

# Affordable Housing Fee Nexus Study

## San Jose City Hall 10.31.2013



# MEETING OUTLINE

1. Introduction – City staff
2. Nexus study/Feasibility analysis – KMA
3. Initial policy recommendations – City staff
4. Questions/feedback
5. Wrap-up/next steps

# KMA ASSIGNMENT

## 1. Residential Nexus Analysis

- Maximum Fees from Legal / Nexus Perspective
- Fees Proportionate to Affordable Housing Impacts

## 2. Affordable Housing Requirements and Impact Fees in other Cities

## 3. Real Estate Financial Feasibility Analysis

# NEXUS ANALYSIS CONCEPT

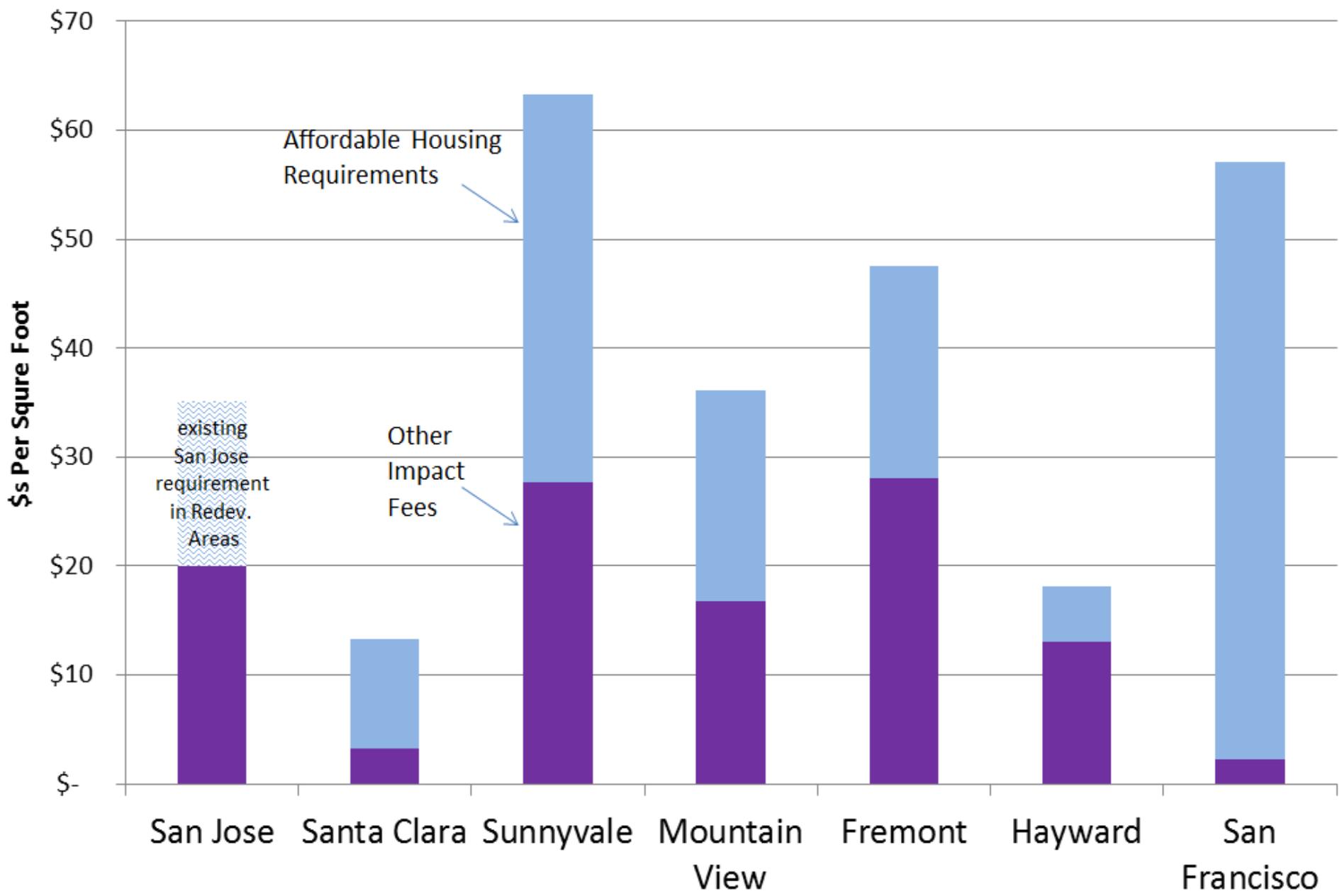
## New Market Rate Units

- new households
- new expenditures on goods and services
- new jobs, a share of which are low paying
- new lower income households
- new demand for affordable units

# NEXUS CONCLUSIONS: MAXIMUM HOUSING IMPACT FEES

	Single Family	Townhome	High-Rise Condo	Condo	Apartment	High-Rise Apartment
Maximum Fees Per Unit	\$27,700	\$26,000	\$26,200	\$22,400	\$19,900	\$17,600
Maximum Fees Per Square Foot	\$14.89	\$16.46	\$24.04	\$18.82	\$20.10	\$19.56

# Comparison of Affordable Housing Requirements + Other Impact Fees and Construction Taxes (\$/SF): for Condos



# FINANCIAL FEASIBILITY ANALYSIS: INTRODUCTORY COMMENTS

- Purpose: Context, not legal standard
- Methodology: Residual value approach
- Caveats:
  - “Prototypical” project analysis
  - Near term time horizon
  - Adjustments to land costs & other factors

# FINANCIAL FEASIBILITY ANALYSIS: PROTOTYPES

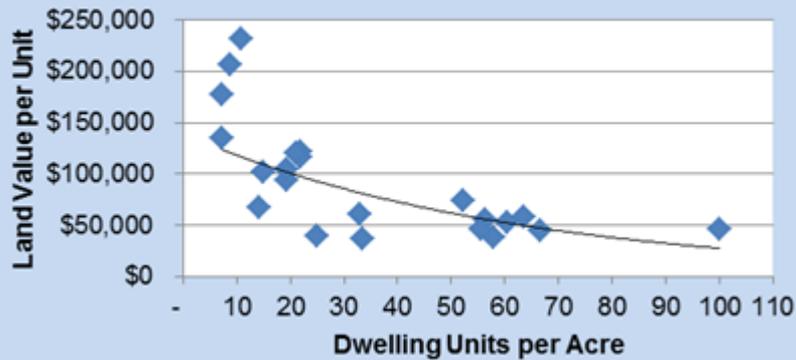
Prototypes Analyzed for Financial Feasibility	Units	Density	Avg. Unit Size
<u>For-Sale Prototypes</u>			
Type V Stacked Flats Condos	157 units	65 du/acre	1,190 sq. ft.
<u>Rental Prototypes</u>			
Type V Stacked Flat Apartments	157 units	65 du/acre	990 sq. ft.
Mixed Use Apartments	100 units	55 du/acre	990 sq. ft.
Wrap Apartments	157 units	65 du/acre	990 sq. ft.

# FINANCIAL FEASIBILITY ANALYSIS: PRICING ASSUMPTIONS

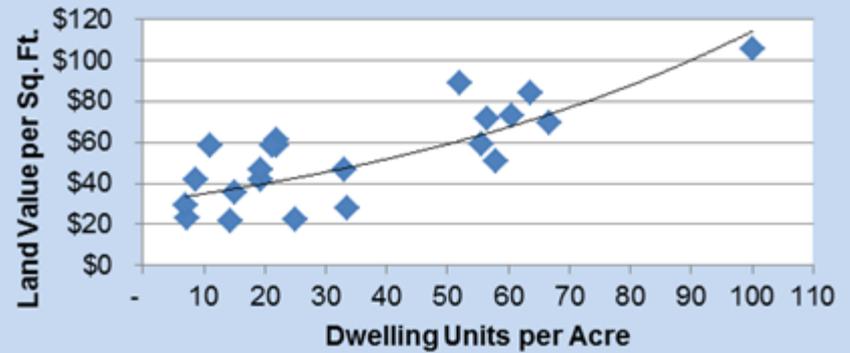
Prototype Rent / Price Estimates	Size	Sale Price / Rent	Price / Rent PSF
Type V Stacked Flat Condos	1,190 sf	\$490,280	\$412
Type V Stacked Flat Apartments	990 sf	\$2,673/month	\$2.70
Mixed Use Apartments	990 sf	\$2,673/month	\$2.70
Wrap Apartments	990 sf	\$2,673/month	\$2.70

# FINANCIAL FEASIBILITY: LAND VALUES

**Residential Land Values Per Unit  
(2011-2013)**



**Residential Land Values Per Sq. Ft.  
(2011-2013)**



# FINANCIAL FEASIBILITY: RESIDUAL VALUES

Rental Feasibility Prototypes	Value / Unit	(Less) Development Cost / Unit	Residual Value / Unit	Residual Value / Land Sq. Ft.
Type V Stacked Flat Apartments	\$376,500	(\$319,600)	\$56,900	\$85
Wrap Apartments	\$376,600	(\$317,600)	\$59,000	\$88
Mixed Use Apartments	\$397,900	(\$358,400)	\$39,500	\$50

For-Sale Feasibility Prototype	Value / Unit	(Less) Development Cost / Unit	Residual Value / Unit	Residual Value / Land Sq. Ft.
Type V Stacked Flat Condos	\$475,600	(\$466,000)	\$9,600	\$14

# FINANCIAL FEASIBILITY: MARKET ADJUSTMENTS TO ABSORB A \$17/SQ. FT. FEE

## Potential Market Adjustments that could absorb a \$17/sq. ft. Fee (Stacked Flat Apartment Prototype)

Apartment Rents Increase	+/- 1.5%
Total Development Costs Decrease	+/- 2.0%
Land Values Decrease	+/- 20%

# Initial Policy Recommendations

- Key policies
- What was considered?
  - Input from developers, the community, and other stakeholders
  - Results of the Nexus Study and Feasibility Analysis
  - Market conditions

# INITIAL POLICY RECOMMENDATIONS

Policy	Initial Staff Recommendation
Fee Level	<ul style="list-style-type: none"><li>• \$15 per livable sq. foot for projects of 5 or more units</li><li>• \$10K per unit for projects of 1-4 units</li></ul>
Building Types	<ul style="list-style-type: none"><li>• Fee would pertain to all building types</li></ul>

# POLICY RECOMMENDATIONS

Policy	Initial Staff Recommendation
Compliance Options	<ul style="list-style-type: none"><li>• Pay fee</li><li>• Build units on-site</li><li>• Build stand alone rental project</li></ul>
Adjusting Fee Overtime	<ul style="list-style-type: none"><li>• Update the housing impact fee every 2 years</li></ul>

# POLICY RECOMMENDATIONS

Policy	Initial Staff Recommendation
Timing of Payment	<ul style="list-style-type: none"><li>• Fee for projects of 1-4 units due when any building permit (foundation or grading) is pulled</li><li>• Fee for 5 units or more due prior to the occupancy of the first unit</li></ul>

# POLICY RECOMMENDATIONS

Policy	Initial Staff Recommendation
"Grandfathering" /Phasing	One example: <ul style="list-style-type: none"><li data-bbox="967 636 1572 682">• Initial exemption period</li><li data-bbox="967 751 1649 796">• Then a fee phase in period</li></ul>

# NEXT STEPS...

- November 14 - Housing and Community Development Commission
- December 10 – City Council for consideration
- Stay Informed:
  - Sign-in sheet for email notifications
  - Visit [www.sjhousing.org](http://www.sjhousing.org)