

# RENTAL HOUSING IMPACT FEE

Community Outreach Meeting

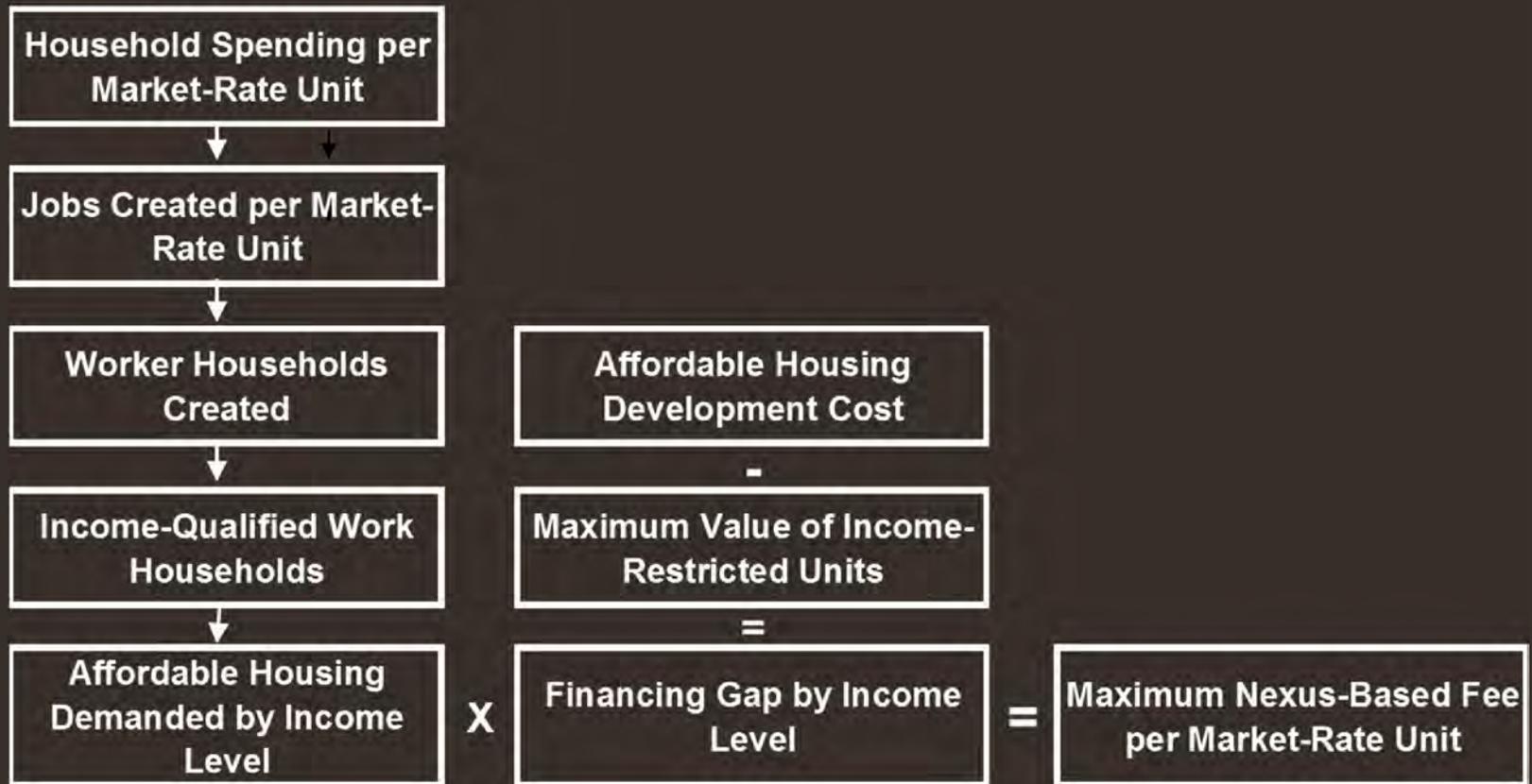
# Agenda

- ▣ Background
- ▣ Nexus Study Presentation
- ▣ Survey Results
- ▣ Potential Impact Fee
- ▣ Impact Fee Provisions
- ▣ Next Steps

# Background

- ▣ Council Action on July 31, 2012
  - Direct staff to prepare a nexus study to determine the nexus between construction of market-rate rental housing and the demand for affordable rental housing.

# Nexus Study Methodology



\*Figure format based on A.F. Cray's "The Use of Residential Nexus Analysis in Support of California's Inclusionary Housing Ordinances: A Critical Evaluation"; November 2011

# Nexus Study Observations

- ▣ Most jobs created through new resident spending are in lower-income groups
  - Majority of jobs created are in retail and personal/household services, where average wages are under \$35K/year
  - Government jobs created are typically higher income (moderate or above) and don't require housing subsidy

# Nexus Study Observations

- ▣ Rents in New Apartments are NOT Affordable at or below Median Income

<b>Unit Type</b>	<b>Santa Clara Co. Median Income</b>	<b>Affordable Rent at 30% of Income</b>	<b>Average Rents in Recent Projects [1]</b>
1-Bedroom	\$84,400	\$2,110	\$2,350
2-Bedroom	\$94,950	\$2,374	\$2,800
3-Bedroom	\$105,500	\$2,638	\$3,570

[1] February 2013 rents for Cherry Orchard, Tamarind Square, Via, and Villa Del Sol

# Nexus Study Observations

- ▣ Apartments for Households at and below Median Income require Subsidy to construct

## Development Program Assumptions

Density/Acre	42
Gross Unit Size	1,100
Net Unit Size	950
Number of Bedrooms	2
Parking Spaces/Unit	2.00

## Cost Assumptions

Land/Acre	\$3,000,000
Land/Unit	\$71,429

## Direct Costs

Direct Construction Costs/Net SF	\$185
Direct Construction Costs/Unit	\$175,750
Parking Construction Costs/Space	\$15,500
Parking Construction Costs/Unit	\$31,000
Subtotal, Direct Costs/Unit	\$206,750

Indirect Costs as a % of Direct Costs	40%
Indirect Costs/Unit	\$82,700

Total Cost/Unit	\$360,879
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## Maximum Supported Home Price

MEDIAN Household Income	\$94,950
Income Available for Housing Costs/Year @ 30%	\$28,485
Less Utility Costs	\$1,620
Income Available for Rent Payments	\$26,865
Operating Expenses per Unit/Year	\$10,236
Net Operating Income	\$16,629
Capitalization Rate	5.5%

Total Supportable Unit Value	\$302,346
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<b>Affordability Gap</b>	<b>\$58,533</b>
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# Nexus Study Results

**Table 1**  
**Summary of Maximum Supportable Nexus-Based Housing Fees or Unit Requirements In-Lieu of Fees**  
**City of Sunnyvale Rental Housing Fee, EPS #21123**

	<b>Maximum Nexus Fees</b>		<b>Unit Requirements by Income Level</b>				<b>Total</b>
	<i>per Unit</i>	<i>per Sq Ft</i>	<i>VLI (50% AMI)</i>	<i>Low (80% AMI)</i>	<i>Median (100% AMI)</i>	<i>Moderate (120% AMI)</i>	
<b><u>For-Rent Apartments</u></b>							
Studio	\$30,324	\$51	10.3%	2.4%	0.9%	2.0%	15.5%
1 Bedroom	\$36,460	\$47	12.5%	2.6%	1.0%	2.0%	18.0%
2 Bedroom	\$44,409	\$40	15.5%	2.5%	1.6%	2.0%	21.6%
3 Bedroom	\$58,810	\$42	20.5%	3.4%	1.1%	2.0%	27.0%

# Survey Results

Berkeley	Adopted fee of \$20,000 per unit in February 2013
Cupertino	\$2.81 per SF; Planning to conduct new nexus study
Mt. View	Adopted fee of \$10 per SF in December 2012
San Carlos	Current fee ranges from \$2.38 to \$28.27 per SF
Fremont	Current fee of \$17.55 per SF, increasing to \$19.50 on July 1
Walnut Creek	Current fee of \$15 per SF
San Jose	Seeking Council direction
Santa Clara, Milpitas, Palo Alto	No Fee

# Impact Fee Options

- ▣ Fee of \$10-20 per SF on new market-rate rental units
- ▣ Option to provide affordable units in lieu of fee
- ▣ Fee sunsets if *Palmer* decision reversed through legislation.
- ▣ Payable prior to building permit issuance.
- ▣ Other suggestions?

# Next Steps

- ▣ April 24 – Housing & Human Services  
Public Hearing
- ▣ May 13 – Planning Commission  
Study Session
- ▣ June 10 – Planning Commission  
Public Hearing
- ▣ July 9 – City Council  
Public Hearing

# Contact Information

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