\$28,500	7.2%	1.3%
Stock clerks and order fillers	\$25,000	9.4%	1.7%
Executive secretaries and administrative assistants	\$45,400	6.4%	1.2%
Secretaries, except legal, medical, and executive	\$35,400	8.3%	1.5%
Office clerks, general	\$30,400	13.3%	2.4%
All Other Office and administrative support occupations (Avg. All Categories)	<u>\$35,600</u>	<u>31.0%</u>	<u>5.6%</u>
	Weighted Mean Annual Wage	100.0%	18.1%
<i>Installation, maintenance, and repair occupations</i>			
First-line supervisors/managers of mechanics, installers, and repairers	\$65,000	7.8%	0.3%
Automotive body and related repairers	\$42,800	5.2%	0.2%
Automotive service technicians and mechanics	\$43,200	18.9%	0.8%
Maintenance and repair workers, general	\$37,700	37.6%	1.6%
All Other Installation, maintenance, and repair occupations (Avg. All Categories)	<u>\$42,600</u>	<u>30.5%</u>	<u>1.3%</u>
	Weighted Mean Annual Wage	100.0%	4.3%
<i>Transportation and material moving occupations</i>			
Bus drivers, school	\$36,800	5.2%	0.3%
Driver/sales workers	\$25,700	8.6%	0.4%
Truck drivers, heavy and tractor-trailer	\$42,600	10.2%	0.5%
Truck drivers, light or delivery services	\$33,300	12.0%	0.6%
Parking lot attendants	\$21,500	4.4%	0.2%
Cleaners of vehicles and equipment	\$21,700	7.6%	0.4%
Laborers and freight, stock, and material movers, hand	\$25,800	23.7%	1.2%
Packers and packagers, hand	\$20,600	8.2%	0.4%
All Other Transportation and material moving occupations (Avg. All Categories)	<u>\$28,600</u>	<u>20.1%</u>	<u>1.0%</u>
	Weighted Mean Annual Wage	100.0%	4.9%
			86.0%

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

² Occupation percentages are based on the 2009 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2009 Occupational Employment Survey data for San Diego County updated by the California Employment Development Department to 2010 wage levels.

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

TABLE C-8
AVERAGE ANNUAL COMPENSATION, 2010
HOUSEHOLDS EARNING \$75-\$100,000
SAN DIEGO COUNTY
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA

JOBS GENERATED BY HOUSEHOLDS EARNING
\$75-\$100,000

Occupation ³	2010 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Jobs Generated
<i>Page 1 of 3</i>			
<i>Management occupations</i>			
Chief executives	\$200,600	4.3%	0.2%
General and operations managers	\$125,400	30.6%	1.3%
Sales managers	\$112,400	6.0%	0.3%
Financial managers	\$126,600	9.8%	0.4%
Food service managers	\$52,000	4.9%	0.2%
Medical and health services managers	\$104,000	4.7%	0.2%
Property, real estate, and community association managers	\$62,600	12.5%	0.5%
All other Management Occupations (Avg. All Categories)	<u>\$111,800</u>	<u>27.3%</u>	<u>1.2%</u>
	Weighted Mean Annual Wage	\$111,800	100.0%
<i>Business and financial operations occupations</i>			
Claims adjusters, examiners, and investigators	\$58,000	5.8%	0.3%
Management analysts	\$94,900	6.3%	0.3%
Business operations specialists, all other	\$66,900	12.9%	0.6%
Accountants and auditors	\$71,200	17.6%	0.8%
Financial analysts	\$91,900	8.1%	0.4%
Personal financial advisors	\$72,300	8.6%	0.4%
Loan officers	\$69,300	6.6%	0.3%
All Other Business and financial operations occupations (Avg. All Categories)	<u>\$73,900</u>	<u>34.1%</u>	<u>1.5%</u>
	Weighted Mean Annual Wage	\$73,900	100.0%
<i>Education, training, and library occupations</i>			
Vocational education teachers, postsecondary	\$64,600	4.3%	0.1%
Preschool teachers, except special education	\$29,300	13.7%	0.3%
Elementary school teachers, except special education	\$69,600	8.5%	0.2%
Secondary school teachers, except special and vocational education	\$67,500	5.9%	0.1%
Self-enrichment education teachers	\$38,900	9.3%	0.2%
Teachers and instructors, all other	\$52,200	9.2%	0.2%
Teacher assistants	\$28,800	15.0%	0.4%
All Other Education, training, and library occupations (Avg. All Categories)	<u>\$44,700</u>	<u>34.1%</u>	<u>0.8%</u>
	Weighted Mean Annual Wage	\$44,700	100.0%
<i>Healthcare practitioner and technical occupations</i>			
Pharmacists	\$117,200	5.2%	0.3%
Physicians and surgeons, all other	\$218,700	5.1%	0.3%
Registered nurses	\$82,100	27.2%	1.6%
Dental hygienists	\$91,600	4.9%	0.3%
Pharmacy technicians	\$37,600	6.8%	0.4%
Licensed practical and licensed vocational nurses	\$47,900	8.7%	0.5%
All Other Healthcare practitioner and technical occupations (Avg. All Categories)	<u>\$87,700</u>	<u>42.1%</u>	<u>2.6%</u>
	Weighted Mean Annual Wage	\$87,700	100.0%

TABLE C-8
 AVERAGE ANNUAL COMPENSATION, 2010
 HOUSEHOLDS EARNING \$75-\$100,000
 SAN DIEGO COUNTY
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN DIEGO, CA

JOBS GENERATED BY HOUSEHOLDS EARNING
 \$75-\$100,000

Occupation ³	2010 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Jobs Generated
<i>Healthcare support occupations</i>			
Home health aides	\$22,700	20.6%	0.7%
Nursing aides, orderlies, and attendants	\$25,200	25.1%	0.9%
Dental assistants	\$36,400	14.4%	0.5%
Medical assistants	\$31,200	21.1%	0.7%
Healthcare support workers, all other	\$35,800	4.2%	0.1%
All Other Healthcare support occupations (Avg. All Categories)	<u>\$28,500</u>	<u>14.7%</u>	<u>0.5%</u>
Weighted Mean Annual Wage	\$28,500	100.0%	3.4%
<i>Food preparation and serving related occupations</i>			
First-line supervisors/managers of food preparation and serving workers	\$31,800	7.0%	0.9%
Cooks, fast food	\$19,600	5.3%	0.7%
Cooks, restaurant	\$25,800	8.2%	1.0%
Food preparation workers	\$21,600	7.0%	0.9%
Bartenders	\$21,700	4.7%	0.6%
Combined food preparation and serving workers, including fast food	\$20,500	25.0%	3.2%
Waiters and waitresses	\$21,200	21.2%	2.7%
Dishwashers	\$19,700	4.5%	0.6%
All Other Food preparation and serving related occupations (Avg. All Categories)	<u>\$22,200</u>	<u>17.2%</u>	<u>2.2%</u>
Weighted Mean Annual Wage	\$22,200	100.0%	12.7%
<i>Building and grounds cleaning and maintenance occupations</i>			
Janitors and cleaners, except maids and housekeeping cleaners	\$25,700	49.9%	2.5%
Maids and housekeeping cleaners	\$21,200	11.1%	0.6%
Landscaping and groundskeeping workers	\$27,200	26.2%	1.3%
All Other Building and grounds cleaning and maintenance occupations (Avg. All Categories)	<u>\$25,600</u>	<u>12.7%</u>	<u>0.6%</u>
Weighted Mean Annual Wage	\$25,600	100.0%	5.1%
<i>Personal care and service occupations</i>			
Nonfarm animal caretakers	\$27,800	6.0%	0.2%
Amusement and recreation attendants	\$20,900	8.3%	0.3%
Hairdressers, hairstylists, and cosmetologists	\$25,100	18.1%	0.7%
Child care workers	\$24,500	12.8%	0.5%
Personal and home care aides	\$21,600	17.4%	0.6%
Fitness trainers and aerobics instructors	\$37,400	6.9%	0.3%
Recreation workers	\$24,000	5.6%	0.2%
All Other Personal care and service occupations (Avg. All Categories)	<u>\$25,000</u>	<u>24.9%</u>	<u>0.9%</u>
Weighted Mean Annual Wage	\$25,000	100.0%	3.6%
<i>Sales and related occupations</i>			
First-line supervisors/managers of retail sales workers	\$41,000	8.7%	1.4%
Cashiers	\$21,700	25.9%	4.3%
Counter and rental clerks	\$26,700	4.3%	0.7%
Retail salespersons	\$26,100	35.6%	5.9%
Sales representatives, wholesale and manufacturing, except technical and scientific products	\$65,300	4.7%	0.8%
All Other Sales and related occupations (Avg. All Categories)	<u>\$28,700</u>	<u>20.7%</u>	<u>3.4%</u>
Weighted Mean Annual Wage	\$28,700	100.0%	16.6%

TABLE C-8
 AVERAGE ANNUAL COMPENSATION, 2010
 HOUSEHOLDS EARNING \$75-\$100,000
 SAN DIEGO COUNTY
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN DIEGO, CA

JOBS GENERATED BY HOUSEHOLDS EARNING
 \$75-\$100,000

Occupation ³	2010 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Jobs Generated
<i>Office and administrative support occupations</i>			
First-line supervisors/managers of office and administrative support workers	\$54,500	6.4%	1.2%
Bookkeeping, accounting, and auditing clerks	\$38,200	7.9%	1.5%
Customer service representatives	\$37,500	10.3%	1.9%
Receptionists and information clerks	\$28,500	6.9%	1.3%
Stock clerks and order fillers	\$25,000	10.9%	2.0%
Executive secretaries and administrative assistants	\$45,400	6.0%	1.1%
Secretaries, except legal, medical, and executive	\$35,400	7.8%	1.4%
Office clerks, general	\$30,400	12.8%	2.3%
All Other Office and administrative support occupations (Avg. All Categories)	<u>\$35,400</u>	<u>31.0%</u>	<u>5.7%</u>
	Weighted Mean Annual Wage	100.0%	18.3%
<i>Installation, maintenance, and repair occupations</i>			
First-line supervisors/managers of mechanics, installers, and repairers	\$65,000	7.8%	0.3%
Automotive body and related repairers	\$42,800	5.2%	0.2%
Automotive service technicians and mechanics	\$43,200	20.0%	0.9%
Maintenance and repair workers, general	\$37,700	34.2%	1.5%
All Other Installation, maintenance, and repair occupations (Avg. All Categories)	<u>\$42,900</u>	<u>32.8%</u>	<u>1.4%</u>
	Weighted Mean Annual Wage	100.0%	4.3%
<i>Transportation and material moving occupations</i>			
Bus drivers, school	\$36,800	4.2%	0.2%
Driver/sales workers	\$25,700	8.9%	0.5%
Truck drivers, heavy and tractor-trailer	\$42,600	10.4%	0.5%
Truck drivers, light or delivery services	\$33,300	12.6%	0.6%
Parking lot attendants	\$21,500	4.0%	0.2%
Cleaners of vehicles and equipment	\$21,700	7.7%	0.4%
Laborers and freight, stock, and material movers, hand	\$25,800	24.3%	1.2%
Packers and packagers, hand	\$20,600	8.9%	0.5%
All Other Transportation and material moving occupations (Avg. All Categories)	<u>\$28,500</u>	<u>18.9%</u>	<u>1.0%</u>
	Weighted Mean Annual Wage	100.0%	5.1%

86.3%

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

² Occupation percentages are based on the 2009 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2009 Occupational Employment Survey data for San Diego County updated by the California Employment Development Department to 2010 wage levels.

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

TABLE C-9
 AVERAGE ANNUAL COMPENSATION, 2010
 HOUSEHOLDS EARNING \$100-\$150,000
 EMPLOYMENT IMPACTS WITHIN SAN DIEGO COUNTY
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN DIEGO, CA

JOBS GENERATED BY HOUSEHOLDS EARNING
 \$100-\$150,000

Occupation ³	2010 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Jobs Generated
<i>Page 1 of 3</i>			
<i>Management occupations</i>			
Chief executives	\$200,600	4.3%	0.2%
General and operations managers	\$125,400	31.4%	1.3%
Sales managers	\$112,400	6.1%	0.2%
Financial managers	\$126,600	9.6%	0.4%
Food service managers	\$52,000	4.9%	0.2%
Medical and health services managers	\$104,000	4.7%	0.2%
Property, real estate, and community association managers	\$62,600	10.7%	0.4%
All other Management Occupations (Avg. All Categories)	<u>\$113,200</u>	<u>28.3%</u>	<u>1.2%</u>
Weighted Mean Annual Wage	\$113,200	100.0%	4.1%
<i>Business and financial operations occupations</i>			
Claims adjusters, examiners, and investigators	\$58,000	6.2%	0.3%
Management analysts	\$94,900	6.3%	0.3%
Business operations specialists, all other	\$66,900	13.1%	0.5%
Accountants and auditors	\$71,200	17.3%	0.7%
Financial analysts	\$91,900	7.9%	0.3%
Personal financial advisors	\$72,300	8.2%	0.3%
Loan officers	\$69,300	6.5%	0.3%
All Other Business and financial operations occupations (Avg. All Categories)	<u>\$73,800</u>	<u>34.4%</u>	<u>1.4%</u>
Weighted Mean Annual Wage	\$73,800	100.0%	4.2%
<i>Education, training, and library occupations</i>			
Vocational education teachers, postsecondary	\$64,600	4.2%	0.1%
Preschool teachers, except special education	\$29,300	12.2%	0.4%
Elementary school teachers, except special education	\$69,600	9.7%	0.3%
Middle school teachers, except special and vocational education	\$68,600	4.1%	0.1%
Secondary school teachers, except special and vocational education	\$67,500	6.7%	0.2%
Self-enrichment education teachers	\$38,900	8.5%	0.3%
Teachers and instructors, all other	\$52,200	9.1%	0.3%
Teacher assistants	\$28,800	14.9%	0.4%
All Other Education, training, and library occupations (Avg. All Categories)	<u>\$47,100</u>	<u>30.6%</u>	<u>0.9%</u>
Weighted Mean Annual Wage	\$47,100	100.0%	3.0%
<i>Healthcare practitioner and technical occupations</i>			
Pharmacists	\$117,200	5.6%	0.3%
Physicians and surgeons, all other	\$218,700	4.8%	0.3%
Registered nurses	\$82,100	27.6%	1.6%
Dental hygienists	\$91,600	4.5%	0.3%
Pharmacy technicians	\$37,600	7.3%	0.4%
Licensed practical and licensed vocational nurses	\$47,900	9.4%	0.5%
All Other Healthcare practitioner and technical occupations (Avg. All Categories)	<u>\$86,200</u>	<u>40.8%</u>	<u>2.4%</u>
Weighted Mean Annual Wage	\$86,200	100.0%	5.8%

TABLE C-9
 AVERAGE ANNUAL COMPENSATION, 2010
 HOUSEHOLDS EARNING \$100-\$150,000
 EMPLOYMENT IMPACTS WITHIN SAN DIEGO COUNTY
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN DIEGO, CA

Occupation ³	JOBS GENERATED BY HOUSEHOLDS EARNING \$100-\$150,000		
	2010 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Jobs Generated
<i>Page 2 of 3</i>			
<i>Healthcare support occupations</i>			
Home health aides	\$22,700	21.9%	0.7%
Nursing aides, orderlies, and attendants	\$25,200	28.8%	1.0%
Dental assistants	\$36,400	12.6%	0.4%
Medical assistants	\$31,200	18.7%	0.6%
All Other Healthcare support occupations (Avg. All Categories)	<u>\$27,600</u>	<u>18.1%</u>	<u>0.6%</u>
Weighted Mean Annual Wage	\$27,600	100.0%	3.4%
<i>Food preparation and serving related occupations</i>			
First-line supervisors/managers of food preparation and serving workers	\$31,800	7.0%	0.9%
Cooks, fast food	\$19,600	5.3%	0.7%
Cooks, restaurant	\$25,800	8.1%	1.0%
Food preparation workers	\$21,600	7.1%	0.9%
Bartenders	\$21,700	4.7%	0.6%
Combined food preparation and serving workers, including fast food	\$20,500	24.9%	3.1%
Waiters and waitresses	\$21,200	21.0%	2.6%
Dishwashers	\$19,700	4.5%	0.6%
All Other Food preparation and serving related occupations (Avg. All Categories)	<u>\$22,200</u>	<u>17.5%</u>	<u>2.2%</u>
Weighted Mean Annual Wage	\$22,200	100.0%	12.4%
<i>Building and grounds cleaning and maintenance occupations</i>			
Janitors and cleaners, except maids and housekeeping cleaners	\$25,700	49.8%	3.0%
Maids and housekeeping cleaners	\$21,200	10.3%	0.6%
Landscaping and groundskeeping workers	\$27,200	26.7%	1.6%
All Other Building and grounds cleaning and maintenance occupations (Avg. All Categories)	<u>\$25,600</u>	<u>13.1%</u>	<u>0.8%</u>
Weighted Mean Annual Wage	\$25,600	100.0%	6.0%
<i>Personal care and service occupations</i>			
Nonfarm animal caretakers	\$27,800	5.9%	0.2%
Amusement and recreation attendants	\$20,900	8.3%	0.3%
Hairdressers, hairstylists, and cosmetologists	\$25,100	18.1%	0.7%
Child care workers	\$24,500	13.5%	0.5%
Personal and home care aides	\$21,600	16.9%	0.6%
Fitness trainers and aerobics instructors	\$37,400	7.0%	0.3%
Recreation workers	\$24,000	5.8%	0.2%
All Other Personal care and service occupations (Avg. All Categories)	<u>\$25,000</u>	<u>24.4%</u>	<u>0.9%</u>
Weighted Mean Annual Wage	\$25,000	100.0%	3.7%
<i>Sales and related occupations</i>			
First-line supervisors/managers of retail sales workers	\$41,000	8.9%	1.5%
Cashiers	\$21,700	26.5%	4.4%
Counter and rental clerks	\$26,700	4.0%	0.7%
Retail salespersons	\$26,100	36.7%	6.1%
Sales representatives, wholesale and manufacturing, except technical and scientific	\$65,300	4.4%	0.7%
All Other Sales and related occupations (Avg. All Categories)	<u>\$28,500</u>	<u>19.5%</u>	<u>3.3%</u>
Weighted Mean Annual Wage	\$28,500	100.0%	16.7%

TABLE C-9
 AVERAGE ANNUAL COMPENSATION, 2010
 HOUSEHOLDS EARNING \$100-\$150,000
 EMPLOYMENT IMPACTS WITHIN SAN DIEGO COUNTY
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN DIEGO, CA

Occupation ³	JOBS GENERATED BY HOUSEHOLDS EARNING \$100-\$150,000		
	2010 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Jobs Generated
<i>Page 3 of 3</i>			
<i>Office and administrative support occupations</i>			
First-line supervisors/managers of office and administrative support workers	\$54,500	6.4%	1.1%
Bookkeeping, accounting, and auditing clerks	\$38,200	7.9%	1.4%
Customer service representatives	\$37,500	10.4%	1.9%
Receptionists and information clerks	\$28,500	6.6%	1.2%
Stock clerks and order fillers	\$25,000	11.5%	2.1%
Executive secretaries and administrative assistants	\$45,400	5.9%	1.0%
Secretaries, except legal, medical, and executive	\$35,400	7.7%	1.4%
Office clerks, general	\$30,400	12.8%	2.3%
All Other Office and administrative support occupations (Avg. All Categories)	<u>\$35,300</u>	<u>30.8%</u>	<u>5.5%</u>
Weighted Mean Annual Wage	\$35,300	100.0%	17.8%
<i>Installation, maintenance, and repair occupations</i>			
First-line supervisors/managers of mechanics, installers, and repairers	\$65,000	7.8%	0.3%
Automotive body and related repairers	\$42,800	5.4%	0.2%
Automotive service technicians and mechanics	\$43,200	21.1%	0.9%
Maintenance and repair workers, general	\$37,700	32.0%	1.3%
All Other Installation, maintenance, and repair occupations (Avg. All Categories)	<u>\$43,100</u>	<u>33.7%</u>	<u>1.4%</u>
Weighted Mean Annual Wage	\$43,100	100.0%	4.1%
<i>Transportation and material moving occupations</i>			
Bus drivers, school	\$36,800	4.2%	0.2%
Driver/sales workers	\$25,700	8.9%	0.5%
Truck drivers, heavy and tractor-trailer	\$42,600	10.3%	0.5%
Truck drivers, light or delivery services	\$33,300	12.7%	0.6%
Parking lot attendants	\$21,500	4.1%	0.2%
Cleaners of vehicles and equipment	\$21,700	7.7%	0.4%
Laborers and freight, stock, and material movers, hand	\$25,800	24.3%	1.2%
Packers and packagers, hand	\$20,600	9.1%	0.5%
All Other Transportation and material moving occupations (Avg. All Categories)	<u>\$28,500</u>	<u>18.7%</u>	<u>1.0%</u>
Weighted Mean Annual Wage	\$28,500	100.0%	5.1%
			86.3%

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

² Occupation percentages are based on the 2009 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2009 Occupational Employment Survey data for San Diego-Carlsbad-San Marcos MSA, California (San Diego County) updated by the California Employment Development Department to 2010 wage levels.

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

TABLE C-10
AVERAGE ANNUAL COMPENSATION, 2010
HOUSEHOLDS EARNING \$150,000+
SAN DIEGO COUNTY
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA

Occupation ³	JOBS GENERATED BY HOUSEHOLDS EARNING \$150,000+		
	2010 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Jobs Generated
<i>Page 1 of 3</i>			
<i>Management occupations</i>			
Chief executives	\$200,600	4.4%	0.2%
General and operations managers	\$125,400	31.1%	1.3%
Sales managers	\$112,400	5.5%	0.2%
Financial managers	\$126,600	9.3%	0.4%
Food service managers	\$52,000	4.6%	0.2%
Medical and health services managers	\$104,000	4.9%	0.2%
Property, real estate, and community association managers	\$62,600	9.3%	0.4%
Managers, all other	\$112,500	4.1%	0.2%
All other Management Occupations (Avg. All Categories)	<u>\$114,400</u>	<u>26.6%</u>	<u>1.1%</u>
	Weighted Mean Annual Wage	\$114,400	100.0%
<i>Business and financial operations occupations</i>			
Claims adjusters, examiners, and investigators	\$58,000	6.6%	0.3%
Management analysts	\$94,900	6.3%	0.3%
Business operations specialists, all other	\$66,900	13.8%	0.6%
Accountants and auditors	\$71,200	17.0%	0.7%
Financial analysts	\$91,900	7.7%	0.3%
Personal financial advisors	\$72,300	7.7%	0.3%
Loan officers	\$69,300	6.3%	0.3%
All Other Business and financial operations occupations (Avg. All Categories)	<u>\$73,600</u>	<u>34.6%</u>	<u>1.4%</u>
	Weighted Mean Annual Wage	\$73,600	100.0%
<i>Education, training, and library occupations</i>			
Preschool teachers, except special education	\$29,300	12.9%	0.5%
Elementary school teachers, except special education	\$69,800	10.9%	0.4%
Middle school teachers, except special and vocational education	\$68,600	4.6%	0.2%
Secondary school teachers, except special and vocational education	\$67,500	7.5%	0.3%
Self-enrichment education teachers	\$38,900	7.3%	0.3%
Teachers and instructors, all other	\$52,200	8.5%	0.3%
Teacher assistants	\$28,800	15.6%	0.6%
All Other Education, training, and library occupations (Avg. All Categories)	<u>\$46,600</u>	<u>32.7%</u>	<u>1.3%</u>
	Weighted Mean Annual Wage	\$46,600	100.0%
<i>Healthcare practitioner and technical occupations</i>			
Pharmacists	\$117,200	5.2%	0.3%
Physicians and surgeons, all other	\$218,700	4.6%	0.3%
Registered nurses	\$82,100	28.7%	1.7%
Dental hygienists	\$91,600	4.2%	0.2%
Pharmacy technicians	\$37,600	6.7%	0.4%
Licensed practical and licensed vocational nurses	\$47,900	9.9%	0.6%
All Other Healthcare practitioner and technical occupations (Avg. All Categories)	<u>\$85,700</u>	<u>40.7%</u>	<u>2.4%</u>
	Weighted Mean Annual Wage	\$85,700	100.0%

TABLE C-10
 AVERAGE ANNUAL COMPENSATION, 2010
 HOUSEHOLDS EARNING \$150,000+
 SAN DIEGO COUNTY
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN DIEGO, CA

Occupation ³	JOBS GENERATED BY HOUSEHOLDS EARNING \$150,000+		
	2010 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Jobs Generated
<i>Page 2 of 3</i>			
<i>Healthcare support occupations</i>			
Home health aides	\$22,700	24.4%	0.9%
Nursing aides, orderlies, and attendants	\$25,200	30.1%	1.1%
Dental assistants	\$36,400	11.3%	0.4%
Medical assistants	\$31,200	16.9%	0.6%
All Other Healthcare support occupations (Avg. All Categories)	<u>\$27,200</u>	<u>17.3%</u>	<u>0.6%</u>
Weighted Mean Annual Wage	\$27,200	100.0%	3.6%
<i>Food preparation and serving related occupations</i>			
First-line supervisors/managers of food preparation and serving workers	\$31,800	6.9%	0.8%
Cooks, fast food	\$19,600	5.1%	0.6%
Cooks, restaurant	\$25,800	7.9%	0.9%
Food preparation workers	\$21,600	7.2%	0.8%
Bartenders	\$21,700	4.8%	0.6%
Combined food preparation and serving workers, including fast food	\$20,500	24.5%	2.9%
Counter attendants, cafeteria, food concession, and coffee shop	\$20,900	4.1%	0.5%
Waiters and waitresses	\$21,200	20.6%	2.4%
Dishwashers	\$19,700	4.5%	0.5%
All Other Food preparation and serving related occupations (Avg. All Categories)	<u>\$22,200</u>	<u>14.3%</u>	<u>1.7%</u>
Weighted Mean Annual Wage	\$22,200	100.0%	11.8%
<i>Building and grounds cleaning and maintenance occupations</i>			
Janitors and cleaners, except maids and housekeeping cleaners	\$25,700	49.8%	3.2%
Maids and housekeeping cleaners	\$21,200	10.2%	0.7%
Landscaping and groundskeeping workers	\$27,200	26.7%	1.7%
All Other Building and grounds cleaning and maintenance occupations (Avg. All Cate)	<u>\$25,600</u>	<u>13.3%</u>	<u>0.9%</u>
Weighted Mean Annual Wage	\$25,600	100.0%	6.4%
<i>Personal care and service occupations</i>			
Nonfarm animal caretakers	\$27,800	5.9%	0.3%
Amusement and recreation attendants	\$20,900	8.3%	0.4%
Hairdressers, hairstylists, and cosmetologists	\$25,100	14.9%	0.7%
Child care workers	\$24,500	15.5%	0.7%
Personal and home care aides	\$21,600	19.0%	0.8%
Fitness trainers and aerobics instructors	\$37,400	6.8%	0.3%
Recreation workers	\$24,000	5.9%	0.3%
All Other Personal care and service occupations (Avg. All Categories)	<u>\$24,900</u>	<u>23.8%</u>	<u>1.0%</u>
Weighted Mean Annual Wage	\$24,900	100.0%	4.4%
<i>Sales and related occupations</i>			
First-line supervisors/managers of retail sales workers	\$41,000	9.0%	1.4%
Cashiers	\$21,700	26.9%	4.1%
Counter and rental clerks	\$26,700	4.3%	0.7%
Retail salespersons	\$26,100	36.6%	5.6%
All Other Sales and related occupations (Avg. All Categories)	<u>\$26,300</u>	<u>23.3%</u>	<u>3.6%</u>
Weighted Mean Annual Wage	\$26,300	100.0%	15.4%

TABLE C-10
AVERAGE ANNUAL COMPENSATION, 2010
HOUSEHOLDS EARNING \$150,000+
SAN DIEGO COUNTY
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA

Occupation ³	JOBS GENERATED BY HOUSEHOLDS EARNING \$150,000+		
	2010 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Jobs Generated
<i>Page 3 of 3</i>			
<i>Office and administrative support occupations</i>			
First-line supervisors/managers of office and administrative support workers	\$54,500	6.3%	1.1%
Bookkeeping, accounting, and auditing clerks	\$38,200	7.9%	1.4%
Customer service representatives	\$37,500	10.3%	1.8%
Receptionists and information clerks	\$28,500	6.7%	1.2%
Stock clerks and order fillers	\$25,000	10.7%	1.9%
Executive secretaries and administrative assistants	\$45,400	6.1%	1.1%
Secretaries, except legal, medical, and executive	\$35,400	8.1%	1.4%
Office clerks, general	\$30,400	13.1%	2.3%
All Other Office and administrative support occupations (Avg. All Categories)	<u>\$35,400</u>	<u>30.6%</u>	<u>5.3%</u>
Weighted Mean Annual Wage	\$35,400	100.0%	17.4%
<i>Installation, maintenance, and repair occupations</i>			
First-line supervisors/managers of mechanics, installers, and repairers	\$65,000	7.9%	0.3%
Automotive body and related repairers	\$42,800	6.0%	0.2%
Automotive service technicians and mechanics	\$43,200	22.1%	0.9%
Maintenance and repair workers, general	\$37,700	31.2%	1.2%
All Other Installation, maintenance, and repair occupations (Avg. All Categories)	<u>\$43,200</u>	<u>32.9%</u>	<u>1.3%</u>
Weighted Mean Annual Wage	\$43,200	100.0%	3.9%
<i>Transportation and material moving occupations</i>			
Bus drivers, school	\$36,800	5.4%	0.3%
Driver/sales workers	\$25,700	8.3%	0.4%
Truck drivers, heavy and tractor-trailer	\$42,600	10.2%	0.5%
Truck drivers, light or delivery services	\$33,300	12.0%	0.6%
Parking lot attendants	\$21,500	5.1%	0.3%
Cleaners of vehicles and equipment	\$21,700	8.3%	0.4%
Laborers and freight, stock, and material movers, hand	\$25,800	22.9%	1.1%
Packers and packagers, hand	\$20,600	8.6%	0.4%
All Other Transportation and material moving occupations (Avg. All Categories)	<u>\$28,500</u>	<u>19.1%</u>	<u>0.9%</u>
Weighted Mean Annual Wage	\$28,500	100.0%	4.9%
			86.1%

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

² Occupation percentages are based on the 2009 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2009 Occupational Employment Survey data for San Diego-Carlsbad-San Marcos MSA, California (San Diego County) updated by the California Employment Development Department to 2010 wage levels.

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

**TABLE C-11
 IMPACT ANALYSIS SUMMARY
 EMPLOYEE HOUSEHOLDS GENERATED
 RESIDENTIAL NEXUS ANALYSIS
 CITY OF SAN DIEGO**

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

Number of New Households	PROTOTYPE 1: SFD	PROTOTYPE 2: TOWNHOME	PROTOTYPE 3: STACKED FLAT CONDOMINIUM	PROTOTYPE 4: MID- / HIGH-RISE CONDOMINIUM	PROTOTYPE 5: GARDEN APARTMENTS	PROTOTYPE 6: STACKED FLAT APARTMENTS
Under 65% Area Median Income	26.4	16.9	19.1	24.4	12.4	15.5
65% to 100% Area Median Income	11.3	7.3	8.1	10.4	5.3	6.7
Subtotal through 100% of Median	37.7	24.2	27.2	34.8	17.7	22.2
100% to 120% Area Median Income	3.7	2.4	2.7	3.5	1.8	2.2
Over 120% of Area Median Income	10.4	6.9	7.6	9.7	5.1	6.3
Total Employee Households	51.9	33.5	37.5	47.9	24.6	30.7

**TABLE C-12
INCLUSIONARY REQUIREMENT SUPPORTED
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO**

SUPPORTED INCLUSIONARY REQUIREMENT

	PROTOTYPE 1: SFD	PROTOTYPE 2: TOWNHOME	PROTOTYPE 3: STACKED FLAT CONDOMINIUM	PROTOTYPE 4: MID- / HIGH-RISE CONDOMINIUM	PROTOTYPE 5: GARDEN APARTMENTS	PROTOTYPE 6: STACKED FLAT APARTMENTS
Supported Inclusionary Requirement						
Per 100 Market Rate Units - Cumulative Through ¹						
65% OF MEDIAN INCOME	26.4 Units	16.9 Units	19.1 Units	24.4 Units	12.4 Units	15.5 Units
100% OF MEDIAN INCOME	37.7 Units	24.2 Units	27.2 Units	34.8 Units	17.7 Units	22.2 Units
Supported Inclusionary Percentage - Cumulative Through ²						
65% OF MEDIAN INCOME	20.9%	14.4%	16.0%	19.6%	11.0%	13.4%
100% OF MEDIAN INCOME	27.4%	19.5%	21.4%	25.8%	15.0%	18.2%

Notes:

¹ See Table C-11

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

D. MITIGATION COSTS

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

A key component of the analysis is the size of the gap between what households can afford and the cost of producing new housing in San Diego, known as the 'affordability gap.' Affordability gaps are calculated for each of the categories of area median income: under 65% of median, and between 65% and 100% of median. A detailed description of calculation of affordability gaps is contained in Appendix II. A brief summary is included below.

Project Descriptions

In order to determine the affordability gap, there is a need to match a household at each income level with a unit type and size according to government regulations and policies. The prototypical projects for both rental and ownership units are designed to represent what the Housing Commission is most likely to assist in the future.

The Housing Commission has typically assisted two types of rental development: garden-style apartments and higher density stacked-flats over podium apartments. Similarly, with ownership units, the Housing Commission has assisted both lower density townhomes and higher density stacked-flat condominiums. "Greenfield," or undeveloped, sites available for multi-family development are increasingly rare within the City of San Diego, and land values have risen significantly over the past decade as vacant sites have been absorbed. As a result, an increasing proportion of the affordable housing developments assisted by the Housing Commission will involve higher densities as well as structured parking. Therefore, the analysis has assumed that 40% of the affordable units will be developed as garden or townhome units, and 60% will be developed as stacked flat rentals or condominiums over podium parking. All units are assumed to have two bedrooms. The average three person household is assumed to be accommodated in a two bedroom unit, per local policy. Since higher density projects cost more to develop, while the affordable price is unaffected, the affordability gap for higher density units is higher. The mix of densities used here results in a blended affordability gap.

Detailed descriptions of the development prototypes, including development costs, affordable values, and the affordability gap calculations, can be found in the tables at the end of this section. A brief overview is presented here.

Project descriptions for the development prototypes can be summarized as follows:

- Garden-style apartments are assumed to be wood-frame construction, built at a density of 25 units to the acre, with two-bedroom 950-SF units. Parking is provided at two spaces per unit.
- Stacked-flat apartment units are built at a density of 50 units to the acre, with two-bedroom 800-SF units. The buildings are assumed to have four stories of wood-frame construction over a podium. Structured parking is provided at 1.75 spaces per unit.
- Townhome units are assumed to be 1,200-SF two-bedroom units, with two parking spaces in an attached garage. The units are built at a density of 20 units to the acre.
- The higher density condominium units are estimated at 1,000 square feet, with 1.75 spaces per unit of structured parking. The building is built at a density of 45 units to the acre, with wood-frame construction over a parking podium.

Maximum housing costs are determined based on the top end of the income categories. This is a conservative assumption, which produces a lower affordability gap average than reality since not all households have income at the top end of the range. For lower income households, rents are set to be affordable at 65% of median income. For median income households, maximum sales prices are calculated based on 100% of median income, with 35% of income set aside for housing (as opposed to 30% for rental units). These are standards widely used in affordable housing analysis and specified by SDHC in the Inclusionary Housing Procedures Manual.

Development Costs

The cost of developing new residential units in San Diego was assembled from a number of sources. Land costs were gathered from recent land sale data collected by KMA. KMA is also actively working on a number of rental and condominium projects at various locations in the San Diego area and has recent developer pro forma financial analyses from which to draw cost information.

From the above sources, KMA prepared a summary of total development costs, broken down into the major cost components: acquisition, direct or construction costs, indirect costs, and financing costs. Housing development costs are intended as averages and generally reflect the reductions in construction costs experienced since the peak of the real estate market in the 2005-2007 timeframe.

This is a difficult time in the economic cycle to select averages for rents, sales prices, and development costs. At the time of this writing, developers are achieving lower construction costs when compared to the exacerbated construction cost escalation at the peak of the market several years ago. However, current market rents and sales prices are generally not sufficient to support new market-rate residential development. As a result, only a very limited amount of new development activity is proceeding. The KMA estimates of development costs used in the

affordability gap analyses reflect the favorable construction costs generally available in the current market.

Affordability Gap

The KMA financial pro formas estimating the affordability gap for the above prototypes are presented in Appendix II Tables C-1 through C-16. Each pro forma contains:

- i. A project description;
- ii. Estimates of development costs;
- iii. Stabilized net operating income for the rental prototypes based on providing units affordable to households at 65% AMI;
- iv. Maximum affordable sales price for the ownership prototypes based on all units affordable to households at 100% AMI (median income);
- v. Estimates of maximum warranted investment for the rental prototypes; and
- vi. The resulting financing gap generated by the development prototype reflective of the difference between warranted investment and development costs for rental units, and the difference between net sales proceeds and development costs for ownership units.

The inputs and assumptions used in the KMA pro formas are based on KMA's experience with comparable developments throughout San Diego, the city and the region. In particular, KMA notes the following:

- The cost estimates do not assume a prevailing wage requirement.
- The City of San Diego is diverse in terms of real estate market factors. Therefore, the KMA pro formas assumed land costs ranging from a low of \$25 per square foot to a high of \$50 per square foot of land, reflecting project location and achievable density.
- As specific sites have not been defined for this study, KMA assumed an allowance for off-site improvements ranging between \$3 and \$5 per square foot of site area, and an allowance for on-site improvements ranging from \$10 to \$15 per square foot of site area.
- Units are assumed to be financed using conventional debt and equity financing sources.

Following is a summary of the blended affordability gaps used in the analysis.

Affordability Gaps by Prototype			
<i>Rental</i>	<i>Garden Apartments</i>	<i>Stacked Flats Over Podium Parking</i>	<i>Average Rental ⁽¹⁾</i>
Low Income (65% AMI)	(\$146,000)	(\$225,000)	(\$193,000)

<i>Ownership</i>	<i>Townhomes</i>	<i>Stacked Flats Over Podium Parking</i>	<i>Average Ownership ⁽¹⁾</i>
Median Income (100% AMI)	(\$73,000)	(\$155,000)	(\$122,000)

(1) Assumes 40% of affordable units delivered in lower density developments (garden apartments/townhomes) and 60% of affordable units delivered in higher density developments (stacked flats over podium parking).

Total Nexus Costs

The last step in the nexus analysis marries the findings on the numbers of households in each of the lower income ranges associated with the six prototypes to the affordability gaps, or the costs of delivering housing to them in San Diego.

Table D-1 summarizes the analysis. The Affordability Gaps are drawn from the prior discussion. The "Nexus Cost per Market Rate Unit" shows the results of the following calculation: the affordability gap times the number of affordable units demanded per market rate unit. (Demand for affordable units for each of the income ranges is drawn from Table C-11 in the previous section and is adjusted to a per-unit basis from the 100 unit building module.)

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

Nexus Per Market Rate Unit							
<i>Income Category</i>	<i>Affordability Gap</i>	<i>Single Family</i>	<i>Town-home</i>	<i>Low Density Condo</i>	<i>Higher Density Condo</i>	<i>Garden Apartments</i>	<i>Stacked Flat Apartments</i>
Under 65% AMI	\$193,000	\$51,000	\$32,600	\$36,900	\$47,000	\$23,900	\$29,900
65% to 100% AMI	\$122,000	\$13,800	\$8,900	\$9,900	\$12,700	\$6,500	\$8,100
Total Nexus Costs		\$64,800	\$41,500	\$46,800	\$59,700	\$30,400	\$38,000

The Total Nexus Costs indicated above may also be expressed on a per square foot level. The square foot area of the prototype unit used throughout the analysis becomes the basis for the calculation. Again, see Appendix II for more discussion of the prototypes. The results per square foot are as follows:

Total Nexus Cost Per Sq. Ft.							
<i>Income Category</i>	<i>Affordability Gap</i>	<i>Single Family</i>	<i>Town-home</i>	<i>Low Density Condo</i>	<i>Higher Density Condo</i>	<i>Garden Apartments</i>	<i>Stacked Flat Apartments</i>
<i>Prototype Size (SF)</i>		<i>2,750 SF</i>	<i>1,400 SF</i>	<i>1,050 SF</i>	<i>950 SF</i>	<i>950 SF</i>	<i>850 SF</i>
Under 65% AMI	\$193,000	\$18.55	\$23.29	\$35.14	\$49.47	\$25.16	\$35.18
65% to 100% AMI	\$122,000	\$5.02	\$6.36	\$9.43	\$13.37	\$6.84	\$9.53
Total Nexus Costs		\$23.56	\$29.64	\$44.57	\$62.84	\$32.00	\$44.71

These costs express the total nexus costs for the six prototype developments in the City of San Diego. These total nexus costs represent the ceiling for any requirement placed on market rate development. The totals are not recommended levels for fees; they represent only the maximums established by this analysis, below which fees may be set.

Non-Duplication of Housing Impact Fee for Non-Residential Development

San Diego established its Housing Impact Fee Ordinance in 1990 to help mitigate the impacts of new jobs associated with the development of new commercial buildings on the demand for affordable housing in San Diego.

To briefly summarize the nexus analysis that supports the Housing Impact Fee, called the Jobs Housing Nexus Study, the logic begins with jobs located in new workplace buildings such as office buildings, retail spaces and hotels. The nexus analysis then identifies the compensation structure of the new jobs depending on the building type, the income of the new worker households, and the housing affordability level of the new worker households, concluding with the number of new worker households in the lower income affordability levels.

Some of the jobs that are counted in the Jobs Housing Nexus Study are also counted in the Residential Nexus Analysis. The overlap potential exists in jobs generated by the expenditures of San Diego residents, such as expenditures for food, personal services, restaurant meals and entertainment. Many jobs counted in the residential nexus are not addressed in the jobs housing analysis at all. For example, school and government employees are counted in the residential nexus analysis but are not counted in the jobs housing analysis which is limited to private sector office buildings, retail, hotel and certain medical projects.

Theoretically, there is a set of conditions in which 100% of the jobs counted for purposes of the commercial linkage fee are also counted for purposes of the residential nexus analysis. For example, a small retail store or restaurant might be located on the ground floor of a new condominium building and entirely dependant upon customers from the condominiums in the floors above. The commercial space on the ground floor pays the Housing Impact Fee and the condominiums are subject to the Inclusionary Program. In this special case, the two programs mitigate the affordable housing demand of the very same workers. The combined requirements of the two programs to provide inclusionary units and/or fund construction of affordable units

must not exceed 100% of the demand for affordable units generated by employees in the new commercial space.

Complete overlap between jobs counted in Jobs Housing Nexus Study and jobs counted in the Residential Nexus Analysis could occur only in a very narrow set of circumstances. The following analysis demonstrates that the combined mitigation requirements do not exceed the nexus even if every job counted in the Residential Nexus Analysis is also counted in the Jobs Housing Nexus Study.

Housing Impact Fee Requirement as a Percent of Nexus Supported

The most recent Jobs Housing Nexus Study report was completed by KMA in October 2010.¹ The total updated nexus costs per square foot are shown below. The total nexus cost is the maximum mitigation amount, or maximum fee that could be charged, supported by the analysis. At the time of this writing, the City has not implemented any revisions to the Housing Impact Fee Ordinance based on the findings of the recent study. For the purposes of this analysis, we conservatively assume that the City adopts the highest recommended fee level, as estimated by Keyser Marston Associates.

	Office	Hotel	Retail	Medical	Manuf.	Warehouse	Education
Total Nexus Cost Supported (Per Sq.Ft.)	\$78.08	\$81.16	\$115.55	\$72.01	\$41.94	\$13.32	\$40.91
Highest Recommended Fee (Per Sq.Ft.)	\$3.80	\$3.20	\$3.40	\$3.80	\$2.40	\$1.50	\$2.40
Percent of Nexus Cost	4.9%	3.9%	2.9%	5.3%	5.7%	11.3%	5.9%

The conclusion is that the highest recommended fee levels represent 2.9% to 11.3% of the nexus cost. So, the Housing Impact Fee mitigates approximately 3% to 11% of the demand for affordable units generated by the new commercial space.

Current In-Lieu Fee as a Percent of Nexus

The City of San Diego’s Inclusionary Housing Ordinance requires all projects of two or more units to provide 10% units at affordable prices or pay an in-lieu fee. The in-lieu fee is currently \$4.98 per square foot.

¹ “Jobs Housing Nexus Study” prepared by Keyser Marston Associates for the City of San Diego, October 2010.

Total Nexus Cost Per Sq. Ft.						
	<i>Single Family</i>	<i>Town-home</i>	<i>Low Density Condo</i>	<i>Higher Density Condo</i>	<i>Garden Apartments</i>	<i>Stacked Flat Apartments</i>
Supported Maximum Nexus Cost	\$23.56	\$29.64	\$44.57	\$62.84	\$32.00	\$44.71
Current Requirement	\$4.98	\$4.98	\$4.98	\$4.98	\$4.98	\$4.98
Percent of Nexus	21.1%	16.8%	11.2%	7.9%	15.6%	11.1%

The conclusion is that the Inclusionary Program is requiring 8% to 21% of the maximum supported by the analysis.

Combined Requirements within Nexus

The highest Housing Impact Fee level recommended in the KMA report ranges from 3% to 11% of the supported nexus amount and the current Inclusionary Housing Program requirement is at 8% to 21% of the supported nexus amount; therefore, the combined affordable housing mitigations would not exceed the nexus even if there were 100% overlap in the jobs counted in the two nexus analyses.

To return to the example of a restaurant on the ground floor of a new condominium building, say there are a total of 30 new restaurant employees of which 20 are in lower income households. The 20 employees in lower income households are counted (or double counted) in both the Housing Impact Fee and Residential Nexus analyses. If the Housing Impact Fee mitigates the affordable housing demand of one of the employees (3% x 20) and the Inclusionary Program mitigates the housing demand for another two employees (11.2% x 20), then together the two programs mitigate the housing demand of 3 out of 20 lower income employees. The combined requirements of the two programs satisfy the nexus test by not mitigating more than 100% of the housing demand. Extending this logic, the affordable housing demand mitigated by the Inclusionary Program and the Housing Impact Fee as a percent of their respective nexus analyses can be added together to test whether the combined requirements would exceed 100% of nexus even if the two analyses counted (or double counted) all the same demand for affordable housing.

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

TOTAL NEXUS COST PER MARKET RATE UNIT

		Nexus Cost Per Market Rate Unit					
Affordability Gap ¹		PROTOTYPE 1: SFD	PROTOTYPE 2: TOWNHOME	PROTOTYPE 3: STACKED FLAT CONDOMINIUM	PROTOTYPE 4: MID- / HIGH- RISE CONDOMINIUM	PROTOTYPE 5: GARDEN APARTMENTS	PROTOTYPE 6: STACKED FLAT APARTMENTS
Household Income Level							
Under 65% Area Median Income	\$193,000	\$51,000	\$32,600	\$36,900	\$47,000	\$23,900	\$29,900
65% to 100% Area Median Income	\$122,000	\$13,800	\$8,900	\$9,900	\$12,700	\$6,500	\$8,100
Total Supported Fee / Nexus		\$64,800	\$41,500	\$46,800	\$59,700	\$30,400	\$38,000

TOTAL NEXUS COST PER SQUARE FOOT

		Nexus Cost Per Square Foot					
Affordability Gap ¹		PROTOTYPE 1: SFD	PROTOTYPE 2: TOWNHOME	PROTOTYPE 3: STACKED FLAT CONDOMINIUM	PROTOTYPE 4: MID- / HIGH- RISE CONDOMINIUM	PROTOTYPE 5: GARDEN APARTMENTS	PROTOTYPE 6: STACKED FLAT APARTMENTS
Household Income Level							
Under 65% Area Median Income	\$193,000	\$18.55	\$23.29	\$35.14	\$49.47	\$25.16	\$35.18
65% to 100% Area Median Income	\$122,000	\$5.02	\$6.36	\$9.43	\$13.37	\$6.84	\$9.53
Total Supported Fee / Nexus		\$23.56	\$29.64	\$44.57	\$62.84	\$32.00	\$44.71

¹ Household earning less than 65% AMI are presumed to receive assistance for rental housing; households earning between 65% and 100% AMI are presumed to receive assistance for ownership housing.

NOTES ON SPECIFIC ASSUMPTIONS

Prefatory Note

The City's inclusionary affordable housing program is not subject to the provisions of the Mitigation Fee Act (Government Code Sections 66000 et seq.).

The Mitigation Fee Act (MFA) places certain requirements on local government "fees," which are defined as "*monetary*" exactions charged "for the purpose of defraying all or a portion of the cost of *public facilities* related to a development project." Public facilities include "public improvements, public services, or community amenities."

The City's affordable housing fees do not fund *public facilities*. The fees are placed in the San Diego Affordable Housing Fund and may be expended only to build, acquire, rehabilitate, or preserve affordable housing, which is privately owned and occupied and not open or available as a public facility. In addition, the fee is one of several options that an owner can select to satisfy the City's affordable housing requirement. Where private developers *elect* to pay the fee rather than construct affordable housing, the City's ordinance does not impose a monetary exaction. For these reasons, the City's affordable housing requirements are not "fees" as defined in the Mitigation Fee Act, and so are not subject to the provisions of that Act.

The City's purpose in completing this nexus study was to determine if the City's affordable housing requirements could be supported by a nexus-type analysis. The study:

- Identifies the purpose of the City's inclusionary affordable housing program, which is to meet the City's affordable housing needs;
- States that affordable housing fees will be used to increase the City's affordable housing supply; and
- Establishes that there is a reasonable relationship between the need for affordable housing created by market-rate residential development, the amount of affordable housing required to be built, the amount of the City's affordable housing fees, and the use of the fees to create affordable housing.

The study also shows that the City's current inclusionary affordable housing requirements are below those required to entirely mitigate the impact of *new* residential development on the need for affordable housing, let alone remedy existing deficiencies. The City's affordable housing requirements do not duplicate other City requirements and fees, and other sources of funding are not adequate to meet the City's need for affordable housing, all as described previously in the study.

Geographic Area of Impact

The analysis quantifies impacts occurring within San Diego County. While the majority of impacts will occur within the city since San Diego is a major city with a broad range of retail and service outlets, hospitals and other institutions, some impacts will be experienced elsewhere in San Diego County and beyond. The IMPLAN model computes the jobs generated within the County and sorts out those that occur beyond the county boundaries.

Job impacts, like most types of impacts, occur irrespective of political boundaries. And like other types of impact analyses, such as traffic, impacts beyond city boundaries are experienced, are relevant, and are important. Without an area-wide program to mitigate affordable housing impacts of all development, San Diego can ensure that those affordable housing impacts created by development within its jurisdiction are at least partially mitigated.

Economic impact analyses are often conducted to demonstrate the jobs and dollar costs and benefits of major projects, such as, say, a sports stadium or the closing of a military base. It is standard practice in economic impact analyses to identify the geographic area or areas for which the impacts are being computed. In this case, the job impacts within San Diego County are quantified and where the job holders (or worker households) live is not identified but would be within commuting distance to San Diego County. Whether a jurisdiction chooses to mitigate none, all or a share of the impacts of its actions or activities is a matter of policy.

For clarification, counting all impacts associated with new housing units, does not result in double counting, even if all jurisdictions were to adopt similar programs and charge affordable housing fees. The impact of a new housing unit is only counted once, in the jurisdiction in which it occurs. Obviously, within a metropolitan region, there is much commuting among jurisdictions, and cities house each others' workers in a very complex web of relationships. The important point is that impacts of residential development are only counted once. For jurisdictions that have housing programs on both residential and non residential development, such as San Diego, KMA provides an analysis to demonstrate that double counting has not occurred (see "Non-Duplication of Housing Impact Fee for Non-Residential Development" in Section D).

Affordability Gaps

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

The units assisted by the public sector for affordable households are usually small in square foot area (for the number of bedrooms) and modest in finishes and amenities. As a result, in

some communities these units are similar in physical configuration to what the market is delivering at market rate; in other communities (particularly very high income communities), they may be smaller and more modest than what the market is delivering. Parking, for example, is usually the minimum permitted by the code. In some communities where there is a wide range in land cost per acre or per unit, it may be assumed that affordable units are built on land parcels in the lower portion of the cost range. KMA tries to develop a total development cost summary that represents the lower half of the average range, but not so low as to be unrealistic.

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

In a healthy and stable economy, when projects are feasible, the sales price is therefore the same as the total development cost inclusive of profit. In some economic cycles sales prices might enable larger than standard profits, as was the case in the 2002 to 2004 period, for example, when sales prices escalated ahead of construction and land costs, and sales prices were achieved that enabled higher than standard profit margins. In other market cycles, sales prices are so depressed that they are not high enough to cover total development costs and there is no profit. Projects are not feasible during these periods.

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

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

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

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

Excess Capacity of Labor Force

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

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

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

Excess capacity of the labor force is a short term phenomenon resulting from the economic cycle. Longer term structural changes to the local economy, such as has occurred in San Diego over the past two decades with the decline in the defense and aerospace sectors, are recognized in the jobs-housing analysis used to establish the Commercial Housing Linkage fee.

The Burden of Paying for Affordable Housing

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

Local governments have increasingly played a greater role in affordable housing. Local redevelopment agencies in particular provide the single largest source in all of California. In addition, private sector lenders play an important role. Then there is the non-profit sector, both sponsors and developers that build much of the affordable housing.

The City's inclusionary affordable housing requirements are only one part of the City's overall strategy for providing affordable housing. The San Diego Housing Commission committed over \$17.6 million in capital funds to affordable housing development in 2010, which funded approximately 437 affordable units. Eighty-three units and \$7.3 million of those monies came from contributions from private developers through the City's inclusionary affordable housing program. In addition, \$36.4 million in tax-exempt bonds are being issued through the Housing Authority to assist these developments. Last, the Housing Commission, committed \$74.7 million to acquire directly or through development partnerships eight properties containing 721 affordable units.

In summary, all levels of government and many private parties, for profit and non-profit contribute to supplying affordable housing. Residential developers are not being asked to bear the burden alone any more than they are assumed to be the only source of demand or cause for needing affordable housing in our communities. The City's adopted Housing Element projected new construction of affordable housing to meet the City's Regional Housing Needs Allocation. Of the City's need for over 18,000 very low and low income units, only 2,525 were projected to be developed through the inclusionary affordable housing program. The inclusionary program will fund only a small percentage of the affordable housing needed in the City of San Diego.

APPENDIX II: RESIDENTIAL VALUES – MARKET AND AFFORDABLE

INTRODUCTION AND OVERVIEW

This appendix section provides the building blocks for the values used in other sections of this report, by establishing both market values and affordable values for various types of residential units or projects potentially developed in the City of San Diego.

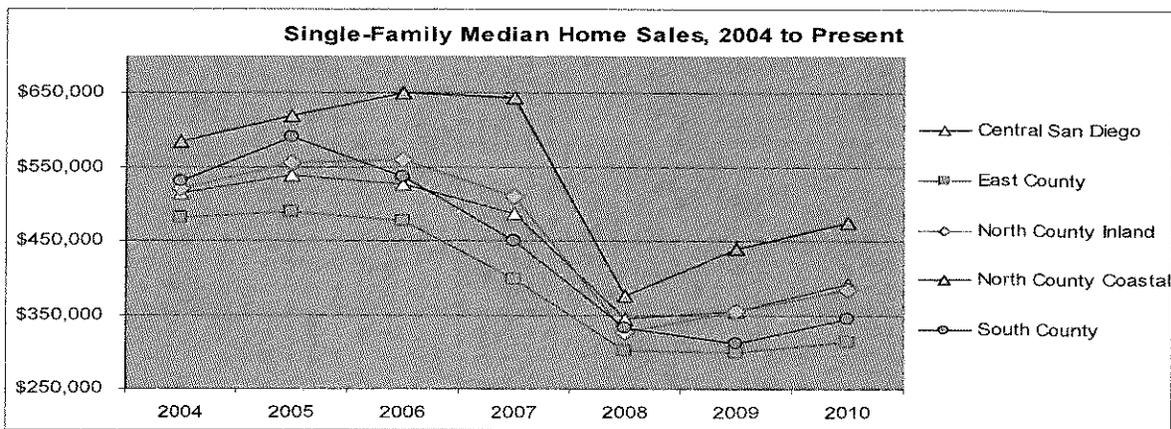
Market values are based on surveys of residential units or developments in the City of San Diego covering a range of residential types: single-family detached, attached townhomes, garden apartments, stacked flat condominiums, mid/high-rise condominiums, garden apartments, and stacked flat apartments. Affordable values are formula-based, starting from the San Diego County Area Median Income and amounts “affordable” for housing per State and local policies. The difference between market and affordable values for any given residential unit type, assuming a fixed unit size and occupying household, is referred to as the affordability gap. The affordability gaps play a major role in the calculation of the maximum supportable fee based on this nexus study.

A. MARKET VALUES

Market Surveys and Timing Issues

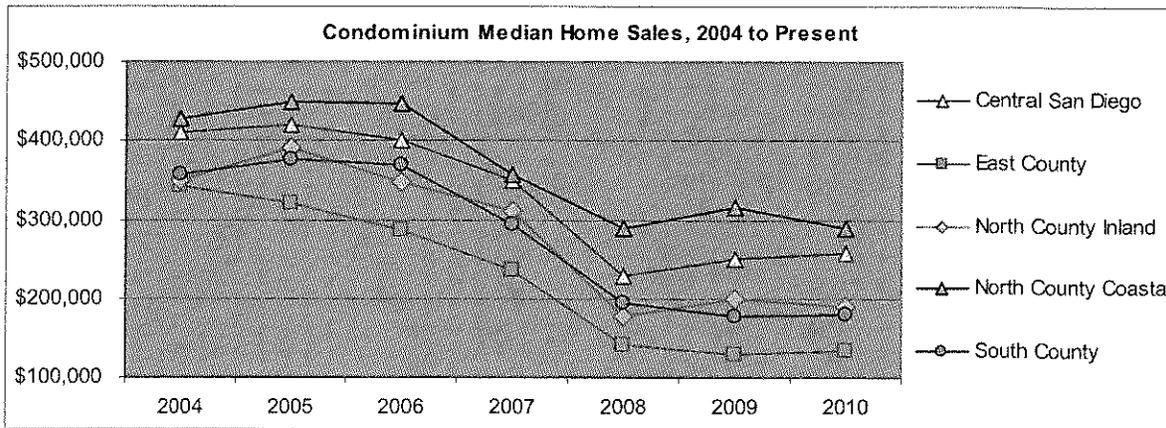
The surveys summarized in Appendix II Tables A-1 and A-2 were conducted in Fall 2010. As of the time of this writing, there remains uncertainty about how fast the housing recovery will occur, although it is likely that a return to the peak values of a few years ago will take many years.

The chart below profiles median prices for the re-sales of single-family homes between 2004 and October 2010. As shown below, the median home prices for single-family homes resold in the County of San Diego peaked in 2007, decreased substantially in 2008, and have increased only slightly over the past two years. San Diego County’s North Coastal areas experience the highest single-family home values in the region while the East County has the lowest values.



Source: DataQuick

During the same period, median home prices for condominiums resold in the County of San Diego generally peaked in 2006, declined in 2007 and 2008, and have subsequently flattened. Similar to single-family homes, condominiums in San Diego County's North Coastal areas experience the highest values while the lowest condominium values can be found in the East County.



Source: DataQuick

KMA also reviewed asking prices for new residential developments currently on the market using data from MarketPoint Realty Advisors. Market data reviewed included various communities throughout the City but excluded the North City Future Urbanizing Area, which is subject to inclusionary zoning requirements contained in the North City Future Urbanizing Area Framework Plan.

A summary of the median sales prices found for each product type are as follows:

	Number of Active Projects	Median Price	
		Per Unit	Per SF
Single-Family Detached	7	\$866,000	\$320/SF
Townhomes	3	\$576,000	\$360/SF
Stacked Flat Condominiums			
Up to 4 Stories	2	\$639,000	\$380/SF
5 to 10 Stories	5	\$499,000	\$475/SF
Greater than 10 Stories	9	\$599,000	\$470/SF

For purposes of this analysis, the objective is to not use the very bottom but the values that might reasonably be expected over the next several years.

It is important to note that the values determined from the surveys may not be sufficiently high to support the costs of development today. Many units have transacted at values that have not resulted in adequate profits for developers and developers likely would not undertake new

construction at these lower values. As a result, the financial gap analysis may be understated relative to cost and value factors when the market improves. By the same reasoning, the nexus analysis in Appendix I could be understated.

Market Value Conclusions

The market value conclusions, based on all the surveys and indices, for analysis and program design purposes are presented in Appendix II - Table A-3 and are as follows:

For-Sale Project Prototypes

- A single-family detached unit, at an average density of 5 units to the acre, a mix of three and four bedrooms, 2,750 square feet, selling for \$633,000, or \$230 per square foot on average.
- A townhome unit, built at an average of 20 units to the acre, a mix of two and three bedrooms, 1,400 square feet, selling for \$375,000, an average of \$268 per square foot.
- A stacked flat condominium unit, built at an average of 50 units per acre, a mix of one, two, and three bedrooms, 1,050 square feet, selling for approximately \$420,000, or \$400 per square foot.
- A mid- to high-rise condominium unit, built at an average of 200 units per acre, a mix of one, two, and three bedrooms, 950 square feet, selling for approximately \$546,000, or \$575 per square foot.

Rental Project Prototypes

Like much of San Diego County, San Diego has experienced little development of rental apartments in recent years. In 2008 and 2009, San Diego experienced a slight decline in rent levels and a slight increase in vacancy rates. As of this writing in late 2010, conditions have already changed and rents are beginning to move in an upward direction while vacancies decline slightly (Marcus and Millchap survey). Vacancy levels never did exceed 5% even in the worst months in the San Diego region. In short, the rental market is poised for strengthening to the extent that new construction is anticipated within the next two years. In fact, some developers are preparing to enter the market with minimum initial returns but with an anticipation of better returns in the future.

- A garden apartment unit in a project with an average density of 25 units per acre. Unit size averages 950 square feet, a mix of one, two and three bedroom units, renting for an average \$1,708 per month.

- A stacked flat apartment unit in a project with an average density of 60 units per acre. Average unit size is 850 square feet, a mix of one, two, and three bedroom units, renting for an average \$2,090 per month.

The assumed market values of the for-sale prototypes represent the lower end of new units recently developed in the City of San Diego. In addition, the rent required for the rental projects represents the upper end of current rent levels in the City of San Diego (see Appendix II Table A-4). Based on our analysis, rents will have to approximate the level used in this analysis for new construction (without government assistance) to be feasible.

At these values, either there will be extremely limited new construction until the market recovers, or the recession is prolonged to the point that land prices and construction costs will decline sufficiently to make projects feasible at these levels. These prototypes have been selected for use as a conservative starting point for the residential nexus analysis.

B. AFFORDABLE VALUES

Affordable sales prices and rent levels are a function of the income level for which the unit is aimed to be affordable; the calculations are formula-based according to a combination of statute and policy, both local and statewide.

The Area Median Income is the starting point for the affordable sales price/rent calculation. The U.S. Department of Housing and Urban Development (HUD) publishes the Area Median Income (AMI) for each county annually. Appendix II – Table B-1 presents the income limits for households at 65% AMI and 100% AMI, the income category requirements included in the City’s Inclusionary Housing Ordinance for rental and ownership development, respectively.

Affordable Rent Levels

The calculation of affordable rents at 65% AMI is presented in Appendix II – Table B-2. The calculation of affordable rents incorporates the following key assumptions:

1. Assignment of family size (number of persons) vs. unit size (number of bedrooms) based on the number of persons exceeding the number of bedrooms by one.
2. Calculation of affordable rents based on the formulas shown below.

65% of Median	30% of 65% AMI
---------------	----------------

3. 65% AMI income figures extrapolated from the figures shown in the Income Limits for 2010, published by the U.S. Department of Housing and Urban Development, and issued by the San Diego Housing Commission as of June 28, 2010.

- Utility allowances as determined by the San Diego Housing Commission, assuming a common utility profile for newer units.

Based on the above assumptions, affordable rent levels at 65% AMI are estimated as follows:

Number of Bedrooms	65% of AMI
Studio	\$876
One	\$998
Two	\$1,121
Three	\$1,242
Four	\$1,436

The rent levels so defined (by unit size and income category) govern the maximum rent that a building owner may charge for a particular unit.

Affordable Sales Prices

Calculation of the maximum affordable sales price is detailed in Appendix II – Table B-3. The sales price estimates incorporate the following key assumptions:

- Assignment of family size (number of persons) vs. unit size (number of bedrooms) based on the number of persons exceeding the number of bedrooms by one, as follows:

<u>Unit Size</u>	<u>Household Size</u>
One Bedroom	2.0 Persons
Two Bedroom	3.0 Persons
Three Bedroom	4.0 Persons
Four Bedroom	5.0 Persons

- Calculation of affordable sales prices based on the formulas shown below.

100% of Median	35% of 100% AMI
----------------	-----------------

- Income figures published by the U.S. Department of Housing and Urban Development, and issued by the San Diego Housing Commission as of June 28, 2010.
- Other housing costs consisting of annual estimates of homeowners association dues and insurance.
- Property taxes assuming a 1.25% tax rate.
- Supportable mortgage assuming a 30-year loan; 6.5% interest; and a 5.0% down payment.

Based on the above assumptions, affordable sales prices are estimated as follows:

Number of Bedrooms	100% of AMI
One	\$211,000
Two	\$235,000
Three	\$263,000
Four	\$284,000

C. AFFORDABILITY GAPS

The calculation of affordability gaps for each prototype are presented in Appendix II – Tables C-1 through C-16. The affordability gaps are the differences between market values, which in normal market conditions closely approximate total development costs inclusive of profit, and affordable values. In the nexus study, the affordability gap is the amount of subsidy dollars required to bridge the difference between the two values.

Estimates of development costs are taken from the prototype analysis described previously. For the rental units it is necessary to convert the net annual income to the value of the unit, which when development is feasible, is at least as much or more than the cost to develop the unit. Rental unit value relative to net annual income is determined by the annual income net of operating expenses and vacancy allowance, converted to value at a target Return on Investment (ROI) of 7.5%.

KMA calculated the affordability gaps at 65% AMI as follows:

Estimate of Affordability Gap - Rental	Garden Apartments	Stacked Flats Over Podium Parking	Average (1)
65% AMI	(\$146,000)	(\$225,000)	(\$193,000)

(1) Assumes 40% of affordable units delivered in lower density development and 60% of affordable units delivered in higher density developments.

For the for-sale units, based on today's housing market, values are on the low-end since profit levels are in many cases below what would be needed for feasibility. However, we believe that the estimates as shown below are appropriately conservative figures for use in the analysis.

Estimate of Affordability Gap – For-Sale	Townhomes	Stacked Flats Over Podium Parking	Average (1)
100% AMI	(\$73,000)	(\$155,000)	(\$122,000)

(1) Assumes 40% of affordable units delivered in lower density development and 60% of affordable units delivered in higher density developments.

APPENDIX II - TABLE A-1

MEDIAN HOME SALES - COUNTY OF SAN DIEGO
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u> ⁽¹⁾
I. <u>Single-Family</u>							
Central San Diego	\$515,000	\$540,000	\$527,450	\$488,000	\$345,000	\$355,000	\$392,000
East County	\$482,000	\$490,000	\$478,000	\$399,000	\$301,500	\$300,000	\$313,000
North County Inland	\$520,000	\$554,500	\$559,000	\$510,000	\$326,000	\$355,000	\$385,000
North County Coastal	\$585,000	\$620,000	\$650,000	\$645,000	\$375,000	\$440,000	\$475,000
South County	\$530,000	\$590,000	\$537,000	\$450,000	\$333,000	\$312,500	\$344,500
II. <u>Condominiums</u>							
Central San Diego	\$410,000	\$420,500	\$399,500	\$350,000	\$228,000	\$250,000	\$257,500
East County	\$342,000	\$320,000	\$286,000	\$236,500	\$140,500	\$130,000	\$135,000
North County Inland	\$350,000	\$392,000	\$347,500	\$310,000	\$178,000	\$200,000	\$190,000
North County Coastal	\$427,500	\$450,000	\$447,500	\$357,500	\$289,000	\$315,000	\$290,000
South County	\$357,000	\$377,000	\$370,000	\$295,000	\$195,500	\$178,000	\$179,000

(1) Reflects resales of single-family homes and condominiums through October 2010.

Source: DataQuick

Prepared by: Keyser Marston Associates, Inc.

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APPENDIX II TABLE A-2

**ASKING PRICES, NEW CONSTRUCTION
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA**

	<u>Beds</u>	<u>Baths</u>	<u>Unit SF</u>	<u>Base Price</u>	<u>\$/SF</u>
I. Single-Family Detached					
Project Name: Montoro Estates @ Stonebridge	3+	2.5	3,655	\$828,900	\$227
Community: Scripps Ranch	4+	3.5	4,285	\$849,900	\$198
Number of Units: 14 units; 3 unsold	5+	3.5	5,015	\$914,900	\$182
Monthly Dues: \$154					
Project Name: Serenity at the Estates @ Stonebridge	5	4.5	4,040	\$895,000	\$222
Community: Scripps Ranch	5	4.5	4,346	\$929,000	\$214
Number of Units: 47 units; 5 unsold	5	4.5	4,759	\$1,021,900	\$215
Monthly Dues: \$303					
Project Name: Tiburon Estates @ Stonebridge	4	3.5	4,950	\$1,395,000	\$282
Community: Scripps Ranch	4	4	5,150	\$1,098,990	\$213
Number of Units: 53 units; 3 unsold	4	4.5	5,535	\$1,050,990	\$190
Monthly Dues: \$142					
Project Name: Bridle Ridge @ Carmel Country Highlands	3	3	2,353	\$811,000	\$345
Community: Carmel Valley	3	3	2,691	\$861,000	\$320
Number of Units: 69 units; 7 unsold	3+	3	2,734	\$866,000	\$317
Monthly Dues: \$31					
Project Name: Carriage Run @ Carmel Country Highlands	3	3	1,985	\$729,500	\$368
Community: Carmel Valley	3	2.5	2,197	\$764,300	\$348
Number of Units: 118 units; sold-out	4	2.5	2,402	\$781,100	\$325
Monthly Dues: \$155					
Project Name: Carriage Run II @ Carmel Country Highlands	4	3	2,151	\$763,100	\$355
Community: Carmel Valley	4	2.5	2,197	\$745,000	\$339
Number of Units: 46 units; 5 unsold	4	2.5	2,402	\$781,500	\$325
Monthly Dues: \$155					
Project Name: Emerald Cove La Jolla	2+	3	2,434	\$1,365,000	\$561
Community: La Jolla	3	2.5	2,465	\$1,250,000	\$507
Number of Units: 104 units; 1 unsold	4	3.5	2,575	\$799,000	\$310
Monthly Dues: \$135	2+	3.5	2,588	\$1,595,000	\$616
	3	2.5	2,611	\$1,350,000	\$517
	3+	2.5	2,659	\$805,000	\$303
	4	3.5	2,988	\$876,000	\$293
Minimum	3	3	1,985	\$729,500	\$182
Maximum	5	5	5,535	\$1,595,000	\$616
Median	4	3	2,659	\$866,000	\$317
Average	4	3	3,247	\$965,083	\$324

Source: MarketPointe Realty Advisors, Inc.

Prepared by: Keyser Marston Associates, Inc.

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APPENDIX II - TABLE A-2

ASKING PRICES, NEW CONSTRUCTION
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA

		<u>Unit Type</u>	<u>Beds</u>	<u>Baths</u>	<u>Unit SF</u>	<u>Base Price</u>	<u>\$/SF</u>
II. Townhomes							
Project Name:	Bridgeview Lofts	Townhome	3	3	1,349	\$435,000	\$322
Community:	Barrio Logan	Townhome	3	3.5	1,850	\$475,000	\$257
Number of Units:	13 units; 8 unsold						
Monthly Dues:	\$300						
Number of Stories:	4 stories						
Project Name:	Highland Village @ Carmel Valley Highlands	Townhome	2	2.5	1,274	\$479,900	\$377
Community:	Carmel Valley	Townhome	2	2.5	1,627	\$528,900	\$325
Number of Units:	59 units; 7 unsold	Townhome	3	2.5	1,643	\$556,900	\$339
Monthly Dues:	\$250	Townhome	4	2.5	2,068	\$595,900	\$288
Number of Stories:	2 stories						
Project Name:	Devon & Dover	Townhome	2	2.5	1,320	\$1,052,500	\$797
Community:	Mission Beach	Townhome	3	3.5	2,030	\$1,230,000	\$606
Number of Units:	12 units; 11 unsold						
Monthly Dues:	\$300						
Number of Stories:	N/A						
		Minimum	2	2.5	1,274	\$479,900	\$288
		Maximum	4	3.5	2,068	\$1,230,000	\$797
		Median	2.5	2.5	1,635	\$576,400	\$358
		Average	3	3	1,660	\$741,000	\$455

III. Stacked-Flat Condominiums - Up to 4 Stories

Project Name:	5 x 5 Lofts	Flat	1	2	1,317	\$499,000	\$379
Community:	Hillcrest	Flat	1	2	1,427	\$450,000	\$315
Number of Units:	5 units; 2 unsold	Flat	2	2.5	1,503	\$450,000	\$299
Monthly Dues:	\$412	Flat	2	2	1,860	\$639,000	\$344
Number of Stories:	3 stories	Flat	2	1.5	1,836	\$650,000	\$354
Project Name:	Blue Water Villas	2 stories	3	3	1,497	\$599,000	\$400
Community:	Pacific Beach	2 stories	3	3	1,524	\$795,000	\$522
Number of Units:	18 units; 12 unsold	2 stories	3	3	1,647	\$745,000	\$452
Monthly Dues:	\$193	2 stories	3	3	2,105	\$975,000	\$463
Number of Stories:	3 stories						
		Minimum	1	1.5	1,317	\$450,000	\$299
		Maximum	3	3	2,105	\$975,000	\$522
		Median	2	2.5	1,524	\$639,000	\$379
		Average	2	2	1,635	\$645,000	\$392

APPENDIX II - TABLE A-2

ASKING PRICES, NEW CONSTRUCTION
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA

		<u>Unit Type</u>	<u>Beds</u>	<u>Baths</u>	<u>Unit SF</u>	<u>Base Price</u>	<u>\$/SF</u>	
IV. Stacked-Flat Condominiums - 5 to 10 Stories								
Project Name:	1 Mission	Flat	1	1	1,057	\$400,000	\$378	
Community:	Hillcrest	Flat	1	1	1,380	\$530,000	\$384	
Number of Units:	61 units; 42 unsold	Flat	2	2	1,251	\$499,000	\$399	
Monthly Dues:	\$420	* Townhome	2	2	2,050	\$849,000	\$414	
Number of Stories:	5 stories							
Project Name:	Aloft @ Cortez Hill	Loft	0	1	650	\$299,990	\$462	
Community:	Downtown	Loft	1	1	620	\$331,990	\$535	
Number of Units:	168 units; 99 unsold	Loft	2	2	867	\$488,990	\$564	
Monthly Dues:	\$267	Loft	1+	2	1,073	\$456,990	\$426	
Number of Stories:	5 stories	Loft (2 stories)	1	2	847	\$415,990	\$491	
Project Name:	Atlas at Hillcrest	Flat	1	1	719	\$295,000	\$410	
Community:	Hillcrest	Flat	2	2	1,022	\$407,000	\$398	
Number of Units:	140 units	Flat	2	2	1,067	\$479,000	\$449	
Monthly Dues:	\$421	Flat	2	2	1,485	\$559,000	\$376	
Number of Stories:	6 stories							
Project Name:	Solara Lofts	Loft	0	1	523	\$309,900	\$593	
Community:	Downtown	Loft	0	1	645	\$379,900	\$589	
Number of Units:	77 units; 19 unsold	Loft	0	1	725	\$349,900	\$483	
Monthly Dues:	\$453	Loft	0	1	758	\$389,900	\$514	
Number of Stories:	8 stories	Flat	1	1	780	\$390,900	\$501	
		Loft	0	2	881	\$469,900	\$533	
		Flat	1	1	978	\$469,900	\$480	
		Loft	0	2	1,041	\$475,000	\$456	
		Flat	2	2	1,134	\$499,900	\$441	
		Flat	1	1.5	1,168	\$489,900	\$419	
		Loft	0	2	1,168	\$549,900	\$471	
		Loft	0	2	1,641	\$779,900	\$475	
		Flat	2	2	1,356	\$789,900	\$583	
		Flat	2	2.5	1,616	\$849,900	\$526	
Project Name:	Breeza	Flat	1	1	679	\$315,000	\$464	
Community:	Downtown	Flat	2	2	1,216	\$450,000	\$370	
Number of Units:	158 units; 84 unsold	Flat	2	2	1,185	\$626,000	\$528	
Monthly Dues:	\$450	Flat	2	2.5	1,492	\$824,000	\$552	
Number of Stories:	9 stories	2 stories	2	2	1,271	\$764,000	\$601	
		2 stories	2	1.5	1,299	\$948,000	\$730	
		Flat	2	2	1,875	\$799,000	\$426	
		2 stories	2	2.5	1,256	\$549,000	\$437	
		2 stories	2	2.5	1,430	\$675,000	\$472	
		2 stories	2	2.5	1,632	\$1,223,000	\$749	
		Flat	3	2	1,468	\$758,000	\$516	
		Flat	3	3	1,840	\$899,000	\$489	
		2 stories	3	2.5	1,939	\$1,709,000	\$881	
		2 stories	TBD	TBD	2,114	\$795,000	\$376	
			Minimum	0	1	523	\$295,000	\$370
			Maximum	3	3	2,114	\$1,709,000	\$881
			Median	2	2	1,168	\$499,000	\$475
			Average	1	2	1,200	\$599,000	\$496

APPENDIX II - TABLE A-2

ASKING PRICES, NEW CONSTRUCTION
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA

		<u>Unit Type</u>	<u>Beds</u>	<u>Baths</u>	<u>Unit SF</u>	<u>Base Price</u>	<u>\$/SF</u>
V. Stacked-Flat Condominiums - Greater than 10 Stories							
Project Name:	Mi Arbolito	Flat	2	2.5	2,115	\$1,080,000	\$511
Community:	Hillcrest						
Number of Units:	14 units						
Monthly Dues:	\$765						
Number of Stories:	14 stories						
Project Name:	Park Terrace II	Flat	0	1	441	\$187,000	\$424
Community:	Downtown	Flat	1	1	651	\$294,000	\$452
Number of Units:	76 units; 7 unsold	Flat	1	1	621	\$290,030	\$467
Monthly Dues:	N/A	Flat	1	1	692	\$317,500	\$459
Number of Stories:	14 stories	Flat	1	1	776	\$308,000	\$397
		Flat	1	1	830	\$308,000	\$371
		Flat	2	1	907	\$430,000	\$474
		Flat	2	2	1,015	\$398,400	\$393
		Flat	2	2	998	\$435,000	\$436
		Flat	2	2	1,053	\$365,000	\$347
		Flat	2	2	1,053	\$390,000	\$370
		Flat	2	2	1,004	\$474,330	\$472
Project Name:	Smart Corner	Flat	0	1	464	\$147,000	\$317
Community:	Downtown	Flat	1+	1	866	\$210,000	\$242
Number of Units:	176 units; 55 unsold	Flat	2	2	1,298	\$501,000	\$386
Monthly Dues:	\$400	Flat	1+	1	722	\$242,000	\$335
Number of Stories:	19 stories	Flat	2	2	1,032	\$320,000	\$310
		Flat	1	1	601	\$257,750	\$429
		Flat	2	2	1,412	\$424,900	\$301
		Flat	2	2	1,339	\$440,000	\$329
		Flat	1	1	803	\$331,250	\$413
		Flat	2	2	1,192	\$540,000	\$453
		Flat	1	1	618	\$207,000	\$335
Project Name:	The Legend	Flat	2+	2	1,426	\$1,105,200	\$775
Community:	Downtown	Flat	1+	1	807	\$496,000	\$615
Number of Units:	178 units; 9 unsold	Flat	2	2	1,115	\$631,400	\$566
Monthly Dues:	\$754	Flat	2	2	1,208	\$932,900	\$772
Number of Stories:	23 stories	Flat	2	2	1,062	\$589,000	\$555
		Flat	1	1	849	\$375,000	\$442
		Flat	2	2	1,144	\$615,000	\$538
		Flat	2	2	1,172	\$599,000	\$511
		Flat	2	2	953	\$499,000	\$524
		Flat	2+	2	1,517	\$1,022,000	\$674
		Flat	3+	2.5	1,820	\$995,400	\$547

APPENDIX II - TABLE A-2

ASKING PRICES, NEW CONSTRUCTION
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA

		<u>Unit Type</u>	<u>Beds</u>	<u>Baths</u>	<u>Unit SF</u>	<u>Base Price</u>	<u>\$/SF</u>
Project Name:	Aria	Flat	1	1	860	\$335,000	\$390
Community:	Downtown	Flat	1+	1.5	990	\$362,000	\$366
Number of Units:	137 units; 7 unsold	Flat	2	2	1,200	\$519,000	\$433
Monthly Dues:	\$538	Flat	3	2	1,300	\$509,000	\$392
Number of Stories:	24 stories	Flat	3	3	1,616	\$799,000	\$494
Project Name:	The Mark	Flat	1	1	749	\$337,000	\$450
Community:	Downtown	Flat	1	1	829	\$275,000	\$332
Number of Units:	244 units; 32 unsold	Flat	1	1	890	\$447,000	\$502
Monthly Dues:	\$645	Flat	1	1	932	\$253,000	\$271
Number of Stories:	32 stories	Flat	1	1	984	\$455,000	\$462
		Flat	1	1.5	1,064	\$625,000	\$587
		Flat	2	2	1,135	\$816,000	\$719
		Flat	2	2	1,229	\$766,000	\$623
		Flat	2	2	1,333	\$753,000	\$565
		Flat	2	2	1,472	\$603,000	\$410
		Flat	2	2	1,547	\$613,000	\$396
		Flat	2	2.5	2,008	\$1,441,000	\$718
		Flat	3	2.5	2,441	\$2,723,000	\$1,116
		Flat	3	3.5	3,742	\$8,750,000	\$2,338
Project Name:	Sapphire Tower	Flat	1	1	505	\$324,990	\$644
Community:	Downtown	Flat	1	1	682	\$445,000	\$652
Number of Units:	97 units; 34 unsold	Flat	1	1	904	\$663,000	\$733
Monthly Dues:	\$600	Flat	1	1	1,100	\$380,000	\$345
Number of Stories:	32 stories	Flat	2	2	1,283	\$674,000	\$525
		Flat	2	2	1,535	\$605,000	\$394
		Flat	2	2	1,707	\$1,187,000	\$695
		Flat	2	2	1,949	\$1,489,000	\$764
		Flat	2	2	2,823	\$2,349,990	\$832
		Flat	2+	2.5	2,981	\$2,850,000	\$956
		Flat	4	3	2,944	\$3,250,000	\$1,104
		Flat	TBD	TBD	5,186	\$5,950,000	\$1,147
Project Name:	Bayside at the Embarcadero	Flat	1	1.5	1,031	\$594,900	\$577
Community:	Downtown	Flat	1	1.5	1,106	\$469,000	\$424
Number of Units:	232 units; 90 unsold	Flat	2	2	1,115	\$549,000	\$492
Monthly Dues:	\$718	Flat	2	2	1,387	\$621,000	\$448
Number of Stories:	36 stories	Flat	2	2	1,450	\$599,000	\$413
		Flat	2	2	1,445	\$641,000	\$444
		Flat	2	2	1,606	\$771,000	\$480
		Flat	2	2	1,886	\$1,750,000	\$928
		Flat	2	2.5	1,810	\$858,500	\$474
		3 stories	2	2.5	2,042	\$799,000	\$391
		Flat	2	2.5	2,384	\$2,375,000	\$996
		3 stories	2	2.5	2,501	\$990,000	\$396
		Flat	2	2	3,151	\$3,224,000	\$1,023

APPENDIX II - TABLE A-2

ASKING PRICES, NEW CONSTRUCTION
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA

		<u>Unit Type</u>	<u>Beds</u>	<u>Baths</u>	<u>Unit SF</u>	<u>Base Price</u>	<u>\$/SF</u>	
Project Name:	Electra	Flat	2	2	1,465	\$865,000	\$590	
Community:	Downtown	Flat	2	2	1,215	\$699,000	\$575	
Number of Units:	248 units; 6 unsold	Flat	2	2	1,370	\$795,000	\$580	
Monthly Dues:	\$609	Flat	2	2	1,488	\$839,000	\$564	
Number of Stories:	43 stories	Flat	2	2	1,161	\$549,000	\$473	
		Flat	2	2	1,548	\$525,000	\$339	
		Flat	2	2	933	\$679,000	\$728	
		Flat	2	2	1,275	\$835,000	\$655	
		Flat	2	2	1,487	\$1,149,000	\$773	
		Flat	2	2	1,389	\$1,095,000	\$788	
		Flat	2	2	1,563	\$1,625,000	\$1,040	
		Flat	2	2	1,756	\$1,450,000	\$826	
		* Townhome	1	1	1,060	\$329,000	\$310	
		* Townhome	2	1.5	1,429	\$599,000	\$419	
			Minimum	0	1	441	\$147,000	\$242
			Maximum	4	3.5	5,186	\$8,750,000	\$2,338
			Median	2	2	1,200	\$599,000	\$474
			Average	2	2	1,371	\$909,000	\$564

APPENDIX II - TABLE A-3

RESIDENTIAL PROTOTYPES
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA

	For-Sale Prototypes				Rental	
	Single-Family Detached	Townhome	Stacked Flat Condominium	Mid/High-Rise Condominiums	Garden Apartments	Stacked Flat Apartments
Example Projects						
Density	5 dua	20 dua	50 dua	200 dua	25 dua	50 dua
Building Type	2 stories	2 to 3 stories	3 to 4 stories	10 stories	3 stories	4 stories
Unit Mix	50% 3BR 50% 4BR	50% 2BR 50% 3BR	30% 1BR 60% 2BR 10% 3BR	30% 1BR 60% 2BR 10% 3BR	30% 1BR 60% 2BR 10% 3BR	30% 1BR 60% 2BR 10% 3BR
Unit Size	2,750 sf	1,400 sf	1,050 sf	950 sf	950 sf	800 sf
Average No. of Bedrooms	3.5 BR	2.5 BR	1.8 BR	1.8 BR	1.8 BR	1.8 BR
Construction Type	Type V with Attached garage	Type V with Attached garage	Type V over Podium parking	Type I with Subterranean parking	Type V with Surface parking	Type V with Podium parking
Average Parking Spaces	2-car garage	2-car garage	2 spaces per unit	1.75 spaces per unit	2.0 spaces per unit	1.75 spaces per unit
Market Sales Price/Rent per square foot	\$633,000 \$230	\$375,000 \$268	\$420,000 \$400	\$546,000 \$575	\$1,708 \$1.80	\$2,090 \$2.61

APPENDIX II - TABLE B-1

**INCOME DEFINITIONS, 2010
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA**

Family Size	65% AMI	100% AMI
1 Person	\$35,750	\$52,850
2 Persons	\$40,850	\$60,400
3 Persons	\$45,955	\$67,950
4 Persons	\$51,050	\$75,500
5 Persons	\$55,150	\$81,550

APPENDIX II - TABLE B-2

AFFORDABLE RENT LEVELS - 65% AREA MEDIAN INCOME
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA

	0	1	2	3	4
Number of Bedrooms					
Percent of AMI	65%	65%	65%	65%	65%
Assumed Family Size (1)	1	2	3	4	5
Household Income (Rounded) (2)	\$35,750	\$40,850	\$45,950	\$51,050	\$59,200
Income Allocation to Housing	30%	30%	30%	30%	30%
Monthly Housing Cost	\$894	\$1,021	\$1,149	\$1,276	\$1,480
(Less) Utility Allowance	(\$18)	(\$23)	(\$28)	(\$34)	(\$44)
Maximum Monthly Rent (3)	\$876	\$998	\$1,121	\$1,242	\$1,436

(1) Source: U.S. Department of Housing and Urban Development (HUD) 2010 income limits for San Diego County.

(2) As calculated by the San Diego Housing Commission. Includes electric heat, gas cooking, other electric, and gas water heater.

APPENDIX II - TABLE B-3

ESTIMATE OF AFFORDABLE SALES PRICE - 100% AMI
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA

	1	2	3	4	5
Number of Bedrooms:					
Assumed Family Size	2	3	4		
Household Income (Rounded) (1)	\$60,400	\$67,950	\$75,500		\$81,550
Income Allocation to Housing	35.00%	35.00%	35.00%		35.00%
Amount Available for Housing	\$21,140	\$23,783	\$26,425		\$28,543
Other Housing Costs (2)	\$3,300	\$3,900	\$4,200		\$4,500
Tax Rate	1.25%	1.25%	1.25%		1.25%
Annual Taxes (3)	\$2,638	\$2,938	\$3,288		\$3,550
Available for Mortgage	\$15,203	\$16,945	\$18,938		\$20,493
Interest Rate	6.50%	6.50%	6.50%		6.50%
Down Payment	5.00%	5.00%	5.00%		5.00%
Supportable Mortgage	\$200,433	\$223,407	\$249,676		\$270,178
Add: Down Payment	\$10,550	\$11,750	\$13,150		\$14,200
Maximum Unit Price (Rounded) - 100% AMI	\$211,000	\$235,000	\$263,000		\$284,000

(1) Source: U.S. Department of Housing and Urban Development (HUD), 2010 income limits.

(2) Includes allowance for annual homeowners association, insurance, and utilities.

(3) Based on affordable unit price. Property tax assessment may be based on market value of actual home.

Note: Totals may not sum due to rounding.

Prepared by: Keyser Marston Associates, Inc.

Filename: Solana Beach\SDHC_Inclusionary_Appendix II_v2_12-10-10\4/6/2011.lag

Garden Apartments

**Affordability Gap Analysis
Residential Nexus Analysis**

APPENDIX II - TABLE C-1

**DEVELOPMENT PROFILE
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA**

I. Product Type	Garden Apartments	
Construction Type	Type V	
Tenure	Rental	
II. Site Area	174,240 SF 4.0 Acres	
III. Number of Stories	2 - 3 Stories	
IV. Unit Mix	<u># of Units</u>	<u>Unit Size</u>
Two Bedroom	100 Units	950 SF
V. Density	25.0 Units/Acre	
VI. Gross Building Area		
Residential Net Building Area	95,000 SF	95%
Building Efficiency	<u>5,000</u> SF	<u>5%</u>
Total Gross Building Area (GBA)	100,000 SF	100%
VII. Floor Area Ratio (FAR)	0.57	
VIII. Parking		
Type	Surface	
Number of Parking Spaces	200 Spaces	
Parking Ratio (Space/Unit)	2.00 Spaces/Unit	

APPENDIX II - TABLE C-2

**DEVELOPMENT COSTS
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA**

65% AMI			
	<u>Totals</u>	<u>Per Unit</u>	<u>Comments</u>
I. Acquisition Costs	\$4,356,000	\$43,560	\$25 Per SF of Site Area
II. Direct Costs ¹			
Off-Site Improvements	\$523,000	\$5,230	\$3 Per SF of Site Area
On-Sites/Landscaping	\$1,742,000	\$17,420	\$10 Per SF of Site Area
Shell Construction	\$10,000,000	\$100,000	\$100 Per SF GBA
Parking	\$0	\$0	Included above
Amenities/FF&E	\$250,000	\$2,500	Allowance
Contingency	<u>\$626,000</u>	<u>\$6,260</u>	5.0% of Above Directs
Subtotal Direct Costs	\$13,141,000	\$131,410	\$131 Per SF GBA
III. Indirect Costs			
Architecture & Engineering	\$788,000	\$7,880	6.0% of Directs
Permits & Fees ²	\$2,000,000	\$20,000	\$20 Per SF GBA
Legal & Accounting	\$263,000	\$2,630	2.0% of Directs
Taxes & Insurance	\$263,000	\$2,630	2.0% of Directs
Developer Fee	\$526,000	\$5,260	4.0% of Directs
Marketing/Lease-Up	\$150,000	\$1,500	\$2 Per SF GBA
Contingency	<u>\$200,000</u>	<u>\$2,000</u>	5.0% of Above Indirects
Subtotal Indirect Costs	\$4,190,000	\$41,900	31.9% of Directs
IV. Financing Costs			
Loan Fees	\$233,000	\$2,330	1.8% of Directs
Interest During Construction	\$1,048,000	\$10,480	8.0% of Directs
Interest During Lease-Up	\$582,000	\$5,820	4.4% of Directs
TCAC/Syndication Fees	\$0	\$0	0.0% of Directs
Operating Lease-Up/Reserves	<u>\$213,000</u>	<u>\$2,130</u>	1.6% of Directs
Subtotal Financing Costs	\$2,076,000	\$20,760	15.8% of Directs
V. Total Development Costs	\$23,763,000	\$237,630	\$238 Per SF GBA

¹ Excludes the payment of prevailing wages.

² Estimate. Not verified by KMA or the City.

APPENDIX II - TABLE C-3

**AFFORDABLE RENTS AND UNIT VALUES AND NET OPERATING INCOME
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA**

65% of AMI

I. Affordable Rent - Per Unit

Family Size	3.0
Number of Bedrooms	2
Household Income	\$45,955
Income Allocation to Housing	30%
Monthly Housing Cost	\$1,149
(Less) Utility Allowance ¹	(\$28)
Maximum Monthly Rent	\$1,121

	<u>Total</u>	<u>Per Unit</u>
II. Net Operating Income (NOI)		
Units	100	1
Gross Scheduled Income (GSI)		
Monthly	\$112,088	\$1,121
Annual	\$1,345,000	\$13,450
Other Income	\$15	\$18,000
(Less) Vacancy	5.0%	(\$67,000)
Effective Gross Income (EGI)	\$1,296,000	\$12,960
(Less) Operating Expenses ²	(\$486,000)	(\$4,860)
(Less) Property Taxes	(\$120,000)	(\$1,200) ³
Net Operating Income (NOI)	\$690,000	\$6,900

Source: Rents from San Diego Housing Commission Income and Rent Calculations

¹ Assumes San Diego Housing Commission (SDHC) 2010 utility allowances at \$28/month

² Includes replacement reserves, monitoring fee, assessments, etc.

³ Based on capitalized income approach: assumes a 1.25% tax rate and a 7.5% cap rate.

APPENDIX II - TABLE C-4

**AFFORDABILITY GAP FOR RENTAL UNITS
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA**

	65% AMI	
	<u>Total</u>	<u>Per Unit</u>
I. Net Operating Income (NOI)	\$690,000	\$6,900
II. Target Return on Investment (Low)	7.5%	7.5%
III. Sources of Funds (Very Low)		
Supportable Debt	N/A	N/A
Market Value of Tax Credits	N/A	N/A
Deferred Developer Fee	N/A	N/A
IV. Warranted Investment	\$9,200,000	\$92,000
V. (Less) Total Development Costs	<u>(\$23,763,000)</u>	<u>(\$238,000)</u>
VI. Affordability Gap	<u>(\$14,563,000)</u>	<u>(\$146,000)</u>

Stacked Flats Over Podium Parking

**Affordability Gap Analysis
Residential Nexus Analysis**

APPENDIX II - TABLE C-5

DEVELOPMENT PROFILE
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA

I. Product Type		Stacked Flats	
Construction Type		Type V	
Tenure		Rental	
II. Site Area		87,120 SF	
		2.0 Acres	
III. Number of Stories		4 Stories	
IV. Unit Mix			
	<u># of Units</u>	<u>Unit Size</u>	
Two Bedroom	100 Units	800 SF	
V. Density		50.0 Units/Acre	
VI. Gross Building Area			
Residential Net Building Area		80,000 SF	85%
Building Efficiency		<u>14,100 SF</u>	<u>15%</u>
Total Gross Building Area (GBA)		94,100 SF	100%
VII. Floor Area Ratio (FAR)		1.08	
VIII. Parking			
Type		Podium/Subterranean	
Number of Parking Spaces		175 Spaces	
Parking Ratio (Space/Unit)		1.75 Spaces/Unit	

APPENDIX II - TABLE C-6

DEVELOPMENT COSTS
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA

65% AMI			
	<u>Totals</u>	<u>Per Unit</u>	<u>Comments</u>
I. Acquisition Costs	\$4,356,000	\$43,560	\$50 Per SF of Site Area
II. Direct Costs ¹			
Off-Site Improvements	\$436,000	\$4,360	\$5 Per SF of Site Area
On-Sites/Landscaping	\$1,307,000	\$13,070	\$15 Per SF of Site Area
Shell Construction	\$11,763,000	\$117,630	\$125 Per SF GBA
Parking	\$4,375,000	\$43,750	\$25,000 Per Space
Amenities/FF&E	\$250,000	\$2,500	Allowance
Contingency	<u>\$907,000</u>	<u>\$9,070</u>	5.0% of Above Directs
Subtotal Direct Costs	\$19,038,000	\$190,380	\$202 Per SF GBA
III. Indirect Costs			
Architecture & Engineering	\$1,142,000	\$11,420	6.0% of Directs
Permits & Fees ²	\$1,882,000	\$18,820	\$20 Per SF GBA
Legal & Accounting	\$381,000	\$3,810	2.0% of Directs
Taxes & Insurance	\$381,000	\$3,810	2.0% of Directs
Developer Fee	\$762,000	\$7,620	4.0% of Directs
Marketing/Lease-Up	\$150,000	\$1,500	\$2 Per SF GBA
Contingency	<u>\$235,000</u>	<u>\$2,350</u>	5.0% of Above Indirects
Subtotal Indirect Costs	\$4,933,000	\$49,330	25.9% of Directs
IV. Financing Costs			
Loan Fees	\$328,000	\$3,280	1.7% of Directs
Interest During Construction	\$1,965,000	\$19,650	10.3% of Directs
Interest During Lease-Up	\$819,000	\$8,190	4.3% of Directs
TCAC/Syndication Fees	\$0	\$0	0.0% of Directs
Operating Lease-Up/Reserves	<u>\$213,000</u>	<u>\$2,130</u>	1.1% of Directs
Subtotal Financing Costs	\$3,325,000	\$33,250	17.5% of Directs
V. Total Development Costs	\$31,652,000	\$316,520	\$336 Per SF GBA

¹ Excludes the payment of prevailing wages.² Estimate. Not verified by KMA or the City.

APPENDIX II - TABLE C-7

AFFORDABLE RENTS AND UNIT VALUES AND NET OPERATING INCOME
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA

65% of AMI

I. Affordable Rent - Per Unit

Family Size	3.0
Number of Bedrooms	2
Household Income	\$45,955
Income Allocation to Housing	30%
Monthly Housing Cost	\$1,149
(Less) Utility Allowance ¹	(\$28)
Maximum Monthly Rent	\$1,121

	<u>Total</u>	<u>Per Unit</u>
II. Net Operating Income (NOI)		
Units	100	1
Gross Scheduled Income (GSI)		
Monthly	\$112,088	\$1,121
Annual	\$1,345,000	\$13,450
Other Income	\$15	\$180
(Less) Vacancy	5.0%	(\$670)
Effective Gross Income (EGI)	\$1,296,000	\$12,960
(Less) Operating Expenses ²	(\$486,000)	(\$4,860)
(Less) Property Taxes	(\$120,000)	(\$1,200) ³
Net Operating Income (NOI)	\$690,000	\$6,900

Source: Rents from San Diego Housing Commission Income and Rent Calculations

¹ Assumes San Diego Housing Commission (SDHC) 2010 utility allowances at \$28/month² Includes replacement reserves, monitoring fee, assessments, etc.³ Based on capitalized income approach: assumes a 1.25% tax rate and a 7.5% cap rate.⁴ Assumes development is tax-exempt based on partnership with non-profit developer.

APPENDIX II - TABLE C-8

AFFORDABILITY GAP FOR RENTAL UNITS
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA

	65% AMI	
	<u>Total</u>	<u>Per Unit</u>
I. Net Operating Income (NOI)	\$690,000	\$6,900
II. Target Return on Investment (Low)	7.5%	7.5%
III. Sources of Funds (Very Low)		
Supportable Debt	N/A	N/A
Market Value of Tax Credits	N/A	N/A
Deferred Developer Fee	N/A	N/A
IV. Warranted Investment	\$9,200,000	\$92,000
V. (Less) Total Development Costs	(<u>\$31,652,000</u>)	(<u>\$317,000</u>)
VI. Affordability Gap	(<u>\$22,452,000</u>)	(<u>\$225,000</u>)

Townhomes with Attached Garages

**Affordability Gap Analysis
Residential Nexus Analysis**

APPENDIX II - TABLE C-9

DEVELOPMENT PROFILE
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA

I. Product Type		Townhome
Construction Type	Type V - Wood-frame with attached garages	
Tenure		For-Sale
II. Site Area		43,560 SF 1.0 Acres
III. Number of Stories		2 Stories
IV. Unit Mix	<u># of Units</u>	<u>Unit Size</u>
Two Bedroom	20 Units	1,200 SF
V. Density		20.0 Units/Acre
VI. Gross Building Area (GBA)		
Residential		24,000 SF 100%
Common Areas @		0 SF 0%
Total Gross Building Area		24,000 SF 100%
VII. FAR		0.55
VIII. Parking		
Type		Attached Garage
Parking Ratio - Residential		2.00 Spaces/Unit
Total Number of Spaces		40 Spaces

APPENDIX II - TABLE C-10

DEVELOPMENT COSTS
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA

100% of AMI			
	<u>Totals</u>	<u>Per Unit</u>	<u>Comments</u>
I. Acquisition Costs	\$1,089,000	\$54,450	\$25 Per SF of Site Area
II. Direct Costs ¹			
Off-Site Improvements	\$131,000	\$6,550	\$3 Per SF of Site Area
On-Sites/Landscaping	\$436,000	\$21,800	\$10 Per SF of Site Area
Shell Construction	\$2,400,000	\$120,000	\$100 Per SF GBA
Parking	\$0	\$0	Included above
Amenities/FF&E	\$20,000	\$1,000	Allowance
Contingency	<u>\$149,000</u>	<u>\$7,450</u>	5.0% of Directs
Subtotal Direct Costs	\$3,136,000	\$156,800	\$131 Per SF GBA
III. Indirect Costs			
Architecture & Engineering	\$188,000	\$9,400	6.0% of Directs
Permits & Fees ²	\$480,000	\$24,000	\$20 Per SF GBA
Legal & Accounting	\$63,000	\$3,150	2.0% of Directs
Taxes & Insurance	\$63,000	\$3,150	2.0% of Directs
Developer Fee	\$125,000	\$6,250	4.0% of Directs
Marketing/Sales	\$40,000	\$2,000	Allowance
Contingency	<u>\$48,000</u>	<u>\$2,400</u>	5.0% of Above Indirects
Subtotal Indirect Costs	\$1,007,000	\$50,350	32.1% of Directs
IV. Financing Costs			
Loan Fees	\$56,000	\$2,800	1.8% of Directs
Interest During Construction	\$125,000	\$6,250	4.0% of Directs
Interest During Sales	\$37,000	\$1,850	1.2% of Directs
HOA Dues on Unsold Units	<u>\$10,000</u>	<u>\$500</u>	0.3% of Directs
Subtotal Financing Costs	\$228,000	\$11,400	7.3% of Directs
V. Total Development Costs	\$5,460,000	\$273,000	\$228 Per SF GBA

¹ Excludes the payment of prevailing wages.² Estimate. Not verified by KMA or the City.

APPENDIX II - TABLE C-11

**MAXIMUM AFFORDABLE PURCHASE PRICE
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA**

100% of AMI

I.	Family Size	3
	Number of Bedrooms	2
II.	Household Income (Rounded)	\$67,950
	Income Allocation to Housing	35.0%
	Amount Available for Housing	\$23,783
III.	Other Housing Costs ¹	\$3,900
	Taxes & Assessment	1.25%
	Annual Taxes ²	\$2,938
IV.	Available for Mortgage	\$16,945
V.	Interest Rate	6.5%
	Down Payment	5.0%
VI.	Supportable Mortgage	\$223,407
	Add: Down Payment	\$11,750
VII.	Maximum Affordable Unit Price (Rounded)	\$235,000

¹ Estimate.² Based on affordable sales price.

APPENDIX II - TABLE C-12

ESTIMATE OF AFFORDABILITY GAP
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA

			100% of AMI
I.	Maximum Unit Price Per Unit		\$235,000
II.	Gross Sales Proceeds	20 Units	\$4,700,000
	(Less) Cost of Sale	3.0% of Value ¹	(\$141,000)
	(Less) Developer Profit	12.0% of Value ¹	(\$564,000)
	Net Sales Proceeds		\$3,995,000
III.	(Less) Development Costs		(\$5,460,000)
IV.	Affordability Gap		(\$1,465,000)
	Per Unit		(\$73,000)

¹ Based on affordable sales price.

Stacked Flats Over Podium Parking

**Affordability Gap Analysis
Residential Nexus Analysis**

APPENDIX II - TABLE C-13

DEVELOPMENT PROFILE
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA

I. Product Type		Stacked Flat
Construction Type	Type V - Wood-frame over parking podium	
Tenure		For-Sale
II. Site Area		43,560 SF 1.0 Acres
III. Number of Stories		3 Stories over parking podium
IV. Unit Mix	<u># of Units</u>	<u>Unit Size</u>
Two Bedroom	45 Units	1,000 SF
V. Density		45.0 Units/Acre
VI. Gross Building Area (GBA)		
Residential		45,000 SF 85%
Common Areas @		<u>7,900</u> SF 15%
Total Gross Building Area		52,900 SF 100%
VII. FAR		1.21
VIII. Parking		
Type		Structured
Parking Ratio - Residential		1.75 Spaces/Unit
Total Number of Spaces		79 Spaces

APPENDIX II - TABLE C-14

DEVELOPMENT COSTS
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA

100% of AMI			
	<u>Totals</u>	<u>Per Unit</u>	<u>Comments</u>
I. Acquisition Costs	\$2,178,000	\$48,400	\$50 Per SF of Site Area
II. Direct Costs ¹			
Off-Site Improvements	\$218,000	\$4,844	\$5 Per SF of Site Area
On-Sites/Landscaping	\$653,000	\$14,511	\$15 Per SF of Site Area
Shell Construction	\$6,613,000	\$146,956	\$125 Per SF GBA
Parking	\$1,969,000	\$43,756	\$25,000 Per Space
Amenities/FF&E	\$113,000	\$2,500	Allowance
Contingency	<u>\$478,000</u>	<u>\$10,622</u>	5.0% of Directs
Subtotal Direct Costs	\$10,044,000	\$223,200	\$190 Per SF GBA
III. Indirect Costs			
Architecture & Engineering	\$603,000	\$13,400	6.0% of Directs
Permits & Fees ²	\$1,058,000	\$23,511	\$20 Per SF GBA
Legal & Accounting	\$201,000	\$4,467	2.0% of Directs
Taxes & Insurance	\$201,000	\$4,467	2.0% of Directs
Developer Fee	\$402,000	\$8,933	4.0% of Directs
Marketing/Sales	\$113,000	\$2,500	Allowance
Contingency	<u>\$129,000</u>	<u>\$2,867</u>	5.0% of Directs
Subtotal Indirect Costs	\$2,707,000	\$60,156	27.0% of Directs
IV. Financing Costs			
Loan Fees	\$204,000	\$4,533	2.0% of Directs
Interest During Construction	\$611,000	\$13,578	6.1% of Directs
Interest During Sales	\$204,000	\$4,533	2.0% of Directs
HOA Dues on Unsold Units	<u>\$35,000</u>	<u>\$778</u>	0.3% of Directs
Subtotal Financing Costs	\$1,054,000	\$23,422	10.5% of Directs
V. Total Development Costs	\$15,983,000	\$355,178	\$302 Per SF GBA

¹ Excludes the payment of prevailing wages.² Estimate. Not verified by KMA or the City.

APPENDIX II -TABLE C-15

AFFORDABLE PURCHASE PRICE
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA

100% of AMI

I.	Family Size	3
	Number of Bedrooms	2
II.	Household Income (Rounded)	\$67,950
	Income Allocation to Housing	35.0%
	Amount Available for Housing	\$23,783
III.	Other Housing Costs ¹	\$3,900
	Taxes & Assessment	1.25%
	Annual Taxes ²	\$2,938
IV.	Available for Mortgage	\$16,945
V.	Interest Rate	6.5%
	Down Payment	5.0%
VI.	Supportable Mortgage	\$223,407
	Add: Down Payment	\$11,750
VII.	Maximum Affordable Unit Price (Rounded)	\$235,000

¹ Estimate.² Based on affordable sales price.

APPENDIX II - TABLE C-16

ESTIMATE OF AFFORDABILITY GAP
RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN DIEGO, CA

100% of AMI		
I.	Maximum Unit Price Per Unit	\$235,000
II.	Gross Sales Proceeds	45 Units \$10,575,000
	(Less) Cost of Sale	3.0% of Value ¹ (\$317,000)
	(Less) Developer Profit	12.0% of Value ¹ <u>(\$1,269,000)</u>
	Net Sales Proceeds	\$8,989,000
III.	(Less) Development Costs	<u>(\$15,983,000)</u>
IV.	Affordability Gap	(\$6,994,000)
	Per Unit	(\$155,000)

¹ Based on affordable sales price.

ATTACHMENT 6

ADDENDUM
CONDOMINIUM CONVERSION NEXUS ANALYSIS

RESIDENTIAL NEXUS ANALYSIS

Inclusionary Housing Ordinance

San Diego, California

Prepared for

City of San Diego

Keyser Marston Associates, Inc.

April 2011

INTRODUCTION

This Addendum provides an overview of the analysis and a discussion of the findings of a condominium conversion nexus analysis conducted to examine the Inclusionary Housing Ordinance of the City of San Diego (City). The materials have been prepared by Keyser Marston Associates (KMA) for the San Diego Housing Commission (SDHC) pursuant to a contractual agreement.

This Addendum is not intended as a stand alone document, but should be read in conjunction with the *Residential Nexus Analysis* prepared by Keyser Marston Associates in January 2011. Reference will be made throughout the Addendum to the *Residential Nexus Analysis*, which provides a more complete description of the assumptions and the nexus analysis methodology.

The City of San Diego's existing Inclusionary Housing Ordinance requires all condominium conversion projects of two or more units to provide 10% of units at prices affordable to households earning 100% of median income, or pay an in-lieu fee. Condominium conversions of 20 or more units are not eligible to pay in-lieu fees and must provide the units onsite. An exemption is available for units sold to households earning less than 150% of median income.

THE NEXUS ANALYSIS

Condo Conversion Nexus Concept

At its most simplified level, the underlying nexus concept is that condominium purchasers have higher incomes than the households that lived in the rental unit prior to conversion. Even if the initial condominium owner is the prior renter, over the life of the unit, the household occupying the unit as a condominium will have, on average, a higher income than the unit were it to remain a rental. The higher the income of the household, the higher the consumption of goods and services, resulting in a higher level of job generation. A portion of these jobs are at low compensation levels, which results in lower income households that need affordable housing. As such, it is a variation of the residential nexus analysis, which is a market rate housing/affordable housing nexus analysis.

To calculate the nexus, the KMA analysis quantifies the impact on affordable housing needs resulting from the difference in income level between a renter household and a condominium household, assuming the same physical unit. The incremental difference in the income of the renter versus the income of the condominium purchaser translates into an incremental increase in the demand for affordable housing; the cost of mitigating this incremental increase in the demand for affordable housing is the nexus amount attributable to a condo conversion.

Impact Methodology and Models Used

The methodology for this nexus analysis starts with the rent levels of prototype units prior to converting and the sales prices of the same units after converting. KMA developed four prototypes for the purpose of this analysis. The income of the renter household is computed based on standard relationships between rent and income in San Diego. The income of the household that will purchase the condominium is estimated based on financing terms for condominium units.

The difference between the household income of the unit as a rental and the household income of the condominium purchaser is net new income in the City of San Diego attributable to the conversion process. For analysis purposes, the conversions are assumed to occur at a single point in time – today. There are no time value adjustments required.

From this point, the analysis is conducted in the same manner as in the *Residential Nexus Analysis*, the input into the model is the only difference. In the case of condominium conversions, the input is the incremental increase in household income between the rental household and the condominium household. In the case of new construction, the input is the household income of the purchaser of the new unit. A brief overview of the nexus analysis follows; more detail, including a full documentation of assumptions and methodology, can be found in Appendix I of the *Residential Nexus Analysis*.

The steps in the analysis from the net increase in income to jobs generated are performed using the IMPLAN model, a model widely used for more than 30 years to quantify employment impacts from personal income. From jobs generation per the IMPLAN model, KMA used its own jobs housing nexus model to quantify the income of worker households by affordability level.

To illustrate the linkages by looking at a simplified example, we can take an average household that buys a condominium at a certain price and quantify the increase in household income over the renter household. The IMPLAN model works internally from gross household income through adjustments to disposable income and amounts that will be used to “purchase” or consume a range of goods and services, such as purchases at the supermarket, services at the bank and even governmental services. Purchases in the local economy in turn generate employment in many different industries, the output of the IMPLAN model. The compensation levels of the jobs generated vary by, and within, occupation types. Some of the jobs are low paying and as a result, even when there is more than one worker in the household, there are some new lower and middle-income households that cannot afford market rate housing in San Diego.

The IMPLAN model quantifies jobs generated at establishments that serve new residents directly (e.g., supermarkets, banks or schools), jobs generated by increased demand at firms which service or supply these establishments, and jobs generated when the new employees

spend their wages in the local economy and generate additional jobs. The IMPLAN model estimates the total impact combined.

The Condominium Conversion Prototypes

Four prototypes were identified for the purposes of the analysis, based on KMA's review of historical data of condominium conversions that occurred within the City since adoption of the Inclusionary Housing Ordinance.

The condominium conversion prototypes are as follows:

- A converted townhome or duplex, built in the 1970s or 1980s in one of the City's coastal communities, with an average of 2.5 bedrooms and 1,400 square feet. This unit rented for \$2,450 and sells for \$490,000 when converted.
- A garden style apartment, developed in the 1960s/1970s timeframe in older communities such as the pre-war neighborhoods of City Heights and North Park and the immediate post-war neighborhoods of Linda Vista and Clairemont Mesa, among others, with an average of 1.75 bedrooms and 800 square feet. This unit rented for \$1,000 and sells for \$150,000 when converted.
- A Type V stacked flat unit, developed in the 1970s through 1990s, located in newly developing and redeveloping neighborhoods such as the Mission Valley, University City, and Uptown communities, among others, with an average of 1.75 bedrooms and 900 square feet. This unit rented for \$1,575 and sells for \$338,000 when converted.
- A Type I mid/high-rise unit, built from the 1990s to present, reflecting a newer generation of in-fill multi-family developments in communities such as Downtown, Uptown, and University City, among others, with an average of 1.75 bedrooms and 950 square feet. This unit rented for \$2,375 and sells for \$522,500 when converted.

	<i>Prototype 1: Townhome</i>	<i>Prototype 2: Garden Apt</i>	<i>Prototype 3: Type V Stacked</i>	<i>Prototype 4: Type 1 Mid/High-Rise</i>
Avg. Unit Size	1,400 sf	800 sf	900 sf	950 sf
Avg. No. of Bedrooms	2.5 BR	1.75 BR	1.75 BR	1.75 BR
Rent Level	\$2,450	\$1,000	\$1,575	\$2,375
Sales Price	\$490,000	\$150,000	\$338,000	\$522,500

The market values above reflect the weakened housing market that exists today in San Diego. The City is not likely to see additional condominium conversions until sales prices have increased above these levels.

Net New Household Income

From the rents and sale prices of the four prototypes, the household incomes of the purchasers and renters are readily estimated using standard housing policy and lending standards. Comparing the income of the condo purchaser household to the income of the renter household for the same unit, we determine the net increase attributable to the conversion process. The calculations are shown in Tables 1 through 4, and are summarized in Table 5. A brief overview is shown below.

	<i>Prototype 1: Townhome</i>	<i>Prototype 2: Garden Apt</i>	<i>Prototype 3: Type V Stacked</i>	<i>Prototype 4: Type 1 Mid/High-Rise</i>
Income of Condo Purchaser	\$119,000	\$40,000	\$84,000	\$128,000
Income of Renter	\$98,000	\$40,000	\$63,000	\$95,000
Increase in Household Income	\$21,000	\$0	\$21,000	\$33,000

From the above table, it is apparent that in today's economy, the conversion of a minimal garden style apartment unit does not generate an incremental increase in household income. The garden style unit sells for \$150,000 in the current San Diego condo market, which makes the unit affordable to a household earning 60% of Area Median Income and would likely qualify for an exemption from the Inclusionary Program. A detailed discussion of this prototype can be found at the end of this Addendum (see Affordability Levels and Program Exemptions). Because there is no incremental increase in household income for this prototype in the today's market, the nexus analysis is not run for this prototype.

Nexus Analysis Results

Job Generation/IMPLAN Model

The IMPLAN model starting input is the net new increase in income in San Diego attributable to the conversion process, or the amount indicated above for each of the prototypes. To facilitate understanding of the model results, the model is run assuming 100 converted units for each prototype, resulting in whole numbers and thus avoiding awkward fractions (particularly true in the greater detail by job industry).

The IMPLAN model internally computes disposable income after adjustments for taxes and savings. The results of the analysis, the output of the IMPLAN model, are as follows:

	<i>Prototype 1: Townhome</i>	<i>Prototype 3: Type V Stacked</i>	<i>Prototype 4: Type 1 Mid/High-Rise</i>
Increase in Income Attributable to Conversion	\$21,000	\$21,000	\$33,000
Job Generation per 100 units	13.0	13.4	20.4

More detail can be found in Table 6. The jobs represent a wide dispersion across many industries with little concentration in any one. The highest concentration is in Food Service and Drinking places, representing about 12% of all job generation.

Lower Income Worker Households

The jobs by industry, per the IMPLAN analysis, are input into the KMA jobs housing nexus analysis model to quantify the incomes of the worker households. The first step is a reduction in the number of jobs to the number of worker households, recognizing that there is typically more than one worker in each household today.

The KMA nexus model converts jobs by industry (per the IMPLAN output) to a distribution of jobs by occupation based on data published by the Bureau of Labor Statistics. Workers are allocated into households of sizes ranging from one to six persons with a distribution of the number of workers for each household size (based on American Community Survey data for San Diego). Recent State of California data on compensation level by each occupation in San Diego is applied.

Based on a total household income and household size, the model calculates the number of worker households in each of the income categories. The steps of the analysis are shown in Tables 6 through 9 at the end of this Addendum. The results are as follows for 100 converted units:

New Worker Households by Income Level per 100 Converted Condo Units			
	<i>Prototype 1: Townhome</i>	<i>Prototype 3: Type V Stacked</i>	<i>Prototype 4: Type 1 Mid/High-Rise</i>
Under 65% AMI	3.8	3.9	6.0
65% to 100% AMI	1.6	1.7	2.6
Total, Less than 100% AMI	5.4	5.6	8.6
Greater than 100% AMI	2.1	2.1	3.2
Total, New Households	7.5	7.7	11.8

In summary, for every 100 converted townhome units, there are 7.5 worker households generated, of which 5.4 are at compensation levels that translate to household incomes of 100% of the San Diego Area Median Income or less. In other words, the great majority of jobs generated by consumer expenditures are at income levels that, even when there is more than one worker in the household, cannot afford market rate housing in San Diego.

Inclusionary Percentages

The analysis findings identify how many low and median income households are generated for every 100 converted units. These findings are adjusted to percentages for purposes of comparison to the onsite inclusionary requirements. The percentages are calculated including

the market rate and affordable units (for example, 25 affordable units per 100 converted units translates to 125 total units; 25 affordable units out of 125 units equals 20%).

Each tier is cumulative, or inclusive of the tiers above it. The calculation can be found on Table 10, and the results are summarized below.

Cumulative Inclusionary Percentage Supported by Nexus Analysis			
	<i>Prototype 1: Townhome</i>	<i>Prototype 3: Type V Stacked</i>	<i>Prototype 4: Type 1 Mid/High-Rise</i>
Under 65% AMI	3.7%	3.7%	5.6%
65% to 100% AMI	5.2%	5.3%	7.9%

The conclusion of the analysis is that the converted condominium prototypes shown here support percentages up through Median Income (100% AMI) in the range of 5.2% to 7.9%. The City's current requirement is 10% at Median for converted units.

Fee Levels Supported by the Nexus Analysis

The last step in the analysis puts a mitigation cost on the households at each of the lower affordability levels. The conclusions of the nexus analysis, expressed as the number of worker households by income affordability category, are linked to the cost of delivering housing to the households in need.

Each income or affordability tier is associated with a subsidy needed to produce and deliver a unit at the specified affordability level. The subsidies are the affordability gaps, or the difference between the cost of development and the sales price or unit value supported at the restricted sales price or rent level. A full description of the Affordability Gaps is presented in Appendix II of the *Residential Nexus Analysis*. The results are as follows:

<i>Income Level</i>	<i>Affordability Gap</i>
Under 65% AMI	\$193,000
65% to 100% AMI	\$122,000

The last step in the analysis links the number of households at the lower income levels attributable to the conversion process to the mitigation cost and establishes the total cost associated with the converted units. The results are shown on Table 11 and are as follows:

Maximum Supported Nexus Per Converted Condominium Unit				
<i>Income Category</i>	<i>Affordability Gap</i>	<i>Prototype 1: Townhome</i>	<i>Prototype 3: Type V Stacked</i>	<i>Prototype 4: Type 1 Mid/High-Rise</i>
Under 65% AMI	\$193,000	\$7,300	\$7,500	\$11,500
65% to 100% AMI	\$122,000	\$2,000	\$2,100	\$3,100
Total Nexus Costs		\$9,300	\$9,600	\$14,600

The maximum supported nexus for the converted condominium prototypes shown above range from \$9,300 to \$14,600 per converted unit. The mitigation cost per unit at each value level represents the maximum fee level supported by this analysis. It is not a recommended fee level. The City may set the fee at any level below the nexus findings, based on a range of policy considerations.

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

Total Nexus Cost Per Sq. Ft.				
<i>Income Category</i> <i>Prototype Size (Sq Ft)</i>	<i>Affordability Gap</i>	<i>Prototype 1: Townhome 1,400 SF</i>	<i>Prototype 3: Type V Stacked 900 SF</i>	<i>Prototype 4: Type 1 Mid/High-Rise 950 SF</i>
Under 65% AMI	\$193,000	\$5.21	\$8.33	\$12.11
65% to 100% AMI	\$122,000	\$1.43	\$2.33	\$3.26
Total Nexus Costs		\$6.64	\$10.67	\$15.37

The maximum supported nexus for the converted condominium prototypes shown above range from \$6.64 to \$15.37 per converted unit. The City's current in-lieu fee of \$4.98 per square foot is supported by the nexus analysis for the prototypes shown above.

AFFORDABILITY LEVELS AND PROGRAM EXEMPTIONS

The current Inclusionary Housing ordinance includes an exemption for 'Naturally Affordable For-Sale Units,' or units that are specifically targeted for and sold to households earning less than 150% AMI. Assuming typical underwriting standards, a household earning 150% of AMI can afford to purchase a home for up to \$375,000. In today's market, many converted condominium units would sell for less than this threshold, and therefore could qualify for an exemption.

In this analysis, the garden apartment prototype, which sells for \$150,000, could clearly qualify for an exemption as most purchasers would have incomes less than 150% AMI. In fact, the garden prototype is currently affordable at the 60% AMI level, as both a rental unit and as a converted unit. This market-rate prototype provides housing that is affordable to lower income households, both as a rental unit and as a converted unit.

In today's market, the garden apartment prototype does not support a nexus fee, as there is no increase in household income between the condominium owner and the renter. To generate nexus support for a 5% inclusionary percentage, the sales price of the garden apartment would need to increase to approximately \$240,000, assuming rents stay level at \$1,000.

TABLE 1
PROTOTYPE 1: CONVERTED TOWNHOME
CONDO SALES PRICE, RENTAL RATE TO INCOME RATIO
CONDOMINIUM CONVERSION HOUSING NEXUS ANALYSIS MODEL
CITY OF SAN DIEGO

			<u>Prototype 1 As A Rental Unit</u>
Market Rent			
Monthly	\$1.75 /SF	1,400 SF	\$2,450
Annual			\$29,400
% of Income Spent on Rent (excludes utilities)			30%
Annual Household Income Required			\$98,000
Annual Rent to Income Ratio			3.3
			<u>Prototype 1 As A Converted Condo Unit</u>
Sales Price	\$350 /SF	1,400 SF	\$490,000
Mortgage Payment			
Downpayment @ 10%		10%	\$49,000
Loan Amount			\$441,000
Interest Rate			6.00%
Term of Mortgage			30 years
Annual Mortgage Payment			\$31,728
Other Costs			
HOA Dues	\$225 per month		\$2,700
Maintenance / Insurance	\$150 per month		\$1,800
Property Taxes	1.10% of sales price		\$5,400
Total Annual Housing Cost			\$41,628
% of Income Spent on Hsg			35%
Annual Income Required			\$119,000
Sales Price to Income Ratio			4.1
Income Differential Between Rental Household and Condominium Household			
Typical Condominium Household Gross Income			\$119,000
Typical Rental Household Gross Income			\$98,000
Difference (Input into Nexus Model)			\$21,000

TABLE 2
PROTOTYPE 2: CONVERTED GARDEN STYLE CONDOMINIUM
CONDO SALES PRICE, RENTAL RATE TO INCOME RATIO
CONDOMINIUM CONVERSION HOUSING NEXUS ANALYSIS MODEL
CITY OF SAN DIEGO

			<u>Prototype 2 As A Rental Unit</u>
Market Rent			
Monthly	\$1.25 /SF	800 SF	\$1,000
Annual			\$12,000
% of Income Spent on Rent (excludes utilities)			30%
Annual Household Income Required			\$40,000
Annual Rent to Income Ratio			3.3

			<u>Prototype 2 As A Converted Condo Unit</u>
Sales Price	\$188 /SF	800 SF	\$150,000
Mortgage Payment			
Downpayment @ 10%		10%	\$15,000
Loan Amount			\$135,000
Interest Rate			6.00%
Term of Mortgage			30 years
Annual Mortgage Payment			\$9,713
Other Costs			
HOA Dues	\$150 per month		\$1,800
Maintenance / Insurance	\$75 per month		\$900
Property Taxes	1.10% of sales price		\$1,700
Total Annual Housing Cost			<u>\$14,113</u>
% of Income Spent on Hsg			35%
Annual Income Required			\$40,000
Sales Price to Income Ratio			3.8

Income Differential Between Rental Household and Condominium Household

Typical Condominium Household Gross Income	\$40,000
Typical Rental Household Gross Income	<u>\$40,000</u>
<i>Difference (Input into Nexus Model)</i>	\$0

TABLE 3
PROTOTYPE 3: CONVERTED CONDOMINIUM TYPE V STACKED FLAT
CONDO SALES PRICE, RENTAL RATE TO INCOME RATIO
CONDOMINIUM CONVERSION HOUSING NEXUS ANALYSIS MODEL
CITY OF SAN DIEGO

			<u>Prototype 3 As A Rental Unit</u>
Market Rent			
Monthly	\$1.75 /SF	900 SF	\$1,575
Annual			\$18,900
% of Income Spent on Rent (excludes utilities)			30%
Annual Household Income Required			\$63,000
Annual Rent to Income Ratio			3.3
			<u>Prototype 3 As A Converted Condo Unit</u>
Sales Price	\$376 /SF	900 SF	\$338,000
Mortgage Payment			
Downpayment @ 10%		10%	\$33,800
Loan Amount			\$304,200
Interest Rate			6.00%
Term of Mortgage			30 years
Annual Mortgage Payment			\$21,886
Other Costs			
HOA Dues	\$275 per month		\$3,300
Maintenance / Insurance	\$50 per month		\$600
Property Taxes	1.10% of sales price		\$3,700
Total Annual Housing Cost			\$29,486
% of Income Spent on Hsg			35%
Annual Income Required			\$84,000
Sales Price to Income Ratio			4.0
Income Differential Between Rental Household and Condominium Household			
Typical Condominium Household Gross Income			\$84,000
Typical Rental Household Gross Income			\$63,000
<i>Difference (Input into Nexus Model)</i>			\$21,000

TABLE 4
PROTOTYPE 4: CONVERTED CONDOMINIUM TYPE I MID/HIGH-RISE
CONDO SALES PRICE, RENTAL RATE TO INCOME RATIO
CONDOMINIUM CONVERSION HOUSING NEXUS ANALYSIS MODEL
CITY OF SAN DIEGO

			Prototype 4 As A Rental Unit
Market Rent			
Monthly	\$2.50 /SF	950 SF	\$2,375
Annual			\$28,500
% of Income Spent on Rent (excludes utilities)			30%
Annual Household Income Required			\$95,000
Annual Rent to Income Ratio			3.3

			Prototype 4 As A Converted Condo Unit
Sales Price	\$550 /SF	950 SF	\$522,500
Mortgage Payment			
Downpayment @ 10%		10%	\$52,250
Loan Amount			\$470,250
Interest Rate			6.00%
Term of Mortgage			30 years
Annual Mortgage Payment			\$33,833
Other Costs			
HOA Dues	\$400 per month		\$4,800
Maintenance / Insurance	\$50 per month		\$600
Property Taxes	1.10% of sales price		\$5,700
Total Annual Housing Cost			\$44,933
% of Income Spent on Hsg			35%
Annual Income Required			\$128,000
Sales Price to Income Ratio			4.1

Income Differential Between Rental Household and Condominium Household

Typical Condominium Household Gross Income	\$128,000
Typical Rental Household Gross Income	\$95,000
<i>Difference (Input into Nexus Model)</i>	\$33,000

**TABLE 5
 INCREMENTAL INCREASE IN INCOME, CONVERTED CONDOMINIUM FROM RENTAL UNIT
 ALL PROTOTYPES
 CONDOMINIUM CONVERSION HOUSING NEXUS ANALYSIS MODEL
 CITY OF SAN DIEGO**

	<u>Per Unit</u>	<u>100 Unit Building Module</u>
PROTOTYPE 1: CONVERTED TOWNHOME		
<i>Condominium Unit</i>		
Sales Price	\$490,000	
Household Income	\$119,000	
<i>Rental Unit</i>		
Rental Rate	\$2,450	
Household Income	\$98,000	
<i>Difference, Household Income</i>	\$21,000	\$2,100,000
PROTOTYPE 2: CONVERTED GARDEN STYLE CONDOMINIUM		
<i>Condominium Unit</i>		
Sales Price	\$150,000	
Household Income	\$40,000	
<i>Rental Unit</i>		
Rental Rate	\$1,000	
Household Income	\$40,000	
<i>Difference, Household Income</i>	\$0	\$0
PROTOTYPE 3: CONVERTED CONDOMINIUM TYPE V STACKED FLAT		
<i>Condominium Unit</i>		
Sales Price	\$338,000	
Household Income	\$84,000	
<i>Rental Unit</i>		
Rental Rate	\$1,575	
Household Income	\$63,000	
<i>Difference, Household Income</i>	\$21,000	\$2,100,000
PROTOTYPE 4: CONVERTED CONDOMINIUM TYPE I MID/HIGH-RISE		
<i>Condominium Unit</i>		
Sales Price	\$522,500	
Household Income	\$128,000	
<i>Rental Unit</i>		
Rental Rate	\$2,375	
Household Income	\$95,000	
<i>Difference, Household Income</i>	\$33,000	\$3,300,000

**TABLE 6
IMPLAN MODEL OUTPUT
EMPLOYMENT GENERATED
CONDOMINIUM CONVERSION HOUSING NEXUS ANALYSIS MODEL
CITY OF SAN DIEGO**

	PROTOTYPE 1: CONVERTED TOWNHOME	PROTOTYPE 3: CONVERTED CONDOMINIUM TYPE V STACKED	PROTOTYPE 4: CONVERTED CONDOMINIUM TYPE I MID/HIGH-RISE
	% of Jobs	% of Jobs	% of Jobs
Per 100 Converted Units			
	\$2,100,000	\$2,100,000	\$3,300,000
Incremental Increase in Income (in 100 Converted Units) ¹			
Employment Generated by Income Differential by Industry ²			
Food services and drinking places	1.5	1.6	2.3
Real estate establishments	0.7	0.9	1.1
Offices of physicians, dentists, and other health practitioners	0.7	0.8	1.1
Wholesale trade businesses	0.5	0.5	0.7
Retail Stores - Food and beverage	0.5	0.5	0.8
Retail Stores - General merchandise	0.5	0.5	0.8
Retail Stores - Motor vehicle and parts	0.4	0.4	0.6
Private hospitals	0.3	0.4	0.5
Private household operations	0.5	0.3	0.8
Retail Nonstores - Direct and electronic sales	0.3	0.3	0.5
Securities, commodity contracts, investments	0.3	0.3	0.5
Retail Stores - Clothing and clothing accessories	0.3	0.3	0.5
Retail Stores - Miscellaneous	0.3	0.3	0.4
Nursing and residential care facilities	0.3	0.2	0.5
Employment services	0.2	0.2	0.3
Retail Stores - Building material and garden supply	0.2	0.2	0.3
Retail Stores - Health and personal care	0.2	0.2	0.3
Insurance carriers	0.2	0.2	0.3
Automotive repair and maintenance, except car washes	0.2	0.2	0.3
Services to buildings and dwellings	0.2	0.2	0.3
Individual and family services	0.2	0.2	0.3
	12%	12%	12%
	5%	7%	5%
	6%	6%	6%
	3%	4%	3%
	4%	4%	4%
	4%	4%	4%
	3%	3%	3%
	4%	3%	4%
	3%	3%	3%
	3%	3%	3%
	2%	2%	2%
	2%	2%	2%
	2%	2%	2%
	2%	2%	2%
	1%	1%	1%
	1%	1%	1%
	1%	1%	1%
	1%	1%	1%
	1%	1%	1%

**TABLE 6
IMPLAN MODEL OUTPUT
EMPLOYMENT GENERATED
CONDOMINIUM CONVERSION HOUSING NEXUS ANALYSIS MODEL
CITY OF SAN DIEGO**

	PROTOTYPE 1: CONVERTED TOWNHOME	% of Jobs	PROTOTYPE 3: CONVERTED CONDOMINIUM TYPE V STACKED	% of Jobs	PROTOTYPE 4: CONVERTED CONDOMINIUM TYPE I MID/HIGH-RISE	% of Jobs
<i>Per 100 Converted Units</i>						
Page 2 of 2						
Banking and depository credit	0.2	1%	0.2	1%	0.2	1%
Civic, social, professional, and similar organizations	0.2	1%	0.2	1%	0.3	1%
Medical & diagnostic labs, outpatient & other ambulatory care	0.1	1%	0.2	1%	0.2	1%
Legal services	0.2	1%	0.2	1%	0.2	1%
Personal care services	0.2	1%	0.2	1%	0.3	1%
Private elementary and secondary schools	0.2	2%	0.1	1%	0.3	2%
Amusement parks, arcades, other entertainment	0.1	1%	0.1	1%	0.2	1%
Retail Stores - Sporting goods, hobby, book and music	0.1	1%	0.1	1%	0.2	1%
Other private educational services	0.1	1%	0.1	1%	0.2	1%
Private colleges, universities, and professional schools	0.2	1%	0.1	1%	0.2	1%
Child day care services	0.1	1%	0.1	1%	0.2	1%
All Other	2.9	23%	3.0	23%	4.6	23%
Total Employment Generated	13.0	100%	13.4	100%	20.4	100%

1 The IMPLAN model tracks how increases in consumer spending creates jobs in the local economy. See Table 5 for estimates of the incremental gross income of residents of the prototypical converted units. The model produces results by income category. For this analysis, there are two household income categories: \$75,000 - \$100,000 (prototype 3), and \$100,000 - \$150,000 (prototypes 1 and 4). Expenditures patterns, and therefore, occupation distribution, varies by income category.

2 For industries representing more than 1% of total employment for any of the three IMPLAN income categories (see note 1).
Note: Prototype 2 does not result in an increase in household income; see Table 2.

TABLE 7
NET NEW HOUSEHOLDS AND OCCUPATION DISTRIBUTION
EMPLOYEE HOUSEHOLDS GENERATED
CONDOMINIUM CONVERSION HOUSING NEXUS ANALYSIS MODE
CITY OF SAN DIEGO

	PROTOTYPE 1: CONVERTED TOWNHOME	PROTOTYPE 3: CONVERTED CONDOMINIUM TYPE V STACKED FLAT	PROTOTYPE 4: CONVERTED CONDOMINIUM TYPE I MID/HIGH-RISE
Step 1 - Employees ¹	13.0	13.4	20.4
Step 2 - Adjustment for Number of Households (1.73)	7.5	7.7	11.8
Step 3 - Occupation Distribution			
Management Occupations	4.1%	4.2%	4.1%
Business and Financial Operations	4.2%	4.3%	4.2%
Computer and Mathematical	1.2%	1.2%	1.2%
Architecture and Engineering	0.4%	0.4%	0.4%
Life, Physical, and Social Science	0.4%	0.4%	0.4%
Community and Social Services	1.5%	1.4%	1.5%
Legal	0.8%	0.8%	0.8%
Education, Training, and Library	3.0%	2.5%	3.0%
Arts, Design, Entertainment, Sports, and Media	1.5%	1.4%	1.5%
Healthcare Practitioners and Technical	5.8%	6.1%	5.8%
Healthcare Support	3.4%	3.4%	3.4%
Protective Service	1.1%	1.1%	1.1%
Food Preparation and Serving Related	12.4%	12.7%	12.4%
Building and Grounds Cleaning and Maint.	6.0%	5.1%	6.0%
Personal Care and Service	3.7%	3.6%	3.7%
Sales and Related	16.7%	16.6%	16.7%
Office and Administrative Support	17.8%	18.3%	17.8%
Farming, Fishing, and Forestry	0.1%	0.1%	0.1%
Construction and Extraction	0.9%	0.9%	0.9%
Installation, Maintenance, and Repair	4.1%	4.3%	4.1%
Production	1.8%	1.8%	1.8%
Transportation and Material Moving	5.1%	5.1%	5.1%
Other / Not Identified	<u>4.2%</u>	<u>4.2%</u>	<u>4.2%</u>
Totals	100%	100%	100%
Management Occupations	0.3	0.3	0.5
Business and Financial Operations	0.3	0.3	0.5
Computer and Mathematical	0.1	0.1	0.1
Architecture and Engineering	0.0	0.0	0.0
Life, Physical, and Social Science	0.0	0.0	0.0
Community and Social Services	0.1	0.1	0.2
Legal	0.1	0.1	0.1
Education, Training, and Library	0.2	0.2	0.4
Arts, Design, Entertainment, Sports, and Media	0.1	0.1	0.2
Healthcare Practitioners and Technical	0.4	0.5	0.7
Healthcare Support	0.3	0.3	0.4
Protective Service	0.1	0.1	0.1
Food Preparation and Serving Related	0.9	1.0	1.5
Building and Grounds Cleaning and Maint.	0.4	0.4	0.7
Personal Care and Service	0.3	0.3	0.4
Sales and Related	1.3	1.3	2.0
Office and Administrative Support	1.3	1.4	2.1
Farming, Fishing, and Forestry	0.0	0.0	0.0
Construction and Extraction	0.1	0.1	0.1
Installation, Maintenance, and Repair	0.3	0.3	0.5
Production	0.1	0.1	0.2
Transportation and Material Moving	0.4	0.4	0.6
Other / Not Identified	<u>0.3</u>	<u>0.3</u>	<u>0.5</u>
Totals	7.5	7.7	11.8

Notes:

¹ Estimated employment generated by household expenditures within 100 prototypical market rate units. Employment estimates are based on the IMPLAN Group's economic model, IMPLAN, for San Diego County. Estimates vary by household income level. For this analysis, there are two household income categories: \$75,000 - \$100,000 (prototype 3), and \$100,000 - \$150,000 (prototypes 1 and 4). Expenditures patterns, and therefore, occupation distribution, varies by income category.

Note: Prototype 2 does not result in an increase in household income; see Table 2.

TABLE 8
LOW INCOME EMPLOYEE HOUSEHOLDS¹ GENERATED
CONDOMINIUM CONVERSION HOUSING NEXUS ANALYSIS MODEL
CITY OF SAN DIEGO

PROTOTYPE 1: CONVERTED TOWNHOME	PROTOTYPE 3: CONVERTED CONDOMINIUM TYPE V STACKED FLAT	PROTOTYPE 4: CONVERTED CONDOMINIUM TYPE I MID/HIGH-RISE
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Step 4, 5, & 6 - Low Income Households (under 65% AMI) within Major Occupation Categories

Management	0.01	0.01	0.01
Business and Financial Operations	0.01	0.01	0.02
Computer and Mathematical	-	-	-
Architecture and Engineering	-	-	-
Life, Physical and Social Science	-	-	-
Community and Social Services	-	-	-
Legal	-	-	-
Education Training and Library	0.06	0.06	0.09
Arts, Design, Entertainment, Sports, & Media	-	-	-
Healthcare Practitioners and Technical	0.02	0.02	0.03
Healthcare Support	0.15	0.15	0.24
Protective Service	-	-	-
Food Preparation and Serving Related	0.75	0.80	1.18
Building Grounds and Maintenance	0.31	0.27	0.48
Personal Care and Service	0.19	0.19	0.31
Sales and Related	0.86	0.88	1.35
Office and Admin	0.59	0.62	0.93
Farm, Fishing, and Forestry	-	-	-
Construction and Extraction	-	-	-
Installation Maintenance and Repair	0.09	0.10	0.14
Production	-	-	-
Transportation and Material Moving	0.24	0.25	0.37
Low Income Households - Major Occupations	3.28	3.35	5.16
Low Income Households ¹ - all other occupations	0.52	0.53	0.82
Total Low Income Households¹	3.81	3.88	5.98

¹ Includes households earning from zero through 65% of San Diego County Area Median Income.

Note: Prototype 2 does not result in an increase in household income; see Table 2.

TABLE 9
IMPACT ANALYSIS SUMMARY
EMPLOYEE HOUSEHOLDS GENERATED
CONDOMINIUM CONVERSION HOUSING NEXUS ANALYSIS MODEL
CITY OF SAN DIEGO

RESIDENTIAL UNIT DEMAND IMPACTS
PER 100 MARKET RATE UNITS

Number of New Households	PROTOTYPE 1: CONVERTED TOWNHOME	PROTOTYPE 3: CONVERTED CONDOMINIUM TYPE V STACKED FLAT	PROTOTYPE 4: CONVERTED CONDOMINIUM TYPE I MID/HIGH-RISE
Under 65% Area Median Income	3.8	3.9	6.0
65% to 100% Area Median Income	1.6	1.7	2.6
Subtotal through 100% of Median	5.4	5.6	8.6
100% to 120% Area Median Income	0.5	0.6	0.9
Over 120% of Area Median Income	1.5	1.6	2.4
Total Employee Households	7.5	7.7	11.8

Note: Prototype 2 does not result in an increase in household income; see Table 2.

**TABLE 10
INCLUSIONARY REQUIREMENT SUPPORTED
CONDOMINIUM CONVERSION HOUSING NEXUS ANALYSIS MODEL
CITY OF SAN DIEGO**

SUPPORTED INCLUSIONARY REQUIREMENT

	PROTOTYPE 1: CONVERTED TOWNHOME	PROTOTYPE 3: CONVERTED CONDOMINIUM TYPE V STACKED FLAT	PROTOTYPE 4: CONVERTED CONDOMINIUM TYPE I MID/HIGH-
Supported Inclusionary Requirement			
Per 100 Market Rate Units - Cumulative Through ¹			
65% OF MEDIAN INCOME	3.8 Units	3.9 Units	6.0 Units
100% OF MEDIAN INCOME	5.4 Units	5.6 Units	8.6 Units
Supported Inclusionary Percentage - Cumulative Through ²			
65% OF MEDIAN INCOME	3.7%	3.7%	5.6%
100% OF MEDIAN INCOME	5.2%	5.3%	7.9%

Notes:

¹ See Table 9

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

Note: Prototype 2 does not result in an increase in household income; see Table 2.

**TABLE 11
SUPPORTED FEE / NEXUS SUMMARY PER UNIT
CONDOMINIUM CONVERSION HOUSING NEXUS ANALYSIS MODEL
CITY OF SAN DIEGO**

TOTAL NEXUS COST PER MARKET RATE UNIT

		Nexus Cost Per Market Rate Unit		
		PROTOTYPE 1: CONVERTED TOWNHOME	PROTOTYPE 3: CONVERTED CONDOMINIUM TYPE V STACKED FLAT	PROTOTYPE 4: CONVERTED CONDOMINIUM TYPE I MID/HIGH-RISE
Affordability Gap ¹				
Household Income Level				
Under 65% Area Median Income	\$193,000	\$7,300	\$7,500	\$11,500
65% to 100% Area Median Income	\$122,000	\$2,000	\$2,100	\$3,100
Total Supported Fee / Nexus		\$9,300	\$9,600	\$14,600

TOTAL NEXUS COST PER SQUARE FOOT

		Nexus Cost Per Square Foot		
		PROTOTYPE 1: CONVERTED TOWNHOME	PROTOTYPE 3: CONVERTED CONDOMINIUM TYPE V STACKED FLAT	PROTOTYPE 4: CONVERTED CONDOMINIUM TYPE I MID/HIGH-RISE
Affordability Gap ¹				
Unit Size (SF)		1,400 SF	900 SF	950 SF
Household Income Level				
Under 65% Area Median Income	\$193,000	\$5.21	\$8.33	\$12.11
65% to 100% Area Median Income	\$122,000	\$1.43	\$2.33	\$3.26
Total Supported Fee / Nexus		\$6.64	\$10.67	\$15.37

¹ Household earning less than 65% AMI are presumed to receive assistance for rental housing; households earning between 65% and 100% AMI are presumed to receive assistance for ownership housing.

Note: Prototype 2 does not result in an increase in household income; see Table 2.