KEYSER MARSTON ASSOCIATES

SUPPLEMENT TO THE RESIDENTIAL NEXUS ANALYSIS

Real Estate Financial Feasibility

Fees as Percent of Development Costs

Affordable Housing and Other Impact Fee Requirements
San Jose and Six Comparison Cities

Prepared for
City of San Jose

Prepared by:
Keyser Marston Associates, Inc.

October 2014

(This page intentionally left blank.)

TABLE OF CONTENTS

	Page
EXECUTIVE SUMMARY	**1**
1. Real Estate Financial Feasibility Analysis	**1**
2. Comparison of Fee Levels to Total Development Costs	**2**
3. Affordable Housing Requirements and Impact Fees Comparison	**3**
A. REAL ESTATE FINANCIAL FEASIBILITY ANALYSIS	**7**
1. Introduction & Purpose	**7**
2. Approach	**8**
3. Prototypes for Feasibility Analysis	**9**
4. Rents	**10**
5. Development Costs	**11**
6. Financial Feasibility Analysis	**12**
B. COMPARISON OF FEE LEVELS TO TOTAL DEVELOPMENT COSTS	**19**
C. COMPARISON OF AFFORDABLE HOUSING REQUIREMENTS AND IMPACT FEES IN SIX COMPARISON CITIES	**21**
1. Affordable Housing Requirements	**21**
2. Other Impact Fees and Construction Taxes	**21**
3. Estimate of Affordable Housing Requirements, Impact Fees, and Taxes for the Analysis Prototypes	**22**

(This page intentionally left blank.)

EXECUTIVE SUMMARY

This supplemental report is a companion document to the separate Residential Nexus Analysis Report ("Nexus Report") prepared by Keyser Marston Associates, Inc. (KMA). The Nexus Report establishes maximum housing impact fee levels supportable from a legal or nexus perspective. Recognizing that the City has a variety of policy objectives, policy makers are free to set fees anywhere below the maximums established in the nexus and may design other program features to meet local goals and objectives. The purpose of this supplemental report is to provide additional context information and analyses potentially useful for selecting housing impact fee levels appropriate to San Jose including a:

1. Real Estate Financial Feasibility Analysis

2. Comparison of Fee Levels to Total Development Costs

3. Comparison of San Jose's affordable housing requirements and impact fees to six selected Bay Area jurisdictions.

The supplemental information presented in this report is focused on requirements that apply to rental housing given the proposed housing impact fee program would apply only to development of new rental units.

This Executive Summary contains an overview of the supplemental analyses with additional documentation contained in the body of this Supplement.

1. Real Estate Financial Feasibility Analysis

KMA prepared a financial feasibility analysis of three apartment prototypes – a Stacked Flat Apartment prototype, a "Wrap" Apartment prototype, and a Mixed-Use Apartment prototype. Of the three, the Stacked Flat Apartment and Wrap Apartment prototypes were generally considered feasible as of the late summer / early fall 2013 market, while the Mixed-Use prototype in general still faced some feasibility challenges. Important factors to bear in mind regarding the real estate financial feasibility analysis and implications for a potential Housing Impact Fee are listed below:

- Market conditions are constantly in flux. The feasibility analysis presents a snap shot in time as of late summer / early fall 2013 and is most informative regarding near-term conditions.

- If a housing impact fee is put in place, over time, developers will "price in" the fee when evaluating project economics and negotiating the purchase price for development sites. In response, land prices can adjust over time and help defray the cost of a housing impact fee. Projects farther along in the pre-development phase that have already

purchased sites have less ability to adjust because they cannot obtain concessions on land costs.

- Markets have the ability to adjust over time. Movements in prices / rents, construction costs, developer return requirements, and land costs are occurring continuously. A potential increase in impact fees would be an additional factor that the economics of projects would need to take into account and adjust for in conjunction with various other trends in the marketplace. The financial feasibility analysis was used to illustrate the magnitude of potential market adjustments which would allow illustrative housing impact fee levels of $13, $17, and $20 / sq.ft. to be absorbed within the economics for stacked flat apartments. As shown in the table below, the potential fees could be absorbed by any one of the following future changes to development economics:

Potential Market Adjustments That Could Absorb Fees (Stacked Flat Apartment Prototype)	**$13/SF Fee**	**$17/SF Fee**	**$20/SF Fee**
Apartment Rents Increase	+/- 0.5%*	+/- 1.5%*	+/- 2.0%*
Total Development Costs Decrease	+/- 1.0%	+/- 2.0%	+/- 3.0%
Land Values Decrease	+/- 15%	+/- 20%	+/- 25%

*Rent increases of 0.5%, 1.5%, and 2.0% equate to approximately $13, $40, and $53/month respectively.

2. Comparison of Fee Levels to Total Development Costs

Conversion of fees to a percent of cost is another approach to understanding the burden that fees represent to projects and the likelihood that fees could affect development decisions, setting aside current market and feasibility conditions which are not expected to hold over the long term. The table below presents an illustrative $17 per square foot as a percentage of estimated development costs for each of the two residential rental prototypes used in the Nexus Report. Please see the Nexus Report for additional description of the prototypes. As shown, an illustrative $17 per square foot fee would represent 4.5% of development costs for the apartment and 3.3% for the high-rise apartment. Including other existing impact fees and construction taxes, a $17 fee would result in a combined fee burden of 10.4% of development costs for the apartment and 6.0% for the high-rise apartment.

Market Rate Prototypes	**Estimated Total Development Cost[a]** (Per Rentable SF)	**Illustrative Housing Impact Fee at $17 Per Sq.Ft.**		**Illustrative Housing Impact Fee at $17 Per Sq.Ft. Plus Other Existing Fees and Taxes**	
		Fee Per Sq.Ft.	*Percent of Dev. Costs*	*Fees Per Sq.Ft.*	*Percent of Dev. Costs*
Apartment	$380	$17	4.5%	$40	10.4%
High-Rise Apartment	$510	$17	3.3%	$31[b]	6.0%

[a] Development cost for the apartment has been estimated based on the financial feasibility analysis prepared by KMA. For the high-rise apartment, development cost is based on the $145 M development cost identified for the proposed Essex project in a June 3, 2013 Silicon Valley Business Journal article.
[b] Assumes the high-rise apartment is located in the high-rise incentive area (Downtown San Jose).

3. Affordable Housing Requirements and Impact Fees Comparison

KMA prepared a summary of the existing affordable housing requirements, impact fees, and construction taxes applicable to rental housing in six Bay Area jurisdictions for comparison to the current requirements in San Jose. The comparison cities were selected by City Staff and include: Santa Clara, Sunnyvale, Mountain View, Fremont, Hayward, and San Francisco.

a. Comparison of Affordable Housing Requirements

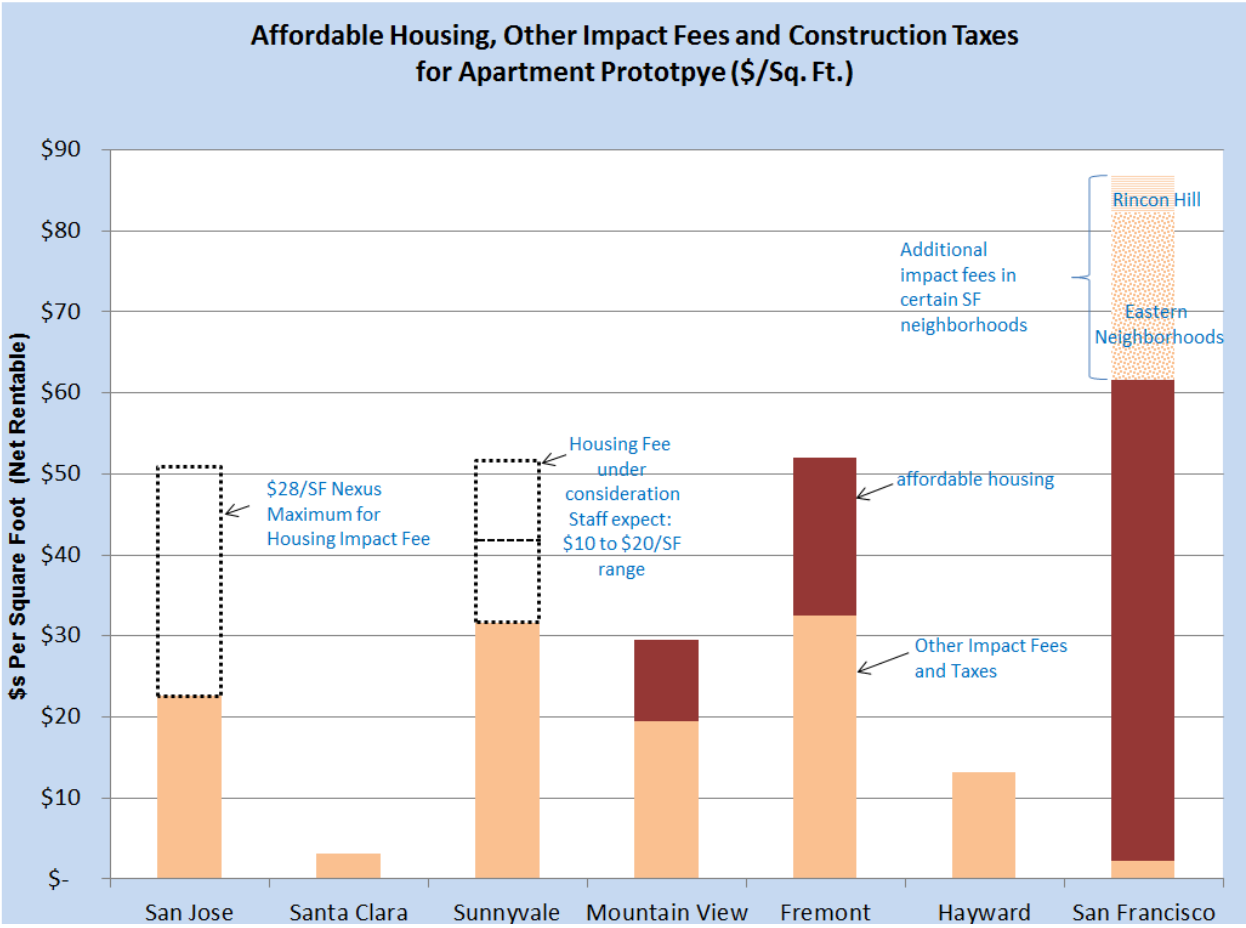
Fremont, Mountain View, and San Francisco are the only cities in the survey that have adopted nexus-based impact fees applicable to rental housing at this time. Others have exempted rental units from their programs following recent court decisions. Sunnyvale is currently in the process of establishing a nexus-based impact fee for rental units. San Jose's existing requirement for rental units within former redevelopment areas is currently suspended but is shown for illustration purposes.

Affordable Housing Fees for Rental Housing in Comparison Jurisdictions

San Jose	Santa Clara	Sunnyvale	Mountain View	Fremont	Hayward	San Francisco
Was: $17/SF in redev. areas Suspended after *Palmer*	Rentals Exempt	Rentals Exempt. New fee being considered	$10/SF	$19.50/SF	Rentals Exempt	Fee equates to $59 / SF for apartment prototype (fee is charged on per unit basis and varies by bedroom count).

b. Cost Comparison: Affordable Housing, Impact Fees, and Construction Taxes

KMA estimated the total cost of affordable housing fees, other impact fees and construction taxes in San Jose and the six comparison jurisdictions. The chart below provides an illustration for the apartment prototype, and the information is also presented in table format on the following page. The key types of impact fees are parks fees, traffic fees, and school fees. Planning and building permit processing fees and water and sewer connection fees are not included in the survey.



The chart includes proposed Housing Impact Fees for San Jose and Sunnyvale, reflected using dotted lines. For San Jose, the nexus maximum is shown for illustration. For Sunnyvale, proposed fees are reflected at the anticipated $10 to $20 per square foot range based on information provided by staff in Sunnyvale.

Comparison: Affordable Housing, Other Impact Fees and Construction Taxes Applied to Apartment Prototype

	San Jose	Santa Clara	Sunnyvale	Mountain View	Fremont	Hayward	San Francisco[1]
Cost Per Unit							
Affordable Housing	suspended	none	none[2]	$9,900	$19,300	none	$58,800
Other Impact Fees	$22,400	$3,200	$31,400	$19,300	$32,300	$13,000	$2,200
Total	$22,400	$3,200	$31,400	$29,200	$51,600	$13,000	$61,000
Cost Per Sq. Ft.							
Affordable Housing	suspended	none	none[2]	$10	$19.50	none	$59
Other Impact Fees	$23	$3	$32	$20	$33	$13	$2
Total	$23	$3	$32	$30	$52	$13	$62

(1) Substantial additional fees apply in certain neighborhoods such as Eastern Neighborhoods and Rincon Hill which are not reflected in this summary. See Table C-4 for additional information.

(2) An affordable housing fee requirement for rental units is currently under consideration in Sunnyvale.

San Jose's existing impact fees and construction taxes equate to approximately $22,000 per unit or $23 / sq.ft. By comparison, the cities of Santa Clara and Hayward have a much lower fee structure. Fees in Mountain View and Sunnyvale are $7,000 and $9,000 per unit higher (or $7 and $9 / sq.ft. higher) than in San Jose without including the additional housing impact fee under consideration in Sunnyvale. Fremont and San Francisco are the highest fee cities in the survey with requirements double and triple those in San Jose, respectively.

(This page intentionally left blank.)

A. REAL ESTATE FINANCIAL FEASIBILITY ANALYSIS

1. Introduction & Purpose

The Nexus Analysis report includes a summary of the residential prototypes and market pricing utilized in KMA's analysis. This section summarizes the real estate financial feasibility analysis. The purpose of the financial feasibility analysis is to gain an understanding of the economic opportunities and challenges of developing certain residential prototypes in San Jose and to provide context as the City assesses the adoption of a housing impact fee. Before describing the feasibility analysis, it is important to put the analysis into perspective by explaining how it can be useful and where limitations exist in the ability to inform a longer-term policy direction:

a. Adjustments to Land Costs over Time – Developers purchase development sites at values that will allow for financially feasible projects. If a housing impact fee is put in place, developers will "price in" the fee when evaluating a projects economics and negotiating the purchase price for development sites. Given all residential developers will need to price the fee into the economics of their projects, downward pressure on land costs could result as developers adjust what they are willing to pay for land to reflect the new reality of the fee requirement. This downward pressure on land prices can, at least to some degree, bring costs back into better balance with the overall economics supported by projects. Therefore, while current projects that have already purchased land may have limitations on the amount of a fee that can be supported, future projects that have not purchased land have a better capacity to absorb a fee if at least a portion can be recovered through reduced land prices. This financial feasibility analysis uses current land prices which are driven by the economics of projects as they are today and reflect the fact that affordable housing requirements for rentals are currently suspended. Potential offsetting adjustments to land prices, which may help defray the cost of a housing impact fee, have not been quantified for purposes of the financial feasibility analysis.

b. Utilization of Conclusions – At any given point in time, it is common for some residential prototypes to be feasible and some not. For example, during the peak of the housing market in the mid-2000s when the for-sale housing market was booming, most for-sale prototypes in the Bay Area were feasible. At that time however, many rental prototypes were not widely feasible and not being built in large numbers. Presently, rental apartment development is strong while development of certain for-sale prototypes like stacked condos is not. Given the pattern of fluctuating economics among prototypes, it is common for cities to adopt broadly applicable affordable housing programs and fees even when one or more of the prototypes within that city are not feasible at the time.

c. Near Term Time Horizon – This financial feasibility analysis presents a snap shot in time as of late summer / early fall 2013. The analysis is most informative regarding near term implications a housing impact fee could have for projects that have already purchased

sites and are currently in the pre-development stages. Real estate development economics are fluid and are impacted by constantly changing conditions with regard to rent potential or sales prices, construction costs, land costs, and costs of financing. A year or two from now, conditions will undoubtedly be different, so these financial feasibility conclusions are not expected to hold over a longer-term time horizon.

d. "Prototypical" Nature of Analysis – This financial feasibility analysis by its nature can only provide an overview-level assessment of development economics generally – it is not intended (nor would it be appropriate) to reflect any specific project. In truth, every project has unique circumstances that will dictate rents or sale prices supported by the market as well as development costs and developer return requirements. Each developer will finance their project in different ways and the determination of risk and return requirements will vary as well. This feasibility analysis is intended to reflect a city-wide "mid-range", "average", or "typical" project for the prototypes described. By taking this approach, it is understood that the economics of some projects will look better and some will look worse than those of the prototypes described.

e. Not a Legal Standard – The financial feasibility analysis is separate from the Residential Nexus Analysis in that it does not result in a legal "maximum" fee that can be adopted. This feasibility analysis is to provide context as the City contemplates adopting a housing impact fee, and not to set limits on the amount of the fee or any other parameters of a fee program.

2. Approach

For this assignment, KMA has utilized a "land residual" approach for evaluating financial feasibility. The residual value approach is a common quantitative analysis undertaken by developers to evaluate the development economics of new projects, and it is useful in helping to determine what the proposed project can afford to pay for a developable land parcel. In addition, this feasibility analysis was conducted without an affordable housing obligation. Therefore, the residual value approach also tests the ability of projects to pay a new housing impact fee.

KMA believes that a land residual approach is most appropriate for this analysis due to the fact that most new development in San Jose is expected to occur in in-fill locations rather than on previously undeveloped, vacant sites and because in-fill sites can vary significantly in land and site preparation costs. In-fill locations are often challenging for a variety of reasons including:

- They often require assemblage of multiple parcels requiring agreements with multiple property owners;
- Most are improved with existing buildings or other improvements that need to be demolished, sometimes requiring relocation of tenants;
- They are sometimes served with inadequate infrastructure that require upgrades;

- Due to their location in built-out environs, they often have more complex construction and staging challenges.

Because of the complex nature of in-fill development, this financial feasibility analysis does not assume a fixed cost for residential land but rather estimates what each prototype can afford to pay to purchase a site and prepare it for development and then tests whether the supported land value is within the range of current market land values.

In undertaking the feasibility analysis KMA researched market rents, utilized data sources described later to estimate development costs, and relied upon our experience working on numerous residential projects in order to estimate threshold return requirements. KMA also conducted one-on-one telephone interviews with seven developers in August and September 2013 who provided input into the development economics of their respective projects and their outlook on the market[1]. The developers interviewed were:

Developers Interviewed
1) Chandler Pratt & Partners
2) Core Companies
3) Related Companies
4) Republic Urban Properties
5) Robson Homes
6) Sares Regis Group
7) Summerhill Homes

3. Prototypes for Feasibility Analysis

The Nexus Analysis utilized two rental residential prototypes – a mid-rise apartment project and a high-rise apartment project. For purposes of understanding financial feasibility, KMA analyzed the feasibility of the mid-rise Type V Stacked Flat Apartments and two variations of that prototype – a mixed use apartment project with ground floor retail and a wrap apartment project. The mixed use and wrap apartment projects are prototypes the city expects to see more of in the future.

Prototypes Analyzed for Financial Feasibility	Units	Density	Avg. Unit Size
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.

Source: KMA in collaboration with City of San Jose

[1] The developers contacted for this assignment were selected either due to their participation in public workshops conducted by the City on July 25 and July 26, 2013 and their expressed willingness to participate in the study; or they were referred to KMA based on specific development projects of interest in San Jose.

The reason why the City is focusing on the mid-range density of the prototypes for the feasibility analysis (as opposed to the high-rise towers) is because in the relative near term the high-rise prototype is likely limited geographically to the downtown, and high-rises continue to face unique challenges owing to the high cost of Type I construction (steel and concrete) and to market and financing constraints still facing these types of projects. As a result, this financial feasibility analysis focuses on the Type V stacked flat prototypes (combination of wood frame construction and concrete parking garage) with a density range of 55-65 dwelling units/acre.

The Mixed Use Apartment prototype is similar in building type and density to the Type V Stacked Flat prototype with the difference being that the Mixed Use prototype includes 10,000 sq. ft. of ground floor commercial space. This prototype was included due to the fact that the City encourages active ground floor commercial space for certain projects along key traffic corridors. The City is also encouraging mixed use development as part of its Urban Villages initiative, as enumerated in the General Plan.

The Wrap Apartment prototype is also similar in building type to the Type V Stacked Flat prototype. The difference with the Wrap prototype is that instead of the parking being located in a podium structure below the residential units, in a Wrap the parking is located in a separate multi-story garage with the residential buildings “wrapped” around the garage. The garage is connected to the residential units at each level, allowing tenants to park on the same level as their unit. Wrap projects can achieve cost efficiencies over traditional podium construction, however wrap projects also require certain site size and dimensions to work well. They do not work well in tight or irregularly-shaped sites.

4. Rents

A key input into the financial feasibility analysis is the rents that can be supported by the local housing market. Appendix 1 of the Nexus Analysis report summarized the market survey that KMA performed for this study and it provided context for where San Jose stands in the housing market recovery. In summary, apartment rents enjoyed very strong growth in the several years running up to the late summer / early fall 2013 survey period.

Based on the late summer / early fall 2013 market survey and discussion with developers, the following are the rents assumed in this financial feasibility analysis:

Prototype Rent Estimates	Size	Rent	Rent PSF
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

It is noted that the three apartment prototypes assume the same rent. In some cases having ground floor retail within a mixed use building can be viewed as an amenity for residents which could potentially bring some rent premium. However, in other cases ground floor retail can bring challenges related to noise and traffic. Since the relationship between the residential and commercial uses in mixed use projects vary greatly from project to project, we have assumed that the residential rent will not vary between an all-residential and a mixed use project.

With regard to ground floor commercial uses, rents can vary quite significantly depending upon location and other factors. Some projects that are located along high visibility, high traffic corridors can command high rents from commercial tenants. But for many projects, the ability to attract small tenants who can be successful in unanchored retail locations can be difficult, especially if the space is not well configured (space dimensions, ceiling heights, servicing access, orientation within project, etc.) or does not include a high quality build out or tenant amenities (parking, bathrooms, HVAC, utilities infrastructure, etc.). For purposes of the financial feasibility of the Mixed Use prototype, an estimated retail rent of $2.00/sq. ft./month is assumed (triple net).

5. Development Costs

The estimates of development costs for each of the prototypes are based on a combination of sources. First, KMA is constantly in the market working on new residential development projects in cities throughout the Bay Area and state. Through this experience, we work in conjunction with private developers, outside construction consultants and cost estimators, general contractors, architects, engineers, and public agencies. For example, KMA is working on at least a half dozen multi-family apartment projects in either the predevelopment or construction phases. The development cost estimates also utilize third party construction cost data from sources such as RS Means which estimate costs for a wide variety of building types in varying locales.

Construction costs vary from project to project depending upon the quality of finishes and architecture, the level of amenities provided, and site-specific construction challenges such as demolition or environmental remediation requirements, unusual site grading or foundation costs, or tight/irregularly shaped parcels that result in cost inefficiencies. The construction cost estimates utilized in this study assume quality construction, architecture, and finishes but do not assume any extraordinary costs that would be atypical for the market.

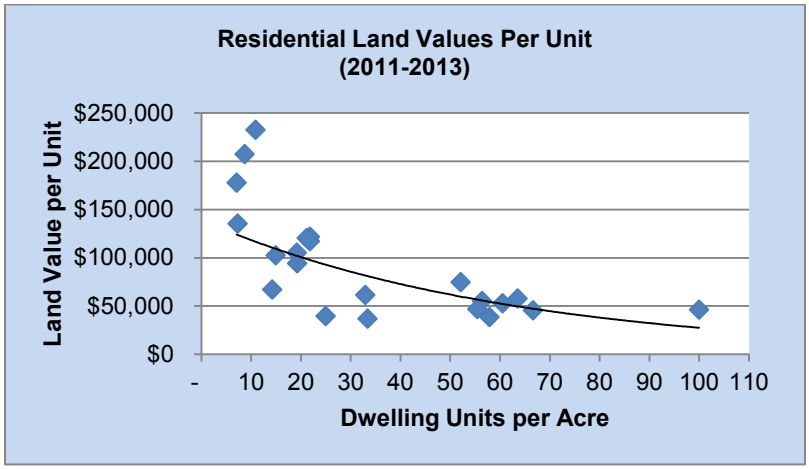
The development cost estimates include all indirect or soft costs of development such as architecture and engineering, governmental fees and permits costs, taxes, insurance, financing, and developer overhead and administration. Fees and permits costs are based on current impact fee rates and construction taxes combined with the recently prepared 2012-13 draft Bay Area Cost of Development Survey for building permit and processing fees. As stated previously, affordable housing fees are not included in the cost estimate.

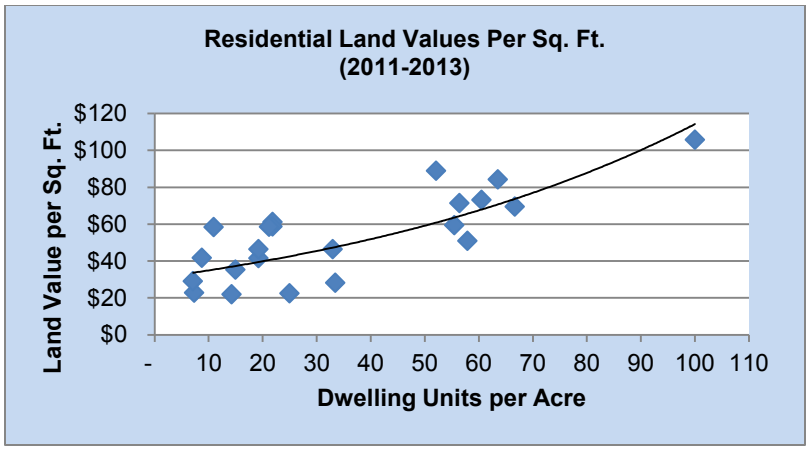
6. Financial Feasibility Analysis

The financial feasibility analysis is based on the relationship between the project's revenue potential, the estimated development costs, and a reasonable developer profit commensurate with the cost of funds and development risk. The residual value approach, described earlier in this section, produces a residual value that each prototype can afford to pay to acquire a site as well as to pay a housing impact fee. If the residual value exceeds the cost to acquire a site for development, the prototype is generally determined to be feasible with room to pay a housing fee. If the residual value is less than the cost to acquire and prepare the site, the prototype will need to further address economic challenges (further discussion later in this section). As mentioned previously, it would be the case that some projects would have economics that are somewhat better as well as some that are somewhat worse than the "typical" prototype analyzed.

a. Residential Land Values

KMA obtained San Jose residential land values from land appraisals provided by City staff in combination with land sale comparables as reported by CoStar. These land sales, which occurred from 2011 to 2013, are summarized in the two charts below illustrating the relationship between land value and project density. The first chart summarizes land value per proposed dwelling unit; the second chart summarizes land value per sq. ft. of land area. As is typical, land values on a per unit basis decline along with project densities (i.e. the higher the density, the lower the land value per unit). The inverse is true on a per land sq. ft. basis.





As can be seen, there are clusters of land sales at the lower end of the density range (from roughly 5-20 units/acre) and in the middle of the density range (roughly 50-65 units/acre). This pattern is reflective of development trends in San Jose in the last few years, wherein there are significant numbers of single family detached homes and attached townhome-style units as well as mid-density stacked flat units on a parking podium.

As is always the case, land values vary depending upon location and other site-specific factors. Nonetheless, the land sale comparables shown in the charts indicate the values at which developers have recently been paying for development sites in San Jose. The four prototypes studied for financial feasibility are in the range of 55-65 units/acre. Based on the comparable land sale data, the recent average price for this density is in the approximate range of $50,000/unit or $60-$70/land sq. ft.

b. Conclusions

The metric utilized to measure developer profit is a Return on total Cost (ROC) of 6.0%. With multifamily apartment cap rates in some cases below 5% for Class A buildings in strong locations, some developers have been doing deals at sub-6% returns (as of late summer / early fall 2013). Given conditions in the Silicon Valley apartment market, where there are both ongoing strengths (tech job market, limited land supply, high barriers to entry) as well as some challenges (large development pipeline, likely slowing of rent growth, rising construction costs), a threshold ROC of 6.0% was generally reflective of the apartment development market at the time this analysis was being performed. With the return on cost approach applied in the analysis, the resulting unit values are net of a developer return on the project, so an additional deduction for developer profit is not required.

The following table summarizes the residual land value conclusions for the three rental prototypes. More detailed pro forma tables can be seen in Tables 1-3.

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

*Includes ground floor commercial component

The economics of the Stacked Flat and Wrap prototypes are quite similar. The Wrap prototype can often achieve slight cost efficiencies over the Stacked Flat on podium prototype and the densities can sometimes be slightly higher depending upon the site and building configurations (however since the densities for these prototypes are generally similar, this analysis assumes these prototype have the same density). Owing to the slightly lower construction cost, the resulting land value for the Wrap prototype is slightly higher than for the Stacked Flat prototype. In reality, apartment developers will often have the option of building a mid-density project in either a Stacked Flat on podium format or Wrap format, with the decision as to which will ultimately maximize value often depending upon site-specific considerations. In other words, as a general rule these two prototypes are very similar when it comes to financial feasibility considerations.

As shown in the summary table above, the residual land values for the Stacked Flat Apartment prototype and Wrap Apartment prototype exceed the average $50,000/unit and $60-$70/land sq. ft. price for this density based on the recent land sale comparables. Therefore, these two prototypes are generally feasible in today's San Jose market and produce an additional residual value that can support a housing impact fee (further discussion later in this section).

The residual land value for the Mixed Use Apartment prototype is somewhat below recent land values. Therefore, except for certain projects in good commercial locations[2], it is still somewhat challenging to make many mixed use projects work today. The reason why this is the case is that the commercial uses in a mixed use project (generally small-scale ground floor retail space) cannot support the rents needed to pay for the high costs of developing at this density. In addition, there is more risk associated with the retail space due to the uncertainties that the space can be leased at a reasonable rent and therefore developers seek higher returns for building the retail space as compared to the residential. For this analysis, we have assumed an 8.5% Return on Cost (ROC) threshold for the commercial component as compared to a 6.0% ROC for the apartments.

[2] Characteristics of good commercial locations include high visibility locations with good access (such as along major transit corridors), commercial adjacencies that can provide critical mass, residential adjacencies fitting certain demographic criteria desired by commercial businesses, and pedestrian-friendly streetscape improvements.

c. Housing Impact Fee - Potential Implications for Financial Feasibility

The prototypical Stacked Flat and Wrap Apartment project that purchased land recently (2011 to 2013) can generally afford to absorb a moderate housing impact fee. Projects that were able to purchase land at favorable prices before the apartment market surge and projects that have not yet purchased land have more flexibility in their economics to support a housing impact fee. The mixed use apartment prototype was found to be more challenging than the all-residential prototypes.

Potential Future Market Adjustments – As stated at the beginning of this section, over time markets are able to adjust, at least to some degree, to accommodate added costs of development. Land costs, for example, have risen over the last few years on the strength of the apartment market as well as changes in the legal landscape – the 2009 Palmer case ruled that cities could not require apartment developers to provide on-site affordable units or pay in-lieu fees (although the risk always remained that affordable housing requirements for apartments could be reinstated through alternative means such as an impact fee or through state legislation). Since developers purchase land at values that allow for feasible projects, there could be future adjustments to residential land values that reflect new economic realities, with a potential housing impact fee being one factor which could be expected to have an influence.

To put the feasibility issue into context, a potential housing impact fee of, say $17/sq. ft. of building area, represents a relatively small proportion of the overall economics of a new development project ($17 /sq.ft. is used for illustration based on adopted requirements applicable to San Jose's redevelopment areas which are currently suspended for rental projects). For example, a $17/sq. ft. fee is equal to about 4.5% of total development costs for the Stacked Flat Apartment prototype.

As noted previously, real estate development economics adjust over time based on a variety of changes that occur in the market, it could be instructive to note that an added fee could be absorbed through relatively small changes to the revenues and costs of a project. For example, for the Stacked Flat Apartment prototype, potential fee levels of $13, $17, and $20/sq. ft. could be absorbed by any one of the following future changes to the development economics[3]:

Potential Market Adjustments That Could Absorb Fees
(Stacked Flat Apartment Prototype)

	$13/SF Fee	$17/SF Fee	$20/SF Fee
Apartment Rents Increase	+/- 0.5%*	+/- 1.5%*	+/- 2.0%*
Total Development Costs Decrease	+/- 1.0%	+/- 2.0%	+/- 3.0%
Land Values Decrease	+/- 15%	+/- 20%	+/- 25%

*Rent increases of 0.5%, 1.5%, and 2.0% equate to approximately $13, $40, and $53/month respectively.

[3] It is noted that a portion of housing impact fees at these illustrative levels is already supported by apartment development economics and land values as of late summer early fall 2013.

Table A - 1
Residual Land Value Analysis: Type V Stacked Flat Apartments
Supplement to Residential Nexus: Financial Feasibility
City of San Jose

			Type V Stacked Flat Apartments	
Development Program				
Residential Units			157	units
Density			65.0	du/acre
Site Size			2.42	acres
Building Area				
Residential Net Leasable Sq. Ft. (NSF)	990	sf/unit	155,430	100%
Retail Net Leasable Sq. Ft. (NSF)			-	0%
Total Net Leasable Sq. Ft. (NSF)			155,430	100%
Gross Building Area	80.0%	efficiency	194,288	sf
Parking				
Residential Parking Spaces	1.45	spaces/unit	228	spaces
Retail Parking Spaces	-	spaces/1,000 sf	-	spaces

Residential Revenue		**Per NSF**	**Per Unit**	**Total Project**
Market Rate Rents		$2.70	$32,076	$5,035,932
Other Income [1]		$0.10	$1,200	$188,400
Potential Gross Income		$2.80	$33,276	$5,224,332
<Less> Vacancy	5.0%	($2)	($1,664)	($261,217)
Effective Gross Income		$32	$31,612	$4,963,115
<Less> Operating Expenses		($9)	($9,018)	($1,415,900)
Residential NOI		$23	$22,594	$3,547,215

Development Costs excl. Land		**Per NSF**	**Per Unit**	**Total Project**
Construction		$245	$242,548	$38,080,000
A&E/Consultants		$12	$12,127	$1,904,000
Fees & Permits [2]		$27	$26,688	$4,190,000
Taxes, Insurance, Legal		$7	$7,274	$1,142,000
Administration/Overhead		$10	$9,701	$1,523,000
Other Soft Costs [3]		$6	$6,070	$953,000
Construction Financing	65% LTC	$15	$15,255	$2,395,000
Total Development Costs		$323	$319,662	$50,187,000

Residual Land Value		**Per NSF**	**Per Unit**	**Total Project**
Supported Value - Residential [4]	6.00% ROC	$380	$376,561	$59,120,000
<Less> Development Costs excl. Land		($323)	($319,662)	($50,187,000)
Residual Land Value		$57	$56,898	$8,933,000
Per Land Sq. Ft.			$85	/Land Sq. Ft.

[1] Other Income includes utility reimbursements, parking charges, late fees, vending income, storage, etc.
[2] Fees & Permits costs estimated based on current impact fee rates and construction taxes and the 2012-13 draft Bay Area Cost of Development Survey for building permit fees and processing costs. No affordable housing fee is included.
[3] Other Soft Costs include marketing, personal property, appraisal, contingency, etc.
[4] With the return on cost approach applied in the analysis, the resulting unit values are net of a developer return on the project, so an additional deduction for developer profit is not required.

Table A - 2
Residual Land Value Analysis: Wrap Apartments
Supplement to Residential Nexus: Financial Feasibility
City of San Jose

			Wrap Apartments	
Development Program				
Residential Units			157	units
Density			65.0	du/acre
Site Size			2.42	acres
Buildiing Area				
Residential Net Leasable Sq. Ft. (NSF)	990	sf/unit	155,430	100%
Retail Net Leasable Sq. Ft. (NSF)			-	0%
Total Net Leasable Sq. Ft. (NSF)			155,430	100%
Gross Building Area	80.0%	efficiency	194,288	sf
Parking				
Residential Parking Spaces	1.45	spaces/unit	228	spaces
Retail Parking Spaces		spaces/1,000 sf	-	spaces

Residential Revenue		**Per NSF**	**Per Unit**	**Total Project**
Market Rate Rents		$2.70	$32,076	$5,035,932
Other Income [1]		$0.10	$1,200	$188,400
Potential Gross Income		$2.80	$33,276	$5,224,332
<Less> Vacancy	5.0%	($2)	($1,664)	($261,217)
Effective Gross Income		$32	$31,612	$4,963,115
<Less> Operating Expenses		($9)	($9,017)	($1,415,600)
Residential NOI		$23	$22,596	$3,547,515

Development Costs excl. Land	**Per NSF**	**Per Unit**	**Total Project**
Construction [1]	$243	$240,732	$37,795,000
A&E/Consultants	$12	$12,038	$1,890,000
Fees & Permits [2]	$27	$26,688	$4,190,000
Taxes, Insurance, Legal	$7	$7,223	$1,134,000
Administration/Overhead	$10	$9,631	$1,512,000
Other Soft Costs [3]	$6	$6,013	$944,000
Construction Financing	$15	$15,248	$2,394,000
Total Development Costs	$321	$317,573	$49,859,000

Residual Land Value		**Per NSF**	**Per Unit**	**Total Project**
Supported Value - Residential [4]	6.0% ROC	$380	$376,592	$59,125,000
<Less> Development Costs excl. Land		($321)	($317,573)	($49,859,000)
Residual Land Value		$60	$59,019	$9,266,000
Per Land Sq. Ft.			$88	/Land Sq. Ft.

(1) Other Income includes utility reimbursements, parking charges, late fees, vending income, storage, etc.
(2) Fees & Permits costs estimated based on current impact fee rates and construction taxes and the 2012-13 draft Bay Area Cost of Development Survey for building permit fees and processing costs. No affordable housing fee is included.
(3) Other Soft Costs include marketing, personal property, appraisal, contingency, etc.
(4) With the return on cost approach applied in the analysis, the resulting unit values are net of a developer return on the project, so an additional deduction for developer profit is not required.

Table A - 3
Residual Land Value Analysis: Mixed Use Apartments over Retail
Supplement to Residential Nexus: Financial Feasibility
City of San Jose

			Mixed Use Apartments	
Development Program				
Residential Units			100	units
Density			55.0	du/acre
Site Size			1.82	acres
Building Area				
Residential Net Leasable Sq. Ft. (NSF)	990	sf/unit	99,000	91%
Retail Net Leasable Sq. Ft. (NSF)			10,000	9%
Total Net Leasable Sq. Ft. (NSF)			109,000	100%
Gross Building Area	80.0%	efficiency	136,250	sf
Parking				
Residential Parking Spaces	1.45	spaces/unit	145	spaces
Retail Parking Spaces	4.00	spaces/1,000 sf	40	spaces

Residential Revenue		**Per NSF**	**Per Unit**	**Total Project**
Market Rate Rents		$2.70	$32,076	$3,207,600
Other Income [1]		$0.10	$1,200	$120,000
Potential Gross Income		$2.80	$33,276	$3,327,600
<Less> Vacancy	5.0%	($2)	($1,664)	($166,380)
Effective Gross Income		$32	$31,612	$3,161,220
<Less> Operating Expenses		($9)	($9,260)	($926,000)
Residential NOI		$23	$22,352	$2,235,220
Retail Revenue				
Retail Rents (NNN)		$2.00		$240,000
<Less> Vacancy	10.0%	($0.20)		($24,000)
Retail NOI		$1.80		$216,000

Development Costs excl. Land	**Per NSF**	**Per Unit**	**Total Project**
Construction	$250	$272,120	$27,212,000
Retail Tenant Improvements	$3	$3,500	$350,000
A&E/Consultants	$12	$13,610	$1,361,000
Fees & Permits [2]	$25	$27,190	$2,719,000
Taxes, Insurance, Legal	$7	$8,160	$816,000
Administration/Overhead	$10	$10,880	$1,088,000
Other Soft Costs [3]	$6	$6,810	$681,000
Construction Financing	$15	$16,110	$1,611,000
Total Development Costs	$329	$358,380	$35,838,000

Residual Land Value		**Per NSF**	**Per Unit**	**Total Project**
Supported Value - Residential	6.0% ROC	$376	$372,540	$37,254,000
Supported Value - Retail	8.5% ROC	$254	$25,410	$2,541,000
Total Supported Value [4]	6.2% ROC	$365	$397,950	$39,795,000
<Less> Development Costs excl. Land		($329)	($358,380)	($35,838,000)
Residual Land Value		$36	$39,570	$3,957,000
Per Land Sq. Ft.			$50	/Land Sq. Ft.

(1) Other Income includes utility reimbursements, parking charges, late fees, vending income, storage, etc.
(2) Fees & Permits costs estimated based on current impact fee rates and construction taxes and the 2012-13 draft Bay Area Cost of Development Survey for building permit fees and processing costs. No affordable housing fee is included.
(3) Other Soft Costs include marketing, personal property, appraisal, contingency, etc.
(4) With the return on cost approach applied in the analysis, the resulting unit values are net of a developer return on the project, so an additional deduction for developer profit is not required.

B. COMPARISON OF FEE LEVELS TO TOTAL DEVELOPMENT COSTS

Potential fee levels can be expressed as a percentage of total development costs. Policy makers sometimes find this information helpful in evaluating potential fee levels and the likelihood that fees will affect development decisions. Real estate markets are always in flux and the relative market strength and feasibility of the various project types is constantly evolving. Conversion of fees to a percent of cost allows an understanding of the burden that fees represent to projects, setting aside current market and feasibility conditions which are not expected to hold over the long term.

The table below presents an illustrative $17 per square foot as a percentage of estimated development costs for each of the two residential rental prototypes used in the Nexus Report (please see the Nexus Report for additional description of the prototypes). As shown, an illustrative $17 per square foot fee would represent 4.5% of development costs for the apartment and 3.3% for the high-rise apartment. Including other existing impact fees and construction taxes, a $17 fee would result in a combined fee burden of 10.4% of development costs for the apartment and 6.0% for the high-rise apartment.

		Illustrative Housing Impact Fee at $17 Per Sq.Ft.		**Illustrative Housing Impact Fee at $17 Per Sq.Ft. Plus Other Existing Fees and Taxes**	
Market Rate Prototypes	**Estimated Total Development Cost[a]** (Per Rentable SF)	*Fee Per Sq.Ft.*	*Percent of Dev. Costs*	*Fees Per Sq.Ft.*	*Percent of Dev. Costs*
Apartment	$380	$17	4.5%	$40	10.4%
High-Rise Apartment	$510	$17	3.3%	$31[b]	6.0%

[a] Development cost for the apartment has been estimated based on the financial feasibility analysis prepared by KMA. For the high-rise apartment, development cost is based on the $145 M development cost identified for the proposed Essex project in a June 3, 2013 Silicon Valley Business Journal article.

[b] Assumes the high-rise apartment is located in the high-rise incentive area (Downtown San Jose).

This page intentionally left blank.

C. COMPARISON OF AFFORDABLE HOUSING REQUIREMENTS AND IMPACT FEES IN SIX COMPARISON CITIES

KMA prepared a summary of the existing affordable housing obligations, impact fees, and construction taxes in six Bay Area jurisdictions for comparison to the current obligations and fees in San Jose applicable to rental projects. The purpose of this section is to provide additional information supplemental to the nexus analysis itself which may be useful in selecting an impact fee level for San Jose.

The comparison cities were selected by City Staff and include:

- Santa Clara,
- Sunnyvale,
- Mountain View,
- Fremont,
- Hayward, and
- San Francisco.

To determine the current fee levels and affordable housing obligations, KMA consulted City websites, City staff, school district staff, and the *Bay Area Cost of Development Survey*, prepared by the City of San Jose Building and Code Enforcement Department. The review was performed during late summer / early fall 2013.

1. Affordable Housing Requirements for Rental Housing

Table C-1 presents a summary of the affordable housing requirements currently in place for rental projects in the six comparison cities as well as on-site compliance options and other alternatives to payment of the fee. San Jose's affordable housing requirement within redevelopment areas is shown for illustration, although suspended for rental projects following the *Palmer* decision. Note that Table C-1 is only a summary of the requirements for purposes of comparison and as such, the details of each program are simplified; KMA recommends referring to city codes and consulting city staff for the specific requirements in a particular city.

As shown in Table C-1 at the end of this section, Fremont, Mountain View, and San Francisco are the only cities in the survey that have adopted nexus-based impact fees applicable to rental housing at this time. Others have exempted rental units from their programs following recent court decisions. Sunnyvale is currently in the process of establishing a nexus-based impact fee for rental units.

2. Other Impact Fees and Construction Taxes

KMA assembled information on the various impact fees and construction taxes levied by San Jose and the six other jurisdictions. The key types of impact fees are parks fees, traffic fees,

and school fees. A few cities have adopted additional impact fees, such as general infrastructure fees and capital facilities fees. The survey addresses impact fees and construction taxes. Planning and building processing fees such as permitting, plan review, inspection, and water and sewer connection fees were not a part of the survey.

Table C-2 presents a summary of the impact fees and construction taxes in San Jose and the six Bay Area comparison cities. San Jose currently charges new residential developments a parks fee and a series of construction taxes; the various San Jose school districts also charge school impact fees; traffic fees apply only in certain areas. The comparison presents a single fee level for San Jose, simplifying the City's fee structure which varies by area. Park fees, for example, vary by zone and traffic impact fees apply only in certain areas (i.e. North San Jose and Evergreen/East Hills). Representative fee levels for the higher density prototypes are based on the Downtown park fees which are higher than other areas of the City but do not assume traffic fees since none applies to the Downtown. North San Jose has higher parks fees than elsewhere in the City and a traffic impact fee applies; however, further residential development is limited per the North San Jose Area Development Policy and so the fee structure in North San Jose was not assumed to be the best representation for future projects.

The City of San Francisco has different impact fee structures depending on the neighborhood in which the development is located. For example, the Eastern Neighborhoods area of the City has an Infrastructure impact fee, while the Rincon Hill area has an Infrastructure impact fee and a Community Stabilization fee. Because of this, KMA has included three examples for San Francisco – citywide fees (fees implemented throughout the city regardless of location), fees in the Eastern Neighborhoods, and fees in Rincon Hill.

3. Estimate of Affordable Housing Requirements, Impact Fees, and Taxes for the Analysis Prototypes

In order to facilitate comparison of the fee structures across cities, KMA estimated the cost of affordable housing requirements, impact fees and construction taxes for each the two prototype rental units used in the nexus analysis. While it is recognized that high-rise apartments are not likely to be built in all of the various cities analyzed, estimates are never-the-less included for all the comparison cities for purposes of illustrating the fee structures.

For the purposes of this comparison, it is assumed that the developer selects to pay affordable housing fees instead of providing affordable units onsite, where allowed. It is important to note that in some cities and for some development product types, it may be more cost-effective for the developer to build affordable units onsite. For example, many developers in San Francisco choose to include affordable units on-site, especially in wood frame projects.

Chart A below presents the estimates of total affordable housing and other impact fees and construction taxes for the apartment prototype. Chart B presents the same information for the high-rise apartment prototype. The charts include proposed Housing Impact Fees for San Jose

and Sunnyvale, reflected with dotted lines. For San Jose, the nexus maximum is shown for illustration. For Sunnyvale, proposed fees are reflected at the anticipated $10 to $20 per square foot range based on information provided by staff in Sunnyvale. Tables C-3 and C-4 provide additional details and show fees both on a per unit basis and per square foot.

For the apartment prototype, San Jose's existing impact fees and construction taxes equate to approximately $22,000 per unit or $23 /sq. ft. By comparison, the cities of Santa Clara and Hayward have a lower fee structure. Fees in Mountain View and Sunnyvale are $7,000 and $9,000 per unit higher (or $7 and $9 / sq.ft. higher) than in San Jose without including the additional housing impact fee under consideration in Sunnyvale. Fremont and San Francisco are the highest fee cities in the survey with requirements double and triple those in San Jose, respectively.

For the high-rise apartment prototype, San Jose's fees are reflected based on the reduced fees applicable in the Downtown high-rise incentive area on the assumption most high-rise apartment development would occur in that area. In the comparison cities, fees for high-rise rentals are generally the same as non-high-rise but the cost per unit is less in certain cases due to the smaller average unit size for the high-rise apartment prototype.

Chart A

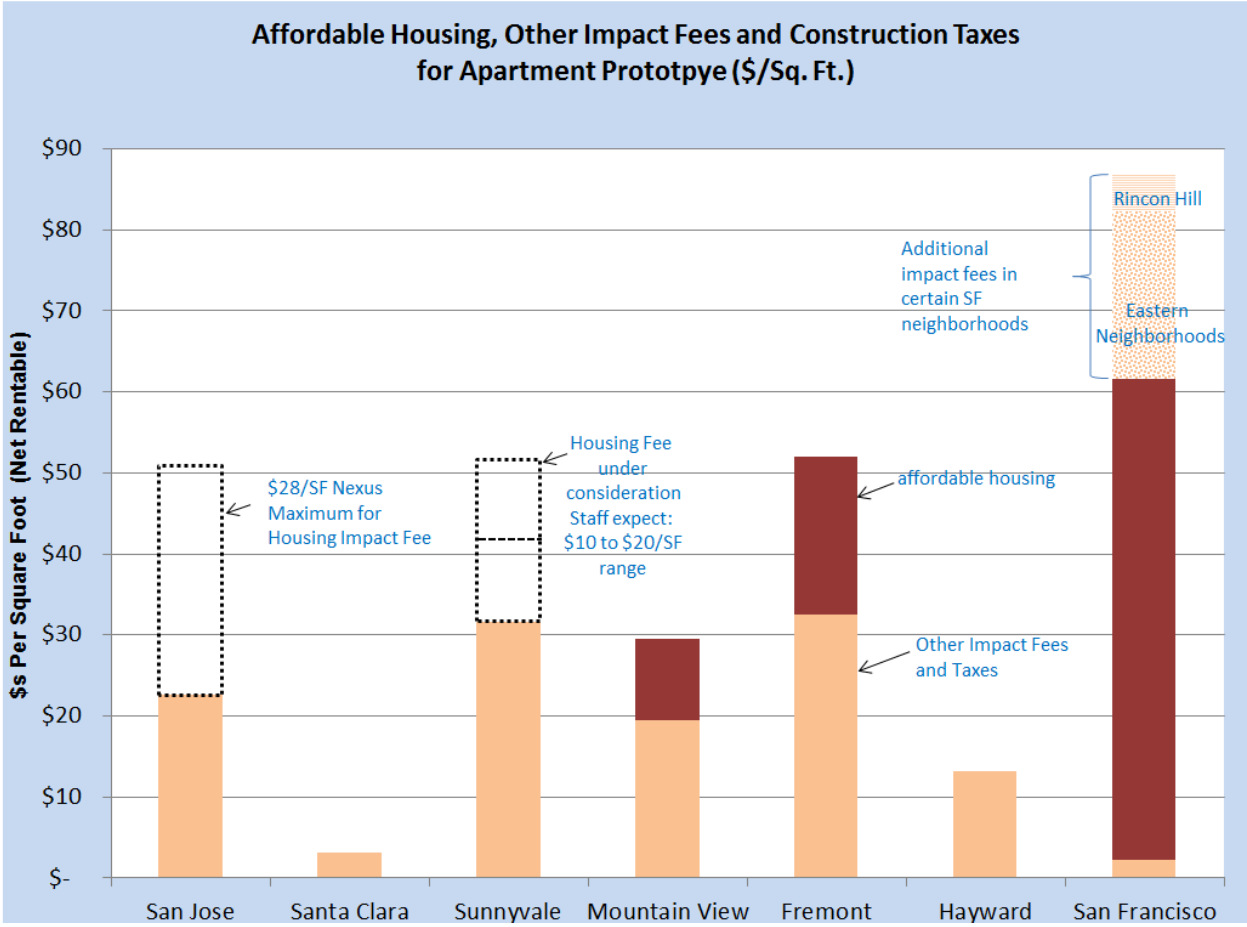


Chart B

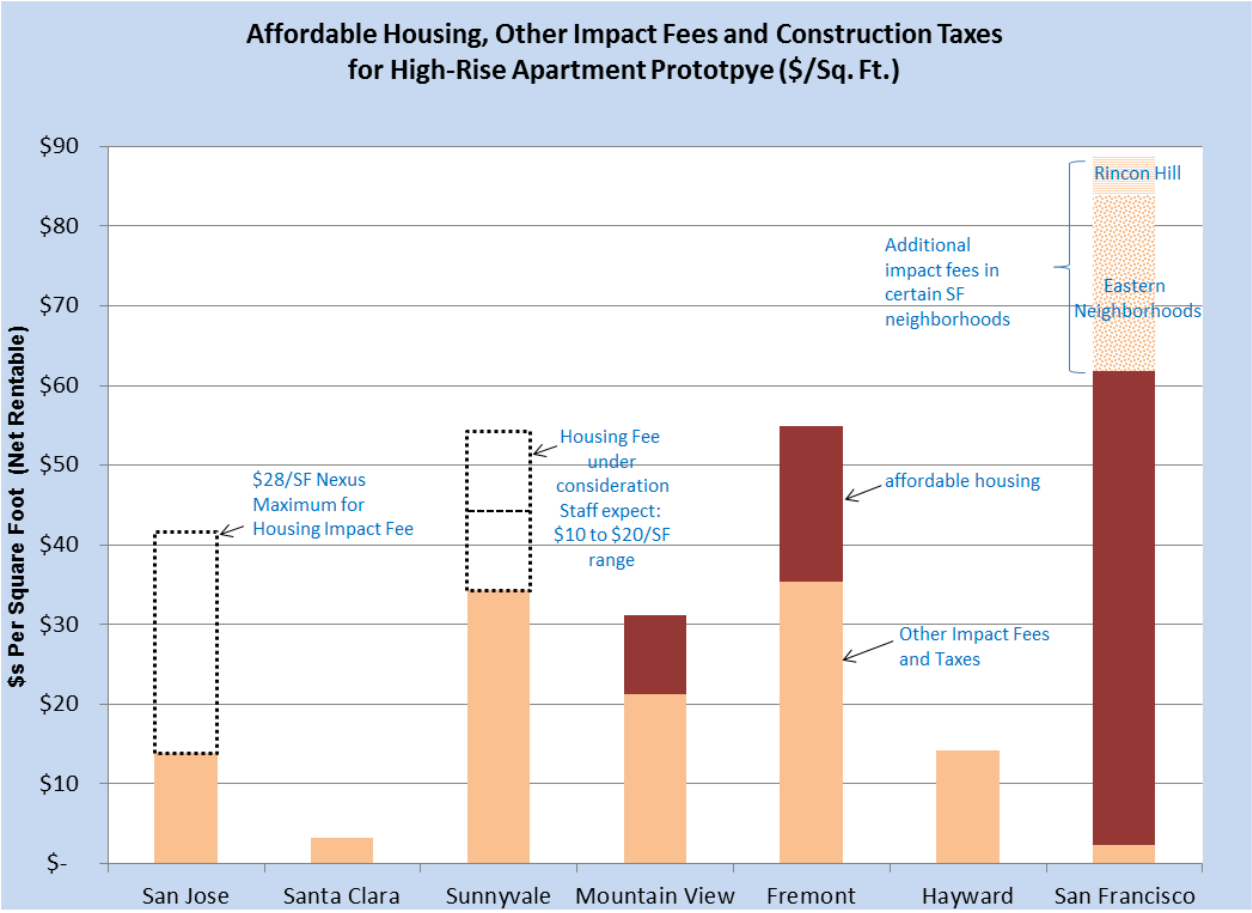

Affordable Housing, Other Impact Fees and Construction Taxes
for High-Rise Apartment Prototpye ($/Sq. Ft.)
$s Per Square Foot (Net Rentable)
$90
$80
$70
$60
$50
$40
$30
$20
$10
$-
San Jose
Santa Clara
Sunnyvale
Mountain View
Fremont
Hayward
San Francisco
$28/SF Nexus Maximum for Housing Impact Fee
Housing Fee under consideration Staff expect: $10 to $20/SF range
affordable housing
Other Impact Fees and Taxes
Additional impact fees in certain SF neighborhoods
Rincon Hill
Eastern Neighborhoods

TABLE C-1
AFFORDABLE HOUSING REQUIREMENTS - NEW RENTAL PROJECTS
SELECTED JURISDICTIONS
SUPPLEMENT TO RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN JOSE, CA

	San Jose (Redev. Areas)	**Santa Clara**	**Sunnyvale**	**Mountain View**	**Fremont**	**Hayward[1]**	**San Francisco[2]**
Housing Impact Fees	Prior in-lieu fee for rentals was $17.00 psf but suspended following Palmer decision.	No requirement for rentals	Currently under consideration	$10 psf	$19.50 psf	None for rentals	Fee per market rate unit: Studio - $34,300 1BR - $47,300 2BR - $65,200 3BR - $74,600
On-Site Compliance Alternative							
On-Site Percentage	Currently suspended was: 8% Very Low + 12% Low	n/a	n/a	with Council approval	Fee option only	n/a	Onsite:12% Offsite: 20%
Income for Qualifying	Low: 80% AMI Very Low: 50% AMI	n/a	n/a	Low: 80% AMI		n/a	Onsite: 120% AMI Offsite: 80% AMI
Income to Set Rent Levels	Low: 60% AMI Very Low: 50% AMI	n/a	n/a	Low: 60% AMI		n/a	Onsite: 90% AMI Offsite: 70% AMI
Other Compliance Options	Land Dedication; offsite units.			Land dedication; other resources for affordable housing			Land Dedication.

Note: This chart has been assembled to present an overview, and as a result, terms are simplified. For use other than for general comparison, please consult the code and staff of the jurisdiction.

1. Hayward enacted an Interim Relief Ordinance that originally expired in December 2012, but was extended to December 2013 by the City Council. The City is currently undergoing an evaluation of its program.

2. San Francisco's fee per affordable unit owed has been converted to a fee per market rate unit. Higher fees may apply in Urban Mixed Use Districts in the Eastern Neighborhoods area of San Francisco. On-site units may represent a lower cost of compliance depending on product type.

TABLE C-2
OTHER IMPACT FEES AND CONSTRUCTION TAXES
SUPPLEMENT TO RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN JOSE, CA

	Traffic / Transportation	Park Dedication	School	Construction Taxes	Other
San Jose	Not applicable City-wide but fees in some areas: North San Jose:SF: $6,994 MF: $5,596 Evergreen/East Hills: $13,214 (2008) US-101/Oakland/Mabury: $30,000 per interchange trip (2008)	SF: $8,700 - $38,900 MF (2-4 units): $7,700 - $34,800 MF (5+): $6,100 - $27,500 High-rise in downtown: 50% of fee	Varies by district: e.g., $3.03 (CUHSD) $3.20 (LGUSD)	Construction: 2.42% valuation Building & Structure: 1.54% valuation Residential Const: $90-$180 per unit Construction: $75 - $150 per unit Temporary 50% reduction in Building & Structure and Construction Tax for downtown high-rises	
Santa Clara	None.	None.	$3.20 psf	None.	
Sunnyvale	Transportation (S. of 237 only): SFD: $3,094 MF: $1,286	In-lieu fee: $69 psf of land owed Requires 4.25 acres/1000 people	$1.98 psf	0.54% of total construction value.	Sense of Place Fee: $1,071 (certain areas only)
Mountain View	None.	In-lieu fee: depends on density and land value. Typically, $15-$25,000 per unit (2009).	$3.20 psf	$150 per unit.	
Fremont	SFD: $3,879 MF: $3,009	Park Facilities: SF: $9,431 - $11,578; MF: $8,488 Parkland Dedication In-Lieu: SF: $14,267 - $17,515; MF: $12,841	$5.27 psf	SF: $2,260 Duplex: $1,909 MF: $1,679	Capital Facilities SF: $2,717-$3,336; MF: $2,446 Fire Facilities: SF: $314 - $386; MF: $283
Hayward	None.	Park Dedication In-Lieu: SF Detached: $11,953 SF Attached: $11,395 Multi-Family: $9,653	$2.97 psf	SF less than 1500sf: $600 SF 1,500sf and over: $750 MF less than 800sf: $300 MF 800 sf and over: $450	
San Francisco					
Citywide[2]	None.	None.	$2.24 psf	None.	
Eastern Neighborhoods	None.	$361.67 psf of open space owed if not provided (certain mixed use districts)	$2.24 psf	None.	Com. Infrastructure[3] Tier 1: $8.85 per gsf Tier 2: 13.27 per gsf Tier 3: $17.70 per gsf
Rincon Hill	None.	None.	$2.24 psf	None.	Com. Infrastructure: $9.51 per gsf Com. Stabilization: $12.11 per gsf

Key: SF - single family; SFD - single family detached; MF - multifamily; psf - per square foot; gsf - gross square foot

1. Fremont has reduced fees in the downtown.

2. Several districts within San Francisco charge additional fees. For example, the Downtown C-3-O district also charges an Open Space fee ($2.50 per gsf), a Transportation fee ($3.94 per gsf and up), and a Transit Delay fee ($0.06 per gsf).

3. Tiers are based on the height limit increases implemented in the Eastern Neighborhoods Plan.

Notes: Fees shown are per unit unless otherwise noted. The definition of Single Family and Multifamily varies by jurisdiction. Fee survey conducted the week of August 19, 2013. This chart has been assembled to present an overview, and as a result, terms are simplified. For use other than for general comparison, please consult the code and staff of the jurisdiction.

Sources:
San Jose: Housing Element, Municipal Code, City of San Jose Building and Structure Permits Fee Schedule and City of San Jose Resolution NO. 76631 (parkland fees); Santa Clara: Housing Element, City of Santa Clara Website, Santa Clara Unified School District, City Staff; Sunnyvale: City of Sunnyvale Fee Schedule, 2012/2013. Sunnyvale Unified School District Developer Impact Fee Application; Hayward: Housing Element, City Municipal Code, Hayward Unified School District; Fremont: Housing Element, Development Impact Fee Fact Sheet, 2013. Fremont Unified School District; San Francisco: San Francisco Citywide Development Impact Fee Register; rates effective January 1, 2013; Mountain View: City Staff, Municipal Code, Development and Subdivision Fee Schedule (2008), Housing Element, Mountain View/Los Altos Union High School District, Mountain View-Whisman School District.

TABLE C-3
IMPACT FEES, IN-LIEU FEES, AND CONSTRUCTION TAXES PER UNIT AS APPLIED TO NEXUS PROTOTYPES - SUMMARY
SUPPLEMENT TO RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN JOSE, CA

	Cost Per Unit		*Cost Per Square Foot*	
	Prototype 1	Prototype 2	Prototype 1	Prototype 2
San Jose Rental Prototypes:	Apartments	High-Rise Apartments	Apartments	High-Rise Apartments
Unit Size	990 sf	900 sf	990 sf	900 sf
Bedrooms	1.64	1.35	1.64	1.35
Impact and In-Lieu Fees[1]				
San Jose				
Affordable Housing (redev. areas) (2)	$16,800	$15,300	$17.00	$17.00
Other Impact Fees and Taxes	$22,447	$12,429	$22.67	$13.81
Total	$39,247	$27,729	$39.64	$30.81
Santa Clara				
Schools impact fees	$3,168	$2,880	$3.20	$3.20
Sunnyvale				
Affordable Housing	under consideration		under consideration	
Other Impact Fees and Taxes	$31,440	$30,789	$31.76	$34.21
Total	$31,440	$30,789	$31.76	$34.21
Mountain View				
Affordable Housing[2]	$9,900	$9,000	$10.00	$10.00
Other Impact Fees and Taxes	$19,318	$19,030	$19.51	$21.14
Total	$29,218	$28,030	$29.51	$31.14
Fremont				
Affordable Housing	$19,305	$17,550	$19.50	$19.50
Other Impact Fees and Taxes	$32,284	$31,810	$32.61	$35.34
Total	$51,589	$49,360	$52.11	$54.84
Hayward				
Affordable Housing	none	none	$0	$0
Other Impact Fees and Taxes	$13,043	$12,776	$13.18	$14.20
Total	$13,043	$12,776	$13.18	$14.20
San Francisco				
Citywide				
Affordable Housing	$58,770	$53,577	$59.36	$59.53
Other Impact Fees	$2,218	$2,016	$2.24	$2.24
Total	$60,988	$55,593	$61.60	$61.77
Eastern Neighborhoods				
Affordable Housing	$58,770	$53,577	$59.36	$59.53
Other Impact Fees	$22,833	$21,929	$23.06	$24.37
Total	$81,603	$75,505	$82.43	$83.89
Rincon Hill				
Affordable Housing	$58,770	$53,577	$59.36	$59.53
Other Impact Fees	$27,399	$26,339	$27.68	$29.27
Total	$86,169	$79,915	$87.04	$88.79

Notes

(1) See Table C-4 for details.

(2) Affordable requirement for rentals was suspended following the Palmer decision. Amount absent the suspension shown for information only.

(3) This chart has been assembled to present an overview, and as a result, terms are simplified. For use other than for general comparison, please consult the code and staff of the jurisdiction.

TABLE C-4
DETAIL OF IMPACT FEES AND CONSTRUCTION TAXES AS APPLIED TO RESIDENTIAL PROTOTYPES
SUPPLEMENT TO RESIDENTIAL NEXUS ANALYSIS
CITY OF SAN JOSE, CA

		Cost Per Unit		*Cost Per Sq.Ft.*	
		Prototype 1	Prototype 2	Prototype 1	Prototype 2
	San Jose Analysis Prototype:	Apartments	High-Rise Apartments	Apartments	High-Rise Apartments
	Unit Size	990 sf	900 sf	990 sf	900 sf
	Bedrooms	1.64	1.35	1.64	1.35
Jurisdiction	**Impact and In-Lieu Fees[1]**				
Page 1 of 2					
San Jose [2]	Affordable Housing (redev. areas)	$16,800 [3]	$15,300 [3]	$17.00 [3]	$17.00 [3]
	Schools (@ $3.20 psf)	$3,168	$2,880	$3.20	$3.20
	Parks[4]	$15,300	$7,650	$15.45	$8.50
	Building & Structure Tax	$1,483	$674	$1.50	$0.75
	Construction Excise Tax	$2,331	$1,059	$2.35	$1.18
	Residential Construction Tax	$90	$90	$0.09	$0.10
	Construction Tax	$75	$75	$0.08	$0.08
	Total	**$39,247**	**$27,729**	**$39.64**	**$30.81**
Santa Clara	Schools	$3,168	$2,880	$3.20	$3.20
Sunnyvale[5]	Affordable Housing	under consideration		under consideration	
	Schools	$1,960	$1,782	$1.98	$1.98
	Parks	$22,993	$22,993	$23.23	$25.55
	Transportation	$1,286	$1,286	$1.30	$1.43
	Construction Tax[5]	$5,201	$4,728	$5.25	$5.25
	Total	**$31,440**	**$30,789**	**$31.76**	**$34.21**
Mountain View	Affordable Housing	$9,900	$9,000	$10.00	$10.00
	Schools	$3,168	$2,880	$3.20	$3.20
	Parkland Dedication[6]	$16,000	$16,000	$16.16	$17.78
	Construction Tax	$150	$150	$0.15	$0.17
	Total	**$29,218**	**$28,030**	**$29.51**	**$31.14**
Fremont	Affordable Housing	$19,305	$17,550	$19.50	$19.50
	Schools	$5,217	$4,743	$5.27	$5.27
	Traffic	$3,009	$3,009	$3.04	$3.34
	Parkland Dedication	$12,841	$12,841	$12.97	$14.27
	Park Facilities	$8,488	$8,488	$8.57	$9.43
	Fire	$283	$283	$0.29	$0.31
	Capital Facilities	$2,446	$2,446	$2.47	$2.72
	Total	**$51,589**	**$49,360**	**$52.11**	**$54.84**
Hayward	Affordable Housing	none	none	none	none
	Schools	$2,940	$2,673	$2.97	$2.97
	Park Dedication In-lieu	$9,653	$9,653	$9.75	$10.73
	Construction Tax	$450	$450	$0.45	$0.50
	Total	**$13,043**	**$12,776**	**$13.18**	**$14.20**

		Cost Per Unit		Cost Per Sq.Ft.	
		Prototype 1	Prototype 2	Prototype 1	Prototype 2
	San Jose Analysis Prototype:	Apartments	High-Rise Apartments	Apartments	High-Rise Apartments
	Unit Size	990 sf	900 sf	990 sf	900 sf
	Bedrooms	1.64	1.35	1.64	1.35
Jurisdiction	**Impact and In-Lieu Fees[1]**				
Page 2 of 2					
San Francisco					
Citywide[7]	Affordable Housing	$58,770	$53,577	$59.36	$59.53
	Schools	$2,218	$2,016	$2.24	$2.24
	Total	**$60,988**	**$55,593**	**$61.60**	**$61.77**
Eastern Neighborhoods[8]	Affordable Housing	$58,770	$53,577	$59.36	$59.53
	Schools	$2,218	$2,016	$2.24	$2.24
	Infrastructure	$20,615	$19,913	$20.82	$22.13
	Total	**$81,603**	**$75,505**	**$82.43**	**$83.89**
Rincon Hill	Affordable Housing	$58,770	$53,577	$59.36	$59.53
	Schools	$2,218	$2,016	$2.24	$2.24
	Infrastructure	$11,076	$10,699	$11.19	$11.89
	Community Stabilization Fee	$14,105	$13,624	$14.25	$15.14
	Total	**$86,169**	**$79,915**	**$87.04**	**$88.79**

Notes

1. See Table C-2 for more information on City Impact Fees.
2. Traffic impact fees for San Jose, which are limited to certain designated areas have not been included for purposes of the fee comparison.
3. Affordable requirement for rentals is currently suspended. Amount that would be charged absent the suspension is shown for purposes of information only.
4. Fees vary by area. Fees in the downtown are shown. While fees in North San Jose are higher, additional residential is not expected in that area.
5. Does not include the 'Sense of Place' impact fee, which is applicable in the certain neighborhoods only. Construction tax is based on construction value estimated based on City of San Jose figures.
6. Assumes a land value of $60 psf. Note that the land value for high-rise residential land is likely to be significantly higher. The City's ordinance was designed for lower density developments; the actual fee paid by a high-density development is difficult to estimate and may differ significantly from the estimate above.
7. There are several additional fees exacted in certain areas of the City. Shown here are the two impact fees that are implemented City-wide.
8. Affordable housing requirements are higher in certain districts of the Eastern Neighborhoods. Infrastructures fees vary based on changes to the height limits in the Eastern Neighborhoods Plan.

NOTE: For the purpose of comparison, the chart assumes payment of fees. In San Francisco, it may be more cost effective for the developer to include affordable units in the project for some product types.

NOTE 2: This chart has been assembled to present an overview, and as a result, terms are simplified. For use other than for general comparison, please consult the code and stuff of the jurisdiction.