

RENTAL HOUSING IMPACT FEE

Community Outreach Meeting

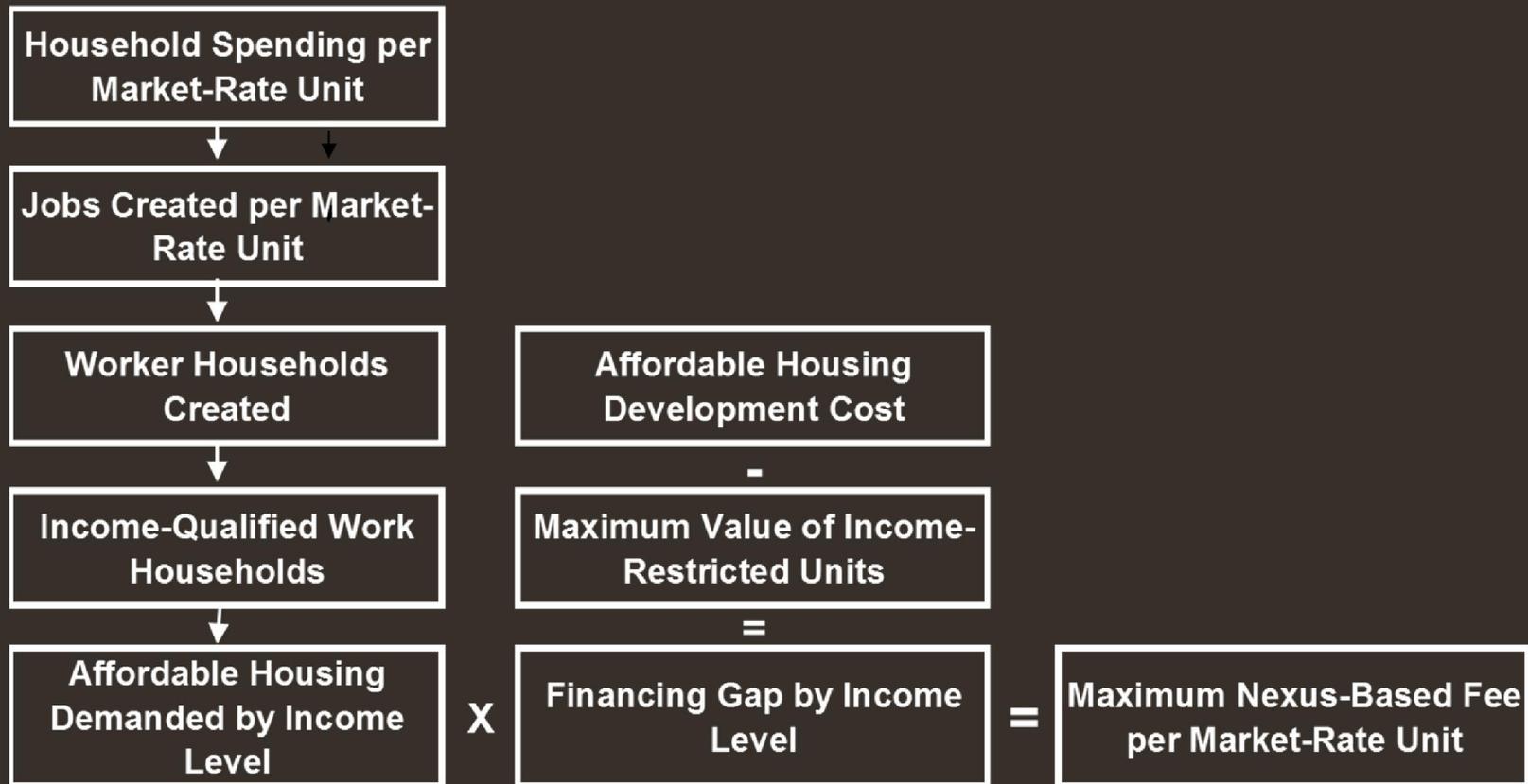
Agenda

- ▣ 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 Low Income

Unit Type	Santa Clara Co. Median Income	Affordable Rent at 30% of Income	Average Rents in Recent Projects [1]
1-Bedroom	\$60,050	\$1,501	\$2,350
2-Bedroom	\$67,550	\$1,689	\$2,800
3-Bedroom	\$75,050	\$1,876	\$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 Low Income require Subsidy to construct

Development Program Assumptions	42
Density/ Acre	1,100
Gross Unit Size	950
New Unit Size	2
Number of Bedrooms	3
Parking Spaces/Unit	2.00
Costs Assumptions	
Land/ Acre	\$3,000,000
Land/Unit	\$71,429
Direct Costs	
Direct Construction Costs/Net SF	\$205
Direct Construction Costs/Unit	\$194,750
Parking Construction Costs/Space	\$16,500
Parking Construction Costs/Unit	\$33,000
Subtotal, Direct Costs/Unit	\$227,750
Indirect Costs as a % of Direct Costs	40%
Indirect Costs/Unit	\$91,100
Total Costs/Unit	\$390,279
Maximum Supported Home Price	
Household Income	\$76,400
Income Available for Housing Costs/Year	\$22,920
Less Utility Costs	\$1,620
Income Available for Rental Payments	\$21,300
Operating Expenses per Unit/Year	\$6,000
Net Operating Income	\$15,300
Capitalization Rate	5.50%
Total Supportable Unit Vale	\$278,182
Affordability Gap	\$112,097

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**

	<u>Maximum Nexus -Based Fee</u>		<u>Unit Requirement by Income Level</u>		
	Fee per Unit	Fee/Sq Ft [1]	VLI (50% of AMI)	LOW (80% of AMI)	Total
<u>For-Rent Apartments</u>					
Studio	\$30,324	\$51	10.3%	2.4%	12.7%
1 Bedroom	\$36,460	\$47	12.5%	2.6%	15.1%
2 Bedroom	\$44,409	\$40	15.5%	2.5%	18.0%
3 Bedroom	\$58,810	\$42	20.5%	3.4%	23.9%

[1] Fee/Sq is calculated by dividing the maximum fee per unit by the average square footage of various types, as shown on Table 4
Source: Economics and Planning Systems, Inc.

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

- ▣ Joint City Council and Planning Commission Meeting: Study Session
- ▣ Planning Commission Public Hearing
- ▣ City Council Public Hearing
- ▣ Meeting Dates To Be Determined
(Tentative Time Frame: July-August)

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