

District 1 — Vacant
District 3 — Barry Del Buono
District 5 — Ruben Navarro
District 7 — Victoria Partida
District 9 — Julie Quinn
Mayor — Nhi Duong

(VC) Alex Shoor — District 2
Shavell Crawford — District 4
(C) Andrea Wheeler — District 6
Vacant — District 8
Roberta Moore — District 10
Martha O’Connell — CAAC MR
Ryan Jasinsky — CAAC ML

*Commissioners are appointed by corresponding Council Members, but do not represent the Council District.

REGULAR MEETING AGENDA

5:45 PM

August 13, 2020

Virtual

[Zoom Link](#)

Password: HCDC2020

*** COVID-19 NOTICE ***

Consistent with the California Governor’s Executive Order No. N-29-20, the Housing and Community Development Commission (HCDC) meeting will not be physically open to the public and the Commission members will be teleconferencing from remote locations.

HCDC is meeting via teleconference from remote locations in accordance with State and local orders and measures taken as a result of the COVID-19 pandemic. Members of the public may view and listen to the meeting by following the instructions below. Additional instructions are provided below to those members of the Public who would like to comment on items on the agenda.

How to attend the Housing and Community Development Commission Meeting:

- 1) **Electronic Device Instructions:** For participants who would like to join electronically from a PC, Mac, iPad, iPhone, or Android device, please click this URL: [Zoom Link](#).
 - a. Use a current, up-to-date browser: Chrome 30+, Firefox 27+, Microsoft Edge 12+, Safari 7+. Certain functionality may be disabled in older browsers including Internet Explorer. Mute all other audio before speaking. Using multiple devices can cause an audio feedback.
 - b. Enter an email address and name. The name will be visible online and will be used to notify you that it is your turn to speak.
 - c. When the Chair calls for the item on which you wish to speak, click on “raise hand.” Speakers will be notified shortly before they are called to speak.
 - d. When called, please limit your remarks to the time limit allotted.
- 2) **Telephone Device Instructions:** For participants who would like to join on their telephones, please dial **1-408-638-0968** and when prompted, enter meeting Webinar ID: **940 5398 8541**. You may also **press *9 to raise a hand to speak**.

Meeting of August 13, 2020

- 3) **Public Comments prior to meeting:** If you would like to submit your comments prior to the meeting, please e-mail viviane.nguyen@sanjoseca.gov or contact 408-975-4462. Comments submitted prior to the meeting will be considered as if you were present in the meeting.

Commissioners are strongly encouraged to log on by 5:30pm to ensure there are no technical difficulties – thank you!

APPROX. TIME	AGENDA ITEM
	<i>The times for items shown below are approximate and intended only to notify the Commission of the approximate amount of time staff expects each item might take. Please note that items may be heard before or after the times shown.</i>
5:45	I. Call to Order & Orders of the Day A. Review logistics for Zoom meetings
5:55	II. Introductions
6:00	III. Consent Calendar A. Approve the Minutes for the Meeting of March 12, 2020 ACTION: Approve the March 12, 2020 action minutes.
6:10	IV. Reports and Information Only A. Chair B. Director C. Council Liaison
6:20	V. Open Forum <i>Members of the Public are invited to speak on any item that does <u>not</u> appear on today's Agenda and that is within the subject matter jurisdiction of the Commission. Meeting attendees are usually given two (2) minutes to speak during Open Forum; however, the time limit is in the discretion of the Chair of the meeting and may be limited when appropriate due to a large number of speaker requests. Speakers using a translator will be given twice the time allotted to ensure non-English speakers receive the same opportunity to directly address the Commission.</i>
6:40	VI. Old Business
	VII. New Business
6:40	A. Commendation for Commissioner Lardinois (K. Clements, Housing Department)

Meeting of August 13, 2020

- 7:00** **B. Commercial Linkage Fee Update**
(R. VanderVeen, Housing Department)
ACTION: Accept staff update on a potential Commercial Linkage Fee give feedback to staff, and take possible action to write a position letter to the City Council.
- 7:40** **C. Citywide Residential Anti-Displacement Strategy**
(K. Clements & J. Joanino, Housing Department)
ACTION: Review staff report, give feedback to staff, and take possible action to recommend a position to the City Council.
- 9:00** **D. Nominations for Chair and Vice Chair FY 2020-21**
(Commissioners)
ACTION: Make nominations for positions of Chair and Vice Chair of the Commission to serve in Fiscal Year 2020-21 commencing with the September 2020 Commission meeting. (No memo.)
- VIII. Open Forum**
- 9:15** *Members of the Public are invited to speak on any item that does not appear on today's Agenda and that is within the subject matter jurisdiction of the Commission. Meeting attendees are usually given two (2) minutes to speak during Open Forum; however, the time limit is in the discretion of the Chair of the meeting and may be limited when appropriate due to a large number of speaker requests. Speakers using a translator will be given twice the time allotted to ensure non-English speakers receive the same opportunity to directly address the Commission.*
- 9:20** **IX. Meeting Schedule**
- The Commission's retreat will be held in August on a date(s) to be determined. This is a required meeting.
- The next regular Commission meeting is scheduled to be held on **Thursday, September 10, 2020, at 5:45 p.m.** online.
- 9:25** **X. Adjournment**
The City of San José is committed to open and honest government and strives to consistently meet the community's expectations by providing excellent service, in a positive and timely manner, and in the full view of the public.

You may speak to the Commission about any discussion item that is on the agenda, and you may also speak during Open Forum on items that are not on the agenda and are within the subject matter jurisdiction of the Commission. Please be advised that, by law, the Commission is unable to discuss or take action on issues presented during Open Forum. Pursuant to Government Code

Meeting of August 13, 2020

Section 54954.2, no matter shall be acted upon by the Commission unless listed on the agenda, which has been posted not less than 72 hours prior to meeting. Agendas, Staff Reports and some associated documents for the Commission items may be viewed on the Internet at <http://www.sanjoseca.gov/hcdc>.

Correspondence to the Housing & Community Development Commission is public record and will become part of the City's electronic records, which are accessible through the City's website. Before posting online, the following may be redacted: addresses, email addresses, social security numbers, phone numbers, and signatures. However, please note: e-mail addresses, names, addresses, and other contact information are not required, but if included in any communication to the Housing & Community Development Commission, will become part of the public record. If you do not want your contact information included in the public record, please do not include that information in your communication.

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at the Office of the City Clerk, 200 East Santa Clara Street, 14th Floor, San José, California 95113, at the same time that the public records are distributed or made available to the legislative body. Any draft resolutions or other items posted on the Internet site or distributed in advance of the commission meeting may not be the final documents approved by the commission. Contact the Office of the City Clerk for the final document.

On occasion, the Commission may consider agenda items out of order.

The Housing & Community Development Commission meets every second Thursday of each month (except for July and sometimes December) at 5:45pm, with special meetings as necessary. If you have any questions, please direct them to the Commission staff. Thank you for taking the time to attend today's meeting. We look forward to seeing you at future meetings.

To request an accommodation or alternative format under the Americans with Disabilities Act for City-sponsored meetings, events, or printed materials, please call (408) 535-1260 as soon as possible, but at least three business days before the meeting.

Please direct correspondence and questions to:

City of San José
Attn: Viviane Nguyen
200 East Santa Clara Street, 12th Floor
San José, California 95113
Tel: (408) 975-4462
Email: viviane.nguyen@sanjoseca.gov

Para residentes que hablan español: Si desea mas información, favor de llamar a Theresa Ramos al 408-975-4475.

Tiếng Việt: Muốn biết thêm chi tiết, xin vui lòng Viviane Nguyen, 408-975-4462.

對於說華語的居民: 請電 408-975-4450 向 Ann Tu 詢問詳細事宜。說粵語的居民則請撥打 408-975-4425 與 Yen Tiet 聯絡。

Meeting of August 13, 2020

Para sa mga residente na ang wika ay tagalog: Kung kinakailangan pa ninyo ng inpormasyon, tawagan si Shirlee Victorio sa 408-975-2649. Salamat Po.

HOUSING & COMMUNITY DEVELOPMENT COMMISSION
MEETING ACTION MINUTES

March 12, 2020

MEMBERS PRESENT: Andrea Wheeler Chair (D6)
Alex Shoor Vice Chair (D2)
Barry Del Buono Commissioner (D3)
Shavell Crawford Commissioner (D4) – Arrived at 6:15 PM
Ruben Navarro Commissioner (D5)
Victoria Partida Commissioner (D7)
Martha O’Connell Commissioner (MR)

MEMBERS ABSENT: Nhi Duong Commissioner (Mayor)
Justin Lardinois Commissioner (D1)
District 8 – VACANT Commissioner (D8)
Julie Quinn Commissioner (D9)
Roberta Moore Commissioner (D10)
Ryan Jasinsky Commissioner (ML)

STAFF PRESENT: Helen Chapman Council Liaison
Kristen Clements Housing Department
Selena Copeland Housing Department
Noel Padilla Housing Department

(I) Call to Order & Orders of the Day

Chair Wheeler started the meeting at 5:50 PM.

Chair Wheeler could not call the meeting to order due an absence of quorum at 5:50pm. Until quorum was reached at 6:15pm, items (II) Introductions and (IV) Reports were discussed.

Items VII-A and VII-C were deferred until later dates, as requested by Housing Department staff.

(II) Introductions – Commissioners and staff introduced themselves.

(III) Consent Calendar

A. Approve the Minutes for the special meeting of February 13, 2020

ACTION: Approve the February 13, 2020 action minutes.

Commissioner Shoor made the motion to approve the minutes, with a second by Commissioner O’Connell.

Yes: Wheeler, Shoor, Del Buono, Navarro, Partida, O’Connell, Crawford (7)

Housing & Community Development Commission
DRAFT Minutes Regular Meeting March 12, 2020

No: None (0)

[Absent: Duong, Lardinois, Quinn, Moore, Jasinsky (5)]

(IV) Reports and Information Only

A. Chair: Chair Wheeler did not have a report.

B. Director: Ms. Kristen Clements provided an update that City Council on March 10, 2020, approved a land use designation for use on all mobilehome parks. There will also be an eviction moratorium for tenants who have lost income due and unable to afford rents due to COVID-19. The eviction moratorium will cover all tenants in rental units, including single family homes and duplexes.

C. Council Liaison: Ms. Helen Chapman did not have a report.

(V) Open Forum

(VI) Old Business

(VII) New Business

A. Annual Progress Report On the Implementation of the San José General Plan Housing Element and the Housing Successor to the Redevelopment Agency Annual Report (R. Cueto & K. Clements, Departments of Planning, Building and Code Enforcement & Housing)

ACTION: Receive the staff reports for the draft 2019 Annual Progress Report on the Implementation of the San José 2014-23 Housing Element, and the draft 2018-19 Housing Successor to the Redevelopment Agency Annual Report, and make possible recommendations to staff and/or the City Council.

This item was deferred to a later date.

B. Draft Five-Year Consolidated Plan 2020-25 Funding Priorities (K. Clements, Housing Department)

ACTION: Hold a public hearing on funding priorities for the next Five year Consolidated Plan, which will govern the use of federal funding from the U.S. Department of Housing and Urban Development from 2020 through 2025, and provide Housing Department staff with input on the funding priorities.

Commissioners gave staff feedback as requested, which will be reflected to the City Council and to HUD.

Commissioner Shoor made the motion that all goals related to grassroots outreach skills development and neighborhood leadership development be quantitatively related to housing development, preservation and protection issues, with a second by Commissioner Wheeler. The motion passed 4-3.

Yes: Wheeler, Shoor, Del Buono, Crawford (4)

No: Navarro, Partida, O'Connell (3)

[Absent: Duong, Lardinois, Quinn, Moore, Jasinsky (5)]

C. Inclusionary Housing Ordinance Follow-Ups

(R. VanderVeen, Housing Department)

ACTION: Receive an update on proposed amendments to Inclusionary Housing Ordinance with three of the remaining outstanding items following November 5, 2019, City Council:

- (a) Evaluate financing impacts of extending the period of affordability to 99 years;
- (b) Incentivize density for small projects between 5 to 19 units; and,
- (c) Encourage innovative partnerships by exploring the minimum contribution to off-site developments in order to maximize affordable housing.

This item was deferred to a later date.

VIII. Open Forum

Members of the Public are invited to speak on any item that does not appear on today's Agenda and that is within the subject matter jurisdiction of the Commission. Meeting attendees are usually given two (2) minutes to speak on any discussion item and/or during open forum; the time limit is in the discretion of the Chair of the meeting and may be limited when appropriate. Speakers using a translator will be given twice the time allotted to ensure non-English speakers receive the same opportunity to directly address the Commission.

Commissioner Shoor expressed the importance of having remote commission meetings and using digital means to be part of the meetings, especially for individuals with disabilities, and that this crisis could offer an opportunity to increase access.

Commissioner O'Connell expressed her strong support for remote access, particularly for disabled commissioners, and her interest to be part of the conversation regarding remote meetings.

Commissioner Partida shared that the U.S. Census started today.

IX. Meeting Schedule

The next scheduled Commission meeting was a special meeting scheduled to be held on Thursday, March 26, 2020, at 5:45 p.m. at San José City Hall, 17th Floor, 200 E. Santa Clara St., San José, CA 95113. (This meeting was cancelled due to COVID-19, as were all Commission meetings through July 2020).

X. Adjournment

Chair Wheeler adjourned the meeting at 7:44 PM.



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Nanci Klein
Jacky Morales-Ferrand

**SUBJECT: COMMERCIAL LINKAGE FEE
STATUS UPDATE**

DATE: July 31, 2020

Approved

Date

7/31/20

INFORMATION

The purpose of this memorandum is to provide an update on the status of the Commercial Linkage Fee project. The feasibility study is now complete and available for public review.

The feasibility study assesses the economic effects of potential commercial linkage fees and provides context materials to support selection of fee levels for a new commercial linkage fee program for the City of San José. The study uses a real estate pro forma analysis to evaluate the economics of a range of prototype non-residential projects and their ability to sustain a new commercial linkage fee while still attracting the debt and equity investment necessary to move forward.

Based upon both studies, an analysis of public policy considerations, and feedback from stakeholders, staff will formulate recommendations which will be released as part of the staff memorandum to Council on August 14. Staff will bring the Commercial Linkage Fee forward for Council consideration on August 25, 2020. A project schedule is provided below.

Milestone	Timeframe
Public Meeting	August 6, 2020
Housing Advocates Roundtable Meeting	August 7, 2020
Developer Roundtable Meeting	August 11, 2020
Staff Recommendation Released	August 14, 2020
City Council Meeting	August 25, 2020
Effective Date of Ordinance	October 15, 2020
Effective Date of Fee Resolution	November 14, 2020

Public outreach includes focus group meetings with stakeholders and a public meeting. The public meeting link will be available on our business page and the City of San José social media platforms. The item will go before the City Council for action on August 25, 2020. To enact a

HONORABLE MAYOR AND CITY COUNCIL
July 31, 2020
Subject: Commercial Linkage Fee Status Update
Page 2

fee, the Council will be asked to consider approving both an ordinance and a fee resolution. The ordinance would establish the fee while the resolution would set the fee amount.

/s/
NANCI KLEIN
Director
Economic Development

/s/
JACKY MORALES-FERRAND
Director
Housing Department

For questions and any public meeting information, please contact Karina Alvarez, Senior Executive Analyst, at karina.alvarez@sanjoseca.gov.

Attachment



KEYSER MARSTON ASSOCIATES

DRAFT

**FEASIBILITY ANALYSIS OF
PROPOSED COMMERCIAL LINKAGE FEES**

And Context for Setting Fees:
Fees as Percent of Development Cost
Fees in Other Jurisdictions

Prepared for:
City of San José

Prepared by:
Keyser Marston Associates

July 2020

TABLE OF CONTENTS

1.0	SUMMARY	1
1.1	Report Organization	1
1.2	Coronavirus Pandemic and Potential Implications for Project Feasibility	2
1.3	Feasible Fee Levels	4
1.4	Fees as Percentage of Development Costs	8
1.5	Sensitivity Testing of Downtown Office Prototypes	9
1.6	Large High-Tech End Users	11
1.7	Fee Comparison	12
1.8	Nexus Analysis Maximum Supported Fees	12
2.0	INTRODUCTION TO THE FEASIBILITY ANALYSIS	14
2.1	Context and Limitations of Analysis	14
2.2	Commercial Prototypes	15
2.3	Geographic Subareas	16
3.0	MARKET CONTEXT	21
3.1	Non-Residential Market Trends Through Early 2020	21
3.2	Development Community Contacts	26
4.0	PRO FORMA ANALYSIS	30
4.1	Non-Land Development Cost Estimates	30
4.2	Commercial Rents and Hotel Room Rates	31
4.3	Supported Investment	33
4.4	Commercial Land Values	34
4.5	Base Pro Forma Analysis Without Commercial Linkage Fee	39
4.6	Analysis of Fee Alternatives	43
4.7	Summary of Supportable Fee Levels	45
4.8	Sensitivity Analysis of Downtown Office Prototypes	47
5.0	COMMERCIAL LINKAGE FEE PROGRAMS IN OTHER JURISDICTIONS	55

LIST OF TABLES

Table 1-1. Supportable Fee Levels Per Square Foot of Gross Floor Area, Excluding Parking	5
Table 1-2. Potential Linkage Fee Levels as Percentage of Total Development Costs	9
Table 1-3. Commercial Linkage Fee Levels in Other Cities (\$PSF) Selected Examples	12
Table 1-4. Nexus Analysis Maximum Fee Conclusions	13
Table 2-1. Commercial Development Prototypes	16
Table 2-2. Geographic Areas	18
Table 2-3. Annual Direct Asking Rents by Subarea (Q4 2019)	20
Table 4-1. Pro Forma Commercial Rents Per Square Foot	31
Table 4-2. Pro Forma Room Rates	33
Table 4-3. Return on Cost Assumptions	34
Table 4-4. Commercial Land Transactions Since 2016 and Residual Land Value Targets	36
Table 4-5. Feasibility Indicators	40
Table 4-6. Office Pro Forma Findings, Without a Commercial Linkage Fee	41
Table 4-7. Warehouse and Industrial Pro Forma Findings, Without a Commercial Linkage Fee	41
Table 4-8. Retail Pro Forma Findings, Without a Commercial Linkage Fee	42
Table 4-9. Hotel Pro Forma Findings, Without a Commercial Linkage Fee	42
Table 4-10. Residual Land Value of Office Prototypes Under Fee Alternatives (Per SF Land)	43
Table 4-11. Residual Land Value of Industrial Prototypes Under Fee Alternatives (Per SF Land)	44
Table 4-12. Residual Land Value of Retail Prototypes Under Fee Alternatives (Per SF Land)	45
Table 4-13. Residual Land Value of Hotel Prototypes Under Fee Alternatives (Per SF Land)	45
Table 4-14. Supportable Fee Levels Based on the Development Economics of Prototype Projects	46
Table 4-15. Sensitivity Test: Adjustments to Supportable Downtown Mid-Rise Fee with Change in Office Rents	47
Table 4-16. Sensitivity Test: Adjustments to Supportable Downtown High-Rise Fee with Change in Office Rents	48
Table 4-17. Value Premium as % of Development Costs – Downtown High-Rise Prototype	50
Table 4-18. Estimated Minimum Annual Rent Needed for Feasibility	50
Table 4-19. Parking Ratio Sensitivity Test	51
Table 4-20. Reported Non-Land Development Costs of High-Tech Office Buildings	52
Table 4-21. Estimated Over-Investment by High-Tech End Users Relative to Market Values	53
Table 4-22. Potential Adjustments to Linkage Fee, High-Tech Office Buildings	54
Table 5-1. Commercial Linkage Fee Levels in Other Cities (\$PSF) Selected Examples	56

Appendix Tables

Appendix A: Pro Forma Analysis

A-1	Prototype Development Programs
A-2	Conceptual Pro Forma: Warehouse/ Distribution
A-3	Conceptual Pro Forma: Light Industrial / R&D
A-4	Conceptual Pro Forma: Low-Rise Office/ R&D
A-5	Conceptual Pro Forma: Mid-Rise Office/ R&D
A-6	Conceptual Pro Forma: High-Rise Office
A-7	Adjusted Fee Levels for High Tech Office Prototype
A-8	Conceptual Pro Forma: Neighborhood Retail Center
A-9	Conceptual Pro Forma: Mid-Rise Hotel (Surface Parking)
A-10	Conceptual Pro Forma: Mid-Rise Hotel (Structured Parking)
A-11	Fee Assumptions
A-12	Apportionment of Area-Specific Impact Fees by Sub-Area

Appendix B: Industrial Market Data

B-1	Industrial Land Sales (2016-2019)
B-2	Industrial Asking Rents (Built 2005-)
B-3	Industrial Lease Comparables (Built 2005-)
B-4	Industrial Building Sales (Built Since 1980)
B-5	Flex Building Sales (Built Since 1980)
B-6	Industrial Condo Sales (Built Since 1980)
B-7	Flex Condo Sales (Built Since 1980)
B-8	Industrial Building Activity in San José and Santa Clara County
B-9	Average Industrial/ Warehouse Market Conditions by Subarea

Appendix C: Office Market Data

C-1	Office Land Sales (2016-2019)
C-2	Office Asking Rents of Properties (Built 2005-)
C-3	Office Asking Rents of Planned, Proposed, and Under Construction Projects
C-4	Office Lease Comparables (Built 2005-)
C-5	Office Building Sales (Built Since 1980)
C-6	Office Condo Sales (Built Since 1980)
C-7	Parking Ratios of Selected Built and Proposed Projects
C-8	Office Building Activity in San José and Santa Clara County
C-9	Average Office Market Conditions by Subarea
C-10	Office Lease Comparables In Nearby Jurisdictions
C-11	Reported Construction Costs of High-Tech Office Campuses

Appendix D: Retail Market Data

- D-1 Commercial/ Retail Land Sales (2016-2019)
- D-2 Retail Asking Rents (Built 2005-)
- D-3 2019 Retail Lease Comparables (Built 2005-)
- D-4 Retail Building Sales (Built Since 1980)
- D-5 Retail Condo Sales
- D-6 Retail Building Activity in San José and Santa Clara County
- D-7 Average Retail Market Conditions by Subarea

Appendix E: Hotel Market Data

- E-1 Hotel Land Sales (2016-2019)
- E-2 Hotel Building Sales (Built Since 1980)
- E-3 Hotel Market Trends
- E-4 Spot Test of San José Room Rates
- E-5 Parking Ratios of Selected Built and Proposed Projects
- E-6 Hotel Building Activity in San José and Santa Clara County

Appendix F: KMA Memo Regarding Proposed Building Types and Market Subareas

Appendix G: Summary of Commercial Linkage Fee Programs

Appendix H: Credits for Delivery of Affordable Units

1.0 SUMMARY

This Feasibility Analysis of Proposed Commercial Linkage Fees (“Feasibility Analysis”) has been prepared by Keyser Marston Associates, Inc. (“KMA”) for the City of San José (“City”) in support of a proposed new commercial linkage fee program. Commercial linkage fees are a type of impact fee imposed on new non-residential development to mitigate affordable housing impacts.

Commercial linkage fees are one-time charges typically applied on a per square foot basis at the time of initial development of new buildings. The concept behind commercial linkage fees is that new non-residential buildings add jobs and a share of the workers who hold these new jobs will require affordable housing. A companion report entitled “Commercial Linkage Fee Nexus Analysis” (“Nexus Analysis”) determines nexus support for a potential new commercial linkage fee in San José. Because maximum commercial linkage fees that can be supported by nexus studies are generally very high, jurisdictions typically set fees below the maximums based on a variety of policy considerations. This Feasibility Analysis was prepared to inform selection of fees within a range that is sustainable for new commercial development projects in San José.

This Feasibility Analysis assesses the economic effects of potential commercial linkage fees and provides context materials to support selection of fee levels for a new commercial linkage fee program for San José. The study uses a real estate pro forma analysis to evaluate the economics of a range of prototype non-residential projects and their ability to sustain a new commercial linkage fee while still attracting the debt and equity investment necessary to move forward. Separate findings are provided for six geographic subareas of San José to address differences in market conditions, such as commercial rents and land costs, and physical characteristics, such as floor area ratio and parking type, by geographic area.

The geographic subareas include:

- Downtown and nearby
- North San José and nearby
- West San José Urban Villages
- Monterey Corridor
- Edenvale
- South and East San José Growth Areas

A map showing how the boundaries of the subareas are defined and a discussion of how subareas were selected is included in Section 2.3.

1.1 Report Organization

The report is organized into five sections and eight appendices, as follows:

- Section 1.0 is the Summary;
- Section 2.0 is the Introduction;
- Section 3.0 provides market context that informs the feasibility analysis;
- Section 4.0 presents the pro forma analysis for the nine building types under study, concluding with the supportable fee level per square foot of building area or per room;
- Section 5.0 provides information on commercial linkage fee programs in other jurisdictions;
- Appendix A provides the pro forma tables used to evaluate the impact of a range of fee levels on the economics of commercial projects;
- Appendices B through E provide market data for industrial, office, retail, and hotel uses;
- Appendix F is a memo relating to the selection of building types and geographic subareas for inclusion in the analysis, prepared by KMA in November 2019, which includes data on historical development activity and the pipeline of planned and proposed non-residential projects.
- Appendix G provides information on other commercial linkage fee programs, primarily in California.
- Appendix H provides a schedule that may be used to establish credits toward fee payment when a project provides affordable units directly.

1.2 Coronavirus Pandemic and Potential Implications for Project Feasibility

The pro forma analysis presented in this report is based on market conditions as of late 2019, early 2020. Since the pro forma analysis was prepared, the coronavirus pandemic has had widespread effects on business and society and caused a sharp recession which, within the San José-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA)¹, resulted in the loss of approximately 133,000 jobs from February to May 2020². The unemployment rate within the MSA peaked at 12% in April and improved slightly during the month of May. Based on a national economic forecast prepared by Deloitte in June 2020, economic conditions are expected to improve in the second half of the year, but a full recovery might not occur for an

¹ The MSA consists of Santa Clara and San Benito counties.

² Employment Development Department, Labor Market Information Division. Industry Employment & Labor Force - by MONTH, San Jose, Sunnyvale, Santa Clara MSA (San Benito and Santa Clara Counties). June 19, 2020.

additional 2 to 3 years, conditioned on controlling the virus and the timely development of an effective vaccine.

KMA conducted a qualitative assessment of the economic effects of the coronavirus pandemic on non-residential real estate in San José. The assessment is based on KMA's review of secondary sources and follow-up interviews with developers who previously provided feedback in early 2020 regarding development conditions prior to the pandemic.

Findings of the assessment are summarized as follows:

- *Office* – Developers interviewed by KMA note that the coronavirus pandemic has caused prospective office tenants in San José to pause or reassess their leasing plans. Office landlords and developers in San José have so far resisted repricing direct lease rates, but this could change if availability increases. Developers say that lenders have tightened underwriting criteria, making new speculative office development unlikely in the near term. On the other hand, office entitlement activity in San José remains robust, showing that developers continue to see San José as a viable location for office development once economic conditions normalize. Several developers cited plans for construction in 2021 or 2022, with the caveat that there is a great deal of uncertainty regarding how market conditions will change in the aftermath of the pandemic. Some real estate professionals speculated that the pandemic could have long-lasting effects on the office market if adaptive measures, such as work-from-home arrangements, become standard practice that endure beyond the pandemic.
- *Retail* – KMA's pro forma analysis, based on pre-pandemic market conditions, found relatively weak feasibility of retail development in San José (see Section 1.3). Under post-pandemic market conditions, challenges for retail development are likely to increase, as the pandemic has caused consumers to curtail retail spending and accelerated trends toward online shopping.
- *Hotel* – The hotel market has been severely impacted by the coronavirus pandemic. CBRE Hotels estimates that in the United States, average hotel revenues per available room will not return to 2019 levels until 2023. Developers interviewed by KMA expect financing for hotel development and operator interest to be very limited in the near- to mid-term.
- *Industrial and Warehouse* – Industrial and warehouse real estate has been less adversely impacted by the coronavirus pandemic compared to other non-residential real estate sectors. To date, industrial rents and leasing activity in San José have been largely unaffected. The pandemic might increase demand for logistics and warehouse space due to e-commerce growth and greater emphasis on supply chain resiliency. However, the industrial real estate sector would be vulnerable to a prolonged economic recession.

Developers who participated in follow-up interviews with KMA were far less optimistic about non-residential development conditions in San José than in interviews conducted prior to the pandemic (see Section 3.2). While most developers had previously acknowledged that a commercial linkage fee at some level could be supported, several developers now maintain that a fee of any amount has the potential to deter non-residential development activity during the economic recovery. Developers reiterated support for measures to gradually phase in the commercial linkage fee over several years and allow fees to be deferred until certificate of occupancy, or later.

1.3 Feasible Fee Levels

KMA prepared a real estate pro forma analysis evaluating the development economics of non-residential projects first without the proposed commercial linkage fee and then testing a range of potential fee levels. The analysis focuses on development prototypes representative of the types of non-residential development that have occurred or are expected to occur in the future. Rents, land costs, and governmental fees reflect development conditions specific to each geographic area analyzed. The non-residential project types evaluated include:

- Warehouse / Distribution
- Light Industrial / R&D
- Office / R&D: Low-Rise, Mid-Rise, Downtown Mid-Rise, and Downtown High-Rise
- Neighborhood Retail Center
- Hotel: Surface Parked and with Structured Parking

The pro forma analysis tests whether the development economics of projects support the cost of acquiring a site. Table 1-1 provides a summary of the feasibility analysis findings regarding the supportable fee levels based on the development economics of prototype buildings in each geographic area. The ability of specific individual projects to afford the fee levels tested will also vary based on location, site conditions and/or other project-specific factors. Feasibility of the non-residential project types is analyzed within geographic subareas where development of that project type has occurred or is expected to occur in the future based on the analysis of recent and pipeline development activity included in Appendix F. The fee level supported by office campuses developed by or in partnership with a major high-tech end user is evaluated through an alternative approach summarized in Section 1.6.

The pro forma analysis reflects pre-pandemic conditions and provides a general indication of development economics for representative commercial projects as of early 2020, at the end of a decade-long economic expansion that was subsequently halted by the coronavirus pandemic. The pro forma analysis was not revised to reflect economic fallout of the coronavirus pandemic, which is rapidly evolving and unpredictable as to its longer-term effects, because doing so would be speculative at this time. As of June 2020, there is not enough post-pandemic transaction data to support specific changes to pro forma assumptions. Even if conclusive data

emerges, the changes might not be representative of future conditions post-pandemic when commercial projects are more likely to move forward.

While market conditions will undoubtedly shift during and after the pandemic, the pro forma analysis presented herein still provides relevant policy context because it captures the baseline market conditions that have driven San José’s commercial development pipeline and that are likely to continue to inform underwriting assumptions of commercial projects targeted for construction in the near term until data is available to assess post-pandemic market conditions.

Table 1-1. Supportable Fee Levels Per Square Foot of Gross Floor Area, Excluding Parking Based on Development Economics of Prototype Projects and Pre-Pandemic Market Conditions						
	Downtown & Nearby	North SJ & Nearby	West SJ	Edenvale	Monterey Corridor	South & East SJ
Office / R&D ⁽¹⁾	\$25/SF mid-rise \$30/SF high-rise <i>Reflects unproven market expectations for achievable rents downtown that are 40%-50% over averages for existing space</i>	\$10/SF	\$20/SF	\$10/SF		None
High-Tech End User	Evaluated using an alternative approach described in Section 1.6					
Neighborhood Retail		None	None	None		None
Hotel ⁽¹⁾	\$10/SF \$6,000/rm	\$15/SF \$9,000/rm	\$10/SF \$6,000/rm	\$5/SF \$3,000/rm		
Warehouse		\$10/SF		\$7.50/SF	\$5/SF	
Light Industrial / R&D		\$7.50/SF		None	None	

(1) For ease of presentation, findings for multiple building types, such as low-rise and mid-rise are collapsed to a single category. Findings correspond to the building type most likely to be developed within each subarea.

Grey indicates that the building type was not analyzed in the indicated subarea. "None" indicates no fee was found to be supported.

All findings in this section reflect pre-pandemic conditions, as previously noted. Findings regarding supported fee levels are expressed per square foot of new non-residential gross floor area, excluding parking. Key findings of the pro forma analysis are summarized below.

Office/R&D

The fee level estimated to be supportable for the office prototypes varies based on geographic subareas from no supportable fee in South and East San José to \$10 per square foot in Edenvale and North San José, \$20 in West San José, to \$25 to \$30 per square foot in downtown for mid-rise and high-rise development, respectively.

Additional discussion of pro forma findings by geographic subarea for office/R&D is provided below:

Downtown - While the feasibility analysis shows support for a fee up to \$25 per square foot for mid-rise and \$30 per square foot for high-rise office, these findings have a higher degree of uncertainty and sensitivity in that they reflect unproven market expectations that new Class A office space in the downtown will achieve rents 40-50% above current averages for primarily older multi-tenant Class A office space downtown. The pro forma rents that support fees in the \$25 to \$30 per square foot range in downtown San José are significantly above current average rents in West San José and Cupertino and are comparable to existing averages in Sunnyvale. Market expectations that higher rents are achievable for large blocks of Class A space in a transit-accessible downtown setting has been motivating projects to proceed. However, conditions could shift depending on how initial projects perform and any changes in office demand that follow the coronavirus pandemic. See also Section 1.5 for a discussion of sensitivity testing performed for the downtown office prototypes.

The pro forma analysis used to determine supportable fees in the downtown is representative of projects in the development pipeline, which are concentrated in the downtown core and Diridon station area. Very little office development is planned for Urban Villages located on the periphery of the downtown sub-area (such as North First Street and West San Carlos), suggesting that development economics may be less favorable in these locations. Moreover, the pro forma analysis is reflective of large office developments (greater than 400,000 square feet) that comprise most of the planned and proposed projects in downtown San José. Large office projects are the most likely to achieve premium rents because they can attract the highest-paying tenants who require large blocks of space. Smaller, multi-tenant office projects will likely find it more difficult to achieve rents above the current market in downtown.

North San José – The feasibility analysis for mid-rise office development indicates support for a fee up to approximately \$10 per square foot. Rents in North San José are not as strong as in West San José and are well below levels being targeted in the downtown. Additionally, existing City fees are approximately \$7 per square foot higher in the North San José sub-area than in downtown and approximately \$11 per square foot higher than in West San José, which also contributes to a lower feasible fee finding in North San Jose.

West San José – The feasibility analysis indicates support for a fee of up to \$20 per square foot based on a representative mid-rise office development in this area. Rents for newly built space in West San José are estimated to be approximately 10% below the rents targeted for the mid-rise office prototype in the downtown; however, land costs are also lower. The net result is support for a linkage fee approximately \$5 less than the fee finding for the mid-rise prototype in downtown.

Edenvale – The feasibility analysis for Edenvale indicates support for a fee up to \$10 per square foot. However, this result is tempered by the following qualitative factors:

- The low-rise office structures developed in this area are generally lower-cost buildings that may be more sensitive to increases in cost than a mid-rise or high-rise office building (see Section 1.4).
- Lower land values and relatively few development projects in Edenvale are an indication of generally weaker market strength and more sensitivity to costs.

South and East San José – No fee was found to be supported for office projects in South and East San Jose based on marginal project feasibility in this location even without a fee. Estimated office rents in South and East San Jose are not materially different from Edenvale. The difference in the feasibility finding for South and East San Jose relative to Edenvale is driven by higher estimated land costs. However, as land costs are estimated based on limited land sales data in South and East, despite a difference in pro forma results, evidence of a distinction in office feasibility conditions between Edenvale and South and East is limited. Qualitative factors described above with respect to Edenvale are also applicable to South and East.

Retail

As is widely known, retail has been undergoing a major transition with the rise of online shopping, now accelerated by the coronavirus pandemic. Feasibility results indicate no fee is supportable for the prototype neighborhood retail center analyzed in any of the subareas. In mixed use projects, retail often serves as an amenity to other project components and is not a self-supporting project component (revenues do not justify development costs). While some retail projects are likely to move forward, especially sectors more insulated from the rise of online shopping such as food, the overall indication is that there is a limited ability to absorb additional costs in the retail sector.

Hotel

The supportable fee level for hotel prototypes is in the range of \$15 per square foot in North San José (approximately \$9,000 per room), \$10 per square foot in West San José and downtown (approximately 6,000 per room) and \$5 per square foot in Edenvale (approximately \$3,000 per room). Favorable performance of hotels in North San José is driven by strong business and Airport-related room demand coupled with lower land costs than downtown or West San José. However, the primary driver of hotel values, the room rates, are actually somewhat lower in North San José than in downtown or West San José. As previously noted, the hotel market has been severely impacted by the coronavirus pandemic. Based on forecasts by industry professionals, room rates are not expected to return to levels reflected in the pro forma analysis until 2023.

Warehouse

The supportable feel level for the warehouse prototype ranges from \$5 to \$10 per square foot depending on the subarea, with North San José being the strongest and Monterey Corridor representing the lower end of the range. Notwithstanding this feasibility result, as indicated by the analysis in Section 1.4, warehouse buildings are lower-rent lower-cost structures and each dollar of fee will tend to have a greater influence on costs, and thus development decisions, than it will for higher-rent and higher-cost building such as office.

Light Industrial

The light industrial prototype shows limited capacity to support a linkage fee based on conventional real estate return metrics used by developers. North San José was the only geographic subarea found to support a fee at a level up to approximately \$7.50 per square foot. While a speculative light industrial project was analyzed, most of the recently built light industrial projects in San José have been driven by end users that base their real estate decisions on a broader set of criteria. Projects driven by end users may move forward despite more challenging conditions for speculative projects. As with warehouses, light industrial buildings are lower-rent lower-cost structures for which each dollar of fee will tend to have a larger influence on costs and development decisions compared to higher rent and more costly buildings such as office.

1.4 Fees as Percentage of Development Costs

Another approach to understanding the likelihood that a new fee will impact development decisions is to consider how fees relate to the total development cost of projects. Fees representing a smaller share of development costs will be less likely to affect development decisions and vice versa. Table 1-2 summarizes a range of potential fees expressed as a percentage of total development costs. Warehouse and industrial buildings represent the low end of the development cost range, and as a result, each dollar of fees represents a larger burden relative to the total investment being made. As one illustration, a fee of \$5 per square foot would represent approximately the same percentage of costs for a warehouse building as a \$15 per square foot fee represents for a mid-rise office building.

Table 1-2. Potential Linkage Fee Levels as Percentage of Total Development Costs

Prototype	Total Development Cost ⁽¹⁾	Linkage Fee as % of Development Costs					
		\$5/SF \$3K/rm	\$10/SF \$6K/rm	\$15/SF \$9K/rm	\$20/SF \$12K/rm	\$25/SF \$15K/rm	\$30/SF \$18K/rm
Warehouse/ Distribution	\$245/SF	2.0%	4.1%	6.1%	8.2%	10.2%	12.2%
Light Industrial / R&D	\$285/SF	1.8%	3.5%	5.3%	7.0%	8.8%	10.5%
Office/ R&D - Low-Rise	\$445/SF	1.1%	2.2%	3.4%	4.5%	5.6%	6.7%
Office/ R&D - Mid-Rise	\$680/SF	0.7%	1.5%	2.2%	2.9%	3.7%	4.4%
Office/ R&D - DT Mid-Rise	\$745/SF	0.7%	1.3%	2.0%	2.7%	3.4%	4.0%
Office/ R&D - High-Rise	\$815/SF	0.6%	1.2%	1.8%	2.5%	3.1%	3.7%
Neighborhood Retail	\$645/SF	0.8%	1.6%	2.3%	3.1%	3.9%	4.7%
Hotel - Surface Parking	\$328,000/rm	0.9%	1.8%	2.7%	3.7%	4.6%	5.5%
Hotel - Structured Parking	\$374,000/rm	0.8%	1.6%	2.4%	3.2%	4.0%	4.8%

Legend: less than 3% of costs 3% to 5% of costs Over 5% of costs

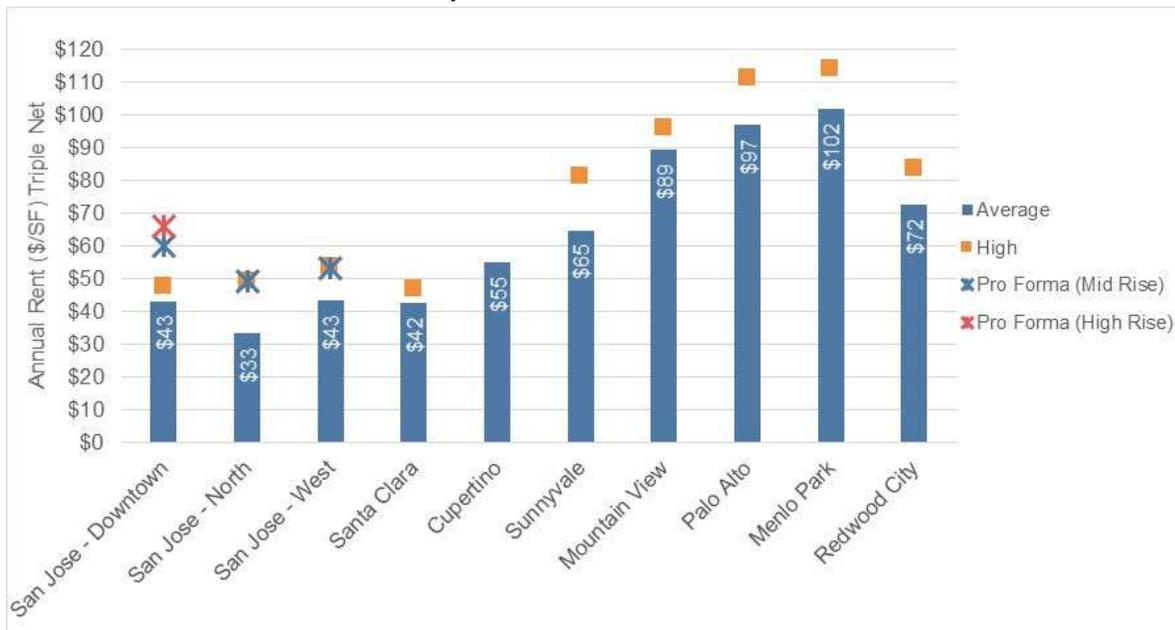
(1) Representative total development cost per square foot of GBA including land. Reflects average for multiple subareas.

1.5 Sensitivity Testing of Downtown Office Prototypes

The capacity of office prototypes to support a commercial linkage fee in downtown San José is highly sensitive to the expected rental rates of new office construction. There are no recently built projects in downtown San José that provide a benchmark for the rents likely to be achieved by new speculative projects being built in downtown today. Based on interviews with development professionals and asking rents for projects under construction, the pro forma analysis, which reflects pre-pandemic conditions, assumes an annual triple net rent of \$60 per square foot for the mid-rise prototype and \$66 per square foot for the high-rise prototype (\$5.00 to \$5.50 per square foot monthly). Construction costs for individual projects in the downtown can be expected to vary due to site conditions and other factors and some downtown pipeline projects are reported to target even higher rents to support project-specific costs and a risk adjusted return to investors.

The estimated rent range of the downtown office prototypes is within the range of rents being achieved elsewhere in the region but represents a premium of roughly 40% to 50% over current Class A asking rents in the downtown, which consists primarily of older multi-tenant space. As shown in Chart 1-1, estimated rents exceed average Class A asking rents in Cupertino, are comparable to averages for Sunnyvale, but remain well below averages for Mountain View, Menlo Park and Redwood City. Averages reflect a mix of older and newer space.

Chart 1-1. Class A Office Rent Comparison



Source: Average annual rents per CBRE 2019. Reported full service gross rents adjusted by KMA to estimated triple net equivalent rents. High rents reflect data on recent leases from Costar. Note: Fremont and Milpitas and other geographic subareas of San Jose that are not pictured in the chart have a limited supply of Class A space and so are not shown.

KMA performed a sensitivity analysis to test how the development economics of downtown office prototypes as well as the supportable fee levels would respond to changes in rent expectations. The sensitivity analysis was performed on the pro forma analyses that, as previously described, reflect pre-pandemic conditions. For purposes of illustrative sensitivity testing, costs and all other pro forma assumptions are assumed to remain constant. The rent sensitivity test for the downtown office prototypes indicates:

- If annual office rents fall short of pro forma estimates by \$2 to \$2.50 per square foot (\$0.17 to \$0.21 per month, or 3% to 4% less than estimated), projects would have limited capacity to support a linkage fee and pay prevailing land prices, even though rents would still exceed existing averages in the downtown by 35% - 48%.
- If annual rents outperform pro forma estimates by \$2 per square foot (\$0.17 per month, or 3% more than estimated), the sensitivity analysis indicates roughly a doubling of the supportable fee.
- If mid-rise office rents were to reach averages in Sunnyvale and high-rise rents were to reach averages in Redwood City (8% to 9% more than estimated), the sensitivity analysis indicates a tripling in the estimated linkage fee that could be supported.

An additional sensitivity test was conducted with respect to the parking ratio which found that increasing the 1.9 spaces per 1,000 square feet parking ratio estimated for downtown projects

by 0.1 spaces per 1,000 square feet reduces the linkage fee estimated to be supportable by \$7-\$9 per square foot and vice versa, assuming all other pro forma assumptions, including land prices, remain constant.

The finding that there is a high degree of sensitivity to rents and parking costs is fairly typical for a pro forma analysis of this type and not at all unique to the San José market. However, greater consideration of this sensitivity is appropriate in the case of the Downtown San José market as market rents are unproven at this time and there is also more uncertainty as to how parking needs might evolve in the future.

1.6 Large High-Tech End Users

In addition to conventional, investor-driven office projects, future development in San José is anticipated to include some large office campuses developed by or in partnership with a major high-tech corporation specifically for their long-term end use³. The Apple “spaceship,” Facebook’s Building 22, and Uber’s Mission Bay campus are prominent examples of end-user projects, all headquarters, recently completed elsewhere in the Bay Area. Conventional real estate return metrics that underlie the office pro forma analysis are less applicable to projects built by large high-tech end users, which base their real estate decisions on a broader set of criteria. KMA compared the development costs of headquarters projects recently developed by three high-tech end users to conventional office projects. This analysis is summarized below and detailed in Section 4.9.

Based on publicly available cost data for three prominent high-tech end-user projects and interviews with local developers, KMA found that high-tech end users tend to invest more in their campuses than conventional, investor-driven office projects, suggesting a lesser degree of cost sensitivity and a potentially greater ability to support a commercial linkage fee. Based on publicly available cost data, the three projects’ development costs ranged from 15-65% more than a conventional speculative office development on a cost per square foot basis. End-user project characteristics (e.g., headquarters vs. non-headquarters, private and public amenities) and financial considerations can vary widely. Table 4-22 provides an illustration of linkage fee levels that are adjusted proportionate to the cost premium observed for these three recent high-tech end user headquarters projects.

Establishing a separate fee for high-tech end users could be challenging for several reasons, including identifying objective criteria to determine which projects the separate rate would apply to. Ambiguity could arise as to whether a company is “high tech,” whether it is large enough or the intended type of company for application of the higher fee, and whether the company is a true “end user.” High-tech end users that choose to invest more conservatively in their facilities

³ The discussion of high-tech end users in this section does not apply to speculative office developments leased to high-tech tenants or build-to-suit developments leased to high-tech tenants for a limited term such as five years.

would potentially be more cost-sensitive to a higher linkage fee. No other cities in California have adopted commercial linkage fees unique to an end-user office category.

1.7 Fee Comparison

Around 50 jurisdictions in California and most major cities on the West Coast have commercial linkage fee programs. Silicon Valley and Peninsula cities tend to have the most substantial linkage fees, supported by the strength of their real estate markets. Cities in the East Bay and Milpitas have adopted far more moderate fee levels as a reflection of more moderate market strength. Table 1-3 identifies fee level examples believed to be most relevant to San José. A more comprehensive listing is included in Section 5.0 and Appendix G.

Table 1-3. Commercial Linkage Fee Levels in Other Cities (\$PSF) Selected Examples				
	Office (\$PSF)	Retail (\$PSF)	Hotel (\$PSF)	Industrial (\$PSF)
<u>West Santa Clara County</u>				
Palo Alto	\$36.53	\$21.26	\$21.26	\$21.26
Mountain View	\$28.25	\$3.02	\$3.02	\$28.25
Santa Clara	\$20.00	\$5.00	\$5.00	\$10.00
Cupertino	\$24.60	\$12.30	\$12.30	\$24.60
Sunnyvale	\$16.50	\$8.25	\$8.25	\$16.50
<u>East Bay and Milpitas</u>				
Fremont	\$8.00	\$8.00	\$8.00	\$4.00
Milpitas ⁽¹⁾	\$8.00	\$8.00	\$8.00	\$4.00
Dublin	\$1.45	\$1.18	\$0.49	\$0.56
Pleasanton	\$7.61	\$4.56	\$4.56	\$12.64
<u>Large Cities</u>				
Oakland ⁽²⁾	\$5.89	N/A	N/A	N/A ⁽²⁾
San Francisco ^{(1) (3)}	\$69.60	\$28.13	\$22.57	N/A

(1) Identifies full phase-in level.

(2) Oakland has a fee for warehouse but not industrial.

(3) Office rate is \$62.64 psf for buildings under 50,000 SF.

N/A = No fee or no applicable category

1.8 Nexus Analysis Maximum Supported Fees

The companion Nexus Analysis determines nexus support for a potential new linkage fee in San José. The Nexus Analysis quantifies the linkages between new non-residential buildings, the employees who work in them, and their demand for affordable housing, and calculates maximum supported fee levels based on the cost of mitigating the increased demand for affordable housing. Nexus Analysis maximum fee conclusions are summarized in Table 1-4. Appendix C, Table 18 to the Nexus Analysis includes a matrix relating building types listed in Table 1-4 to use categories utilized by the City. Nexus findings are maximums only and provide flexibility to select a fee at a level that is financially feasible. As is typically the case, the commercial linkage fees supported by the Nexus Analysis are well above the feasible fee levels

identified in Section 1.3, which consider the effect that fees would have on the development economics of non-residential projects.

The Nexus Analysis evaluated two office building types: Office and Office, High Tech. Office encompasses the full range of office uses in San José, while Office, High-Tech represents a subcategory of office space occupied by technology or “tech” sector businesses, including both multi-tenant and single-tenant buildings. The Nexus Analysis finds a higher nexus cost for the Office, High Tech building type primarily because employment density was determined to be greater than other tenant types, resulting in higher affordable housing impacts. Commercial linkage fee nexus analyses prepared for other jurisdictions in Silicon Valley have also studied high-tech office as a separate building category to ensure nexus findings adequately address this tenant type but did not establish a separate fee category for high-tech office versus general office.

Table 1-4. Nexus Analysis Maximum Fee Conclusions	
Building Type ⁽¹⁾	Maximum Fee Per Square Foot ⁽²⁾
Office	\$137.70
Office, High-Tech	\$151.30
Retail	\$176.70
Hotel	\$61.60
Industrial	\$131.90
Research and Development	\$108.80
Warehouse	\$45.90
Residential Care	\$44.60

(1) See Appendix C, Table 18 of the Nexus Analysis for a matrix relating building types addressed to use categories utilized by the City.

(2) Maximum fee level findings reflect the cost of mitigating affordable housing impacts of new development expressed per square foot of gross building area excluding parking.

For projects that provide affordable units as part of their project, it may be necessary to provide credit toward payment of the commercial linkage fee to the extent the affordable housing impacts documented in the Nexus Analysis are being fully mitigated. Some communities specify a formula to govern credits for provided affordable units while others include more general ordinance language to address this situation. Specifying a formula and establishing credits at a level that is in balance with fees is an approach to encouraging some projects to provide affordable units directly, which adds flexibility to the program and may accelerate delivery of affordable units in some instances. Appendix H includes a table that can be used to establish credits for delivery of affordable units in the event the City would like to specify a formula.

The financial feasibility analysis, sensitivity testing, analysis of the impact of fees on development costs, fee comparison, and nexus analysis maximums summarized above, are available to inform selection of fee levels and other program features for a potential new commercial linkage fee program for the City of San Jose.



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Welsh

**SUBJECT: COMMERCIAL LINKAGE FEE
STATUS UPDATE**

DATE: July 17, 2020

Approved

Date

7/17/20

INFORMATION

The purpose of this memorandum is to provide an update on the status of the Commercial Linkage Fee project. Since the information memo released in June 2020, Keyser Marston has continued to revise both reports to address the economic downturn caused by the COVID-19 pandemic. The nexus and feasibility studies were scheduled to be released Friday, July 17, 2020. While the City planned to release both reports on that date, the feasibility study is not yet complete. To ensure transparency and provide as much time as possible for the public and stakeholders to review the material, staff will release the completed nexus study in advance of the feasibility study. Staff is anticipating releasing the feasibility study on Friday, July 24.

A Commercial Linkage Fee is a fee assessed on new commercial development for the purpose of offsetting the need for affordable housing generated by that development. The nexus study prepared by Keyser Marston quantifies new non-residential buildings, the employees who work in them, and their demand for affordable housing, and calculates the maximum supported fee levels. The feasibility study will include the economic effects of linkage fees and consultant recommended fee amounts based on a real estate pro forma analysis.

Because maximum commercial linkage fees that can be supported by the nexus studies are typically very high, jurisdictions often set fees well below the maximums included in the nexus study based on a variety of public policy considerations. The accompanying feasibility report is being prepared to inform the selection of those fees at a level that is sustainable for new commercial development projects in San Jose. Based on the completion of both studies, an analysis of public policy considerations, and feedback from stakeholders, staff will formulate recommendations which will be released as part of the staff memorandum to Council on August 14.

Staff has revised the project schedule and remains on track to bring the Commercial Linkage Fee forward for Council consideration on August 25, 2020.

Milestone	Timeframe
Receive revised Nexus Study from KMA	June 26, 2020
Receive revised feasibility study from KMA	July 14, 2020
Release Nexus Study	July 17, 2020
Release Feasibility Study	July 24, 2020
Conduct Public Outreach	Weeks of July 27 and August 3, 2020
Staff Recommendation Released	August 14, 2020
City Council Meeting	August 25, 2020
Effective Date of Ordinance	October 15, 2020
Effective Date of Fee Resolution	November 14, 2020

Public outreach will include focus group meetings with stakeholders and a public meeting. The item will go before the City Council for action on August 25, 2020. To enact a fee, the Council will be asked to consider approving both an ordinance and a fee resolution. The ordinance would establish the fee while the resolution would set the fee amount.

/s/
KIM WALESH
Deputy City Manager

For questions, please contact Karina Alvarez, Senior Executive Analyst, at (408) 535-8272 or karina.alvarez@sanjoseca.gov.

Attachment



KEYSER MARSTON ASSOCIATES

COMMERCIAL LINKAGE FEE NEXUS ANALYSIS SAN JOSÉ, CALIFORNIA

Prepared for
City of San José

Prepared by:
Keyser Marston Associates, Inc.

July 2020

TABLE OF CONTENTS

- 1.0 EXECUTIVE SUMMARY 1**
- 2.0 INTRODUCTION 4**
 - 2.1 Building Types Addressed 4
 - 2.2 Affordability Levels Addressed 5
 - 2.3 Overview of Methodology 5
 - 2.4 Report Organization 6
- 3.0 NEXUS ANALYSIS 7**
 - 3.1 Step-by-Step Narrative of Nexus Methodology 7
 - 3.2 Housing Demand by Income Level 19
 - 3.3 Housing Demand Per Square Foot of Building Area 20
 - 3.4 Affordability Gap 21
 - 3.5 Maximum Supported Fees Per Square Foot of Building Area 21
 - 3.6 Conservative Assumptions 22
- 4.0 AFFORDABILITY GAP ANALYSIS 28**
 - 4.1 City Assisted Affordable Unit Prototypes 28
 - 4.2 Development Costs 28
 - 4.3 Unit Values 29
 - 4.4 Affordability Gap 30
- 5.0 MITIGATION FEE ACT FINDINGS 35**
- APPENDIX A: DISCUSSION OF VARIOUS FACTORS IN RELATION TO NEXUS
CONCEPT 37**
- APPENDIX B: LIST OF DATA SOURCES 47**
- APPENDIX C: SUPPORTING TECHNICAL ANALYSIS TABLES 52**

LIST OF TABLES

Table 1-1. Nexus Analysis Maximum Fee Conclusions	1
Table 2-1. Household Income Limits for Santa Clara County	5
Table 3-1. Employment Estimate	8
Table 3-2. Net New Jobs after 23% Adjustment	13
Table 3-3. Housing Units Needed	14
Table 3-4. Estimated Percentage Distribution of Workers by Major Occupation Category.....	15
Table 3-5. Number of Worker Households by Worker Occupation Category	16
Table 3-6. Ratio of Household Income to Individual Worker Income	17
Table 3-7. Percent of Households by Size and No. of Workers	19
Table 3-8. Number of Households by Income Category	20
Table 3-9. Percentage of Households by Income Category.....	20
Table 3-10. Affordable Housing Demand Per Square Foot of Building Area ¹	20
Table 3-11. Affordability Gaps.....	21
Table 3-12. Maximum Supported Fees Per Square Foot of Building Area.....	22
Table 3-13A. Estimate of Qualifying Households – Extremely Low Income	24
Table 3-13B. Estimate of Qualifying Households – Very Low Income	25
Table 3-13C. Estimate of Qualifying Households – Low Income	26
Table 3-13D. Estimate of Qualifying Households – Moderate Income.....	24
Table 4-1. Affordability Unit Development Costs	29
Table 4-2. Unit Values for Affordable Units	30
Table 4-3. Affordability Gap Calculation	30
Table 4-4. Affordability Gaps for Rentals.....	31
Table 4-5. Development Costs for Recent Affordable Housing Projects.....	32
Table 4-6. Affordability Gap Calculation for Moderate Income.....	33
Table 4-7. Affordable Sales Price Calculation	34

1.0 EXECUTIVE SUMMARY

This Commercial Linkage Fee Nexus Analysis (“Nexus Analysis”) has been prepared by Keyser Marston Associates, Inc. (“KMA”) for the City of San José (“City”) in support of a proposed new commercial linkage fee program. Commercial linkage fees are a type of impact fee imposed on new non-residential development to mitigate the development’s impact on the need for affordable housing.

This Nexus Analysis has been prepared for the limited purpose of determining nexus support for a potential new commercial linkage fee in San José. The Nexus Analysis quantifies the linkages between new non-residential buildings, the employees who work in them, and their demand for affordable housing, and calculates maximum supported fee levels based on the cost of mitigating the increased demand for affordable housing consistent with the requirements of the Mitigation Fee Act (Government Code Section 66000 et. seq.). Findings are not recommended fee levels. Fees may be set anywhere up to the maximums identified in this study.

Maximum Fee Conclusions of the Nexus Analysis

The maximum commercial linkage fee conclusions of the Nexus Analysis are summarized in Table 1-1. Findings reflect the cost of mitigating affordable housing impacts of new development as documented in the Nexus Analysis. Figures in Table 1-1 represent technical impact analysis findings only and are not recommended fee levels.

Table 1-1. Nexus Analysis Maximum Fee Conclusions	
Building Type	Maximum Fee Per Square Foot ¹
Office	\$137.70
Office, High-Tech	\$151.30
Retail	\$176.70
Hotel	\$61.60
Industrial	\$131.90
Research and Development	\$108.80
Warehouse	\$45.90
Residential Care	\$44.60

¹ Maximum fee level findings reflect the cost of mitigating affordable housing impacts of new development expressed per square foot of gross building area excluding parking.

The results of the Nexus Analysis are heavily driven by the density of employees within buildings in combination with the occupational make-up of the workforce. Retail has both high employment density and a high proportion of lower paying jobs, factors that in combination result in the highest affordable housing impacts and maximum fee level conclusions among the eight building types. The high cost of developing residential units in San José and the greater Bay Area, which is in part a function of the high cost and limited supply of suitable development sites, is also a key driver of high maximum fee levels.

Because maximum commercial linkage fees that can be supported by nexus studies are generally very high, jurisdictions typically set fees well below the maximums based on a variety of policy considerations. A companion report entitled “Feasibility Analysis of Proposed Commercial Linkage Fees” examines the economic feasibility of implementing new commercial linkage fees by building type and geographic area and provides context materials and recommendations to support selection of fee levels and other features of a new commercial linkage fee program for San José.

Measures to Address Potential Effects of Coronavirus Pandemic on Nexus Analysis

The Nexus Analysis was prepared during the coronavirus pandemic which has had widespread effects on business and society and caused a sharp economic downturn which, within the San José-Sunnyvale-Santa Clara Metropolitan Statistical Area (MSA)¹, resulted in the loss of approximately 133,000 jobs from February to May 2020⁽¹⁾ (numeric references in parentheses refer to sources listed in Appendix B). The recession created by the pandemic is expected to be a temporary condition from which the economy will eventually recover. As a temporary condition, the recession does not require an adjustment to the nexus technical analyses because the purpose of the Nexus Analysis is to establish impacts over a long time horizon that extends over the life of new commercial buildings². However, in addition to short-term economic damage, the pandemic is contemplated as a driver of possible long-term changes which are taken into consideration in the Nexus Analysis.

The coronavirus pandemic has resulted in a need for businesses to implement measures to protect the health and safety of workers. Among the changes being implemented or contemplated are modifications to office layouts that increase the distance and physical separation between employees⁽²⁾. This has led to speculation that the density of employment within office buildings could be reduced on a more permanent basis. Interviews with local developers conducted by KMA in June 2020 confirmed a reduced density of employment within office buildings is currently being imagined as a possible longer-term outcome of the pandemic, especially with respect to high-tech tenants which tend to have open floor plan offices and a high density of employment. The experience adapting to remote working during the pandemic has led some businesses to plan for remote work as a larger part of their operations post-pandemic^(3; 4)⁽²⁾. A trend toward remote work would be expected to reduce demand for new commercial buildings overall but does not necessarily reduce employment density within the commercial buildings that are built³. In consideration of the possibility that changes brought on by the pandemic could lead to reduced density of employment within new office buildings on a

¹ The MSA includes Santa Clara and San Benito counties.

² See also the discussion of economic cycles in Appendix A.

³ For example, density of employment can be increased through “hoteling,” where workstations are shared rather than assigned to a specific employee⁽⁴³⁾. An arrangement made possible when a share of employees regularly work remotely. An accounting firm with such an arrangement included in a KMA employment density survey had a density of 70 square feet per employee, the highest density of any tenant surveyed⁽¹³⁾.

longer-term basis, employment estimates included in the Nexus Analysis are adjusted downward from pre-pandemic estimates, as described in Section 3.1, which results in conservative maximum fee conclusions that will tend to understate mitigation costs.

2.0 INTRODUCTION

This Commercial Linkage Fee Nexus Analysis (“Nexus Analysis”) has been prepared by Keyser Marston Associates, Inc. (“KMA”) in support of potential establishment of a new commercial linkage fee in the City of San José (“City”). The Nexus Analysis analyzes the linkages between non-residential development in the City and the need for additional affordable housing and calculates maximum commercial linkage fee levels consistent with the Mitigation Fee Act (Government Code Section 66000 et. seq.) which requires a reasonable relationship be established between the fee and impacts of new development addressed by the fee.

The purpose of the Nexus Analysis is to document and quantify the impacts of development of new non-residential buildings and the employees that work in them, on the demand for affordable housing. Because jobs in all buildings cover a range of compensation levels, there are housing needs at all affordability levels. This analysis quantifies the need for affordable housing created by eight categories of new workplace buildings and determines maximum supported fees based on the cost of mitigating the increased affordable housing demand.

2.1 Building Types Addressed

This analysis addresses the following eight types of workplace buildings, encompassing uses potentially subject to a new commercial linkage fee program in the City:

- **Office** encompasses the full range of office uses in San José from high tech firms to the financial and professional services sectors to medical and dental offices.
- **Office, High-Tech** represents a subcategory of office space for which occupancy is by a technology or “tech” sector businesses. Higher density of employment is characteristic of high-tech office space and the occupational profile of workers is distinct from other tenant types, as shown in Table 3-4 and Appendix C.
- **Retail** includes retail, restaurants, dry cleaners, health clubs and other personal care and service uses that commonly occupy retail space.
- **Hotel** covers the range from full service hotels to limited service accommodations.
- **Industrial** covers a broad range of manufacturing, auto repair and service, delivery services, and a range of other uses of an industrial or semi-industrial character.
- **Research and Development (R&D)** covers facilities for industrial or scientific research, product design, prototype production, development and testing.
- **Warehouse**, or large structures primarily devoted to storage and logistics activities, typically with a small amount of office space.
- **Residential Care** encompasses a range of residential facilities where care, personal services, protection, supervision, assistance, training, therapy, or treatment is provided to persons living in a community residential setting. This building type category includes

assisted living, skilled nursing, memory care, residential treatment centers, and similar facilities.

Appendix C Table 18 shows how building types addressed in the Nexus Analysis relate to a list of use classifications used by the City.

2.2 Affordability Levels Addressed

The Nexus Analysis addresses the following four income or affordability tiers:

- Extremely Low Income: households earning up to 30% of Area Median Income (AMI);
- Very Low Income: households earning over 30% up to 50% of AMI;
- Low Income: households earning over 50% AMI up to 80% of AMI; and,
- Moderate Income: households earning over 80% AMI up to 120% of AMI.

Households are categorized by income tier based on income limits published by the California Department of Housing and Community Development (HCD)⁽⁵⁾. For reference, the 2020 median income for a family of four in Santa Clara County is \$141,600. Table 2-1 identifies income limits for all applicable income categories and household sizes.

Table 2-1. Household Income Limits for Santa Clara County						
	Household Size (Persons)					
	1	2	3	4	5	6
Extr. Low (Under 30% AMI)	\$33,150	\$37,900	\$42,650	\$47,350	\$51,150	\$54,950
Very Low (30%-50% AMI)	\$55,300	\$63,200	\$71,100	\$78,950	\$85,300	\$91,600
Low (50%-80% AMI)	\$78,550	\$89,750	\$100,950	\$112,150	\$121,150	\$130,100
Moderate (80%-120% AMI)	\$118,950	\$135,900	\$152,900	\$169,900	\$183,500	\$197,100
Median (100% of Median)	\$99,100	\$113,300	\$127,450	\$141,600	\$152,950	\$164,250

Source: California Department of Housing and Community Development, 2020 Income Limits

2.3 Overview of Methodology

The Nexus Analysis links new non-residential buildings with new workers; these workers demand additional housing, a portion of which needs to be affordable to the workers in lower income households. Following is an overview of the analysis steps used in determining the maximum commercial linkage fee levels:

- **Employment** – The number of employees is estimated for each building type using employment density ratios drawn from a variety of sources. Employment estimates account for potential effects of the coronavirus on employment densities as well as the portion of jobs estimated to be net new considering changes in the local economy over time that result in loss of some types of jobs even as other jobs are gained.

- **Housing Units Required** – The number of housing units needed to house the new workforce is estimated based on the average number of workers per working household.
- **Worker Household Incomes** – Household incomes of workers are estimated by combining data on worker occupations from the Bureau of Labor Statistics, local wage data from the California Employment Development Department (EDD) and local U.S. Census data relating individual worker income to total household income.
- **Affordable Housing Need** – Worker household incomes are compared to income criteria from HCD to determine the number of housing units needed by affordability level.
- **Mitigation Cost and Maximum Fees** – The cost of mitigating affordable housing impacts of new development are calculated based on the net subsidy required to deliver the needed affordable housing. Mitigation costs are expressed per square foot of building area for each non-residential building type, which establishes an upper limit on new commercial linkage fees proportionate to the impacts.

2.4 Report Organization

The report is organized into five sections and three appendices, as follows:

- Section 1.0 is the Executive Summary;
- Section 2.0 provides an introduction;
- Section 3.0 presents the Nexus Analysis for the eight workplace building types under study, concluding with the maximum supported affordable housing fee level per square foot of building area.
- Section 4.0 contains the affordability gap analysis representing the net cost of delivering each unit of housing affordable to households at the income levels under study.
- Section 5.0 provides draft findings language consistent with the Mitigation Fee Act.
- Appendix A provides a discussion of various specific factors and assumptions in relation to the nexus concept.
- Appendix B provides a comprehensive list of data sources and a summary of supporting information on employment densities. Sources are identified in the text by numeric reference to the bibliography provided in Appendix B.
- Appendix C provides supporting information on worker occupations and incomes.

3.0 NEXUS ANALYSIS

This section presents a summary of the analysis linking the development of the eight types of workplace buildings to the estimated number of lower income housing units required in each of four income categories. Then, the cost of providing affordable housing to the worker households is determined and expressed per square foot of building area. Findings represent the full mitigation cost for the affordable housing impacts of new development and the ceiling for any affordable housing fee that may be imposed.

3.1 Step-by-Step Narrative of Nexus Methodology

The Nexus Analysis is conducted using a methodology KMA developed for application in many jurisdictions for which the firm has conducted similar nexus analyses in support of affordable housing impact fee programs. Analysis inputs are all local data to the extent possible and are fully documented.

The analysis uses an assumed 100,000 square foot building size. Selection of this building size enables the number of jobs and housing units to be presented in whole numbers that can be more readily understood. At the conclusion of the analysis, findings are divided by the building size to express the linkages on a per square foot basis so that findings can be applied to buildings of any size.

Following is a description of each step of the analysis:

Step 1 – Estimated Number of Employees

The number of employees who will work in the building types being analyzed is estimated using employment density factors drawn from a variety of sources. Sources include local Environmental Impact Reports (EIRs), Institute of Transportation Engineers (ITE) and other sources as noted in the discussion below. A complete list of sources is provided in Appendix B. A downward adjustment to employment density is made for office uses, in consideration of potential effects of the coronavirus pandemic, as described below.

Employment estimates are summarized in Table 3-1 followed by a narrative discussion.

Table 3-1. Employment Estimate

Per 100,000 Square Feet of Building Area.

Building Type	Employment Density (Gross Square Feet Per Employee)	Number of Employees per 100,000 square feet of building area (=100,000 / Employment Density)
Office	400	250
Office, High-Tech	300	333
Retail	500	200
Hotel	1,500	67
Industrial	500	200
Research and Development	400	250
Warehouse	2,000	50
Residential Care	2,000	50

- *Office* – 400 square feet per employee. Prior to the coronavirus pandemic, employment density within office space was estimated at 300 square feet per employee based on recent Environmental Impact Reports (“EIRs”) addressing office developments in San José ^{(6) (7) (8) (9)}, as summarized in Appendix B Table 1. This estimate has been adjusted in response to the coronavirus pandemic to 400 square feet per employee, a one third increase in the square feet of office space per employee. The revised office employment density represents a conservative assumption that the amount of office space per employee will increase to provide increased space between employees and more physical separation (see below under Potential Effects of Coronavirus Pandemic on Employment Density). While such a large change in density may not occur, and to the extent it does occur, may not persist in the long term, a conservative assumption is made that employment densities will be significantly reduced, and reduced densities will endure beyond the end of the pandemic.
- *Office, High-Tech* – 300 square feet per employee. Prior to the coronavirus pandemic, KMA estimated employment density within high-tech office space at 225 square feet per employee, an estimate that reflects the higher density of employment characteristic of high tech offices. The 225 square feet per employee estimate was based on sources summarized in Appendix B Table 1 which include recent EIRs for high-tech office developments in other jurisdictions ^{(10) (11) (12)} and an employment density study prepared by KMA for the City and County of San Francisco ⁽¹³⁾ that included examination of office employment densities by tenant type. As with general office space, a conservative assumption is made for purposes of the Nexus Analysis that the square feet of office space per employee may increase by as much as one third due to changes implemented in response to the coronavirus pandemic (see below under Potential Effects of Coronavirus Pandemic on Employment Density), which results in an adjusted estimate of 300 square feet per employee.
- *Retail* – 500 square feet per employee. The employment density estimate for retail reflects consideration of a range of sources including the EIR for Santana Row ⁽¹⁴⁾, ITE ⁽¹⁵⁾, and

restaurant employment densities derived from National Association of Restaurants data⁽¹⁶⁾. The data sources are summarized in Appendix Table B-4. The density range within this category is wide, with some types of retail such as restaurant space as much as five times as dense as other types such as furniture or building material supply stores. The estimate used is at the low end of the range of sources considered and will tend to understate the number of employees relative to many types of retail.

- *Hotel* – 1,500 square feet per employee. Hotels have a range of employment levels with higher service hotels with conference facilities being more employment intensive and minimal service extended stay hotels representing the lower end of the employment density range. The estimate of 1,500 square feet per employee is approximately equivalent to 0.4 employees per room based on an average of 600 square feet of building area per room. This estimate is at the lower end of the range of sources which included reported employment levels for local hotels ranging from 0.33 to 0.99 employees per room⁽¹⁷⁾, an estimate incorporated into a Supplemental EIR for the San José Tribute Hotel⁽¹⁸⁾ of 0.46 employees per room and an estimate from the U.S. Department of Energy of 0.53 employees per room⁽¹⁵⁾. The data sources are summarized in Appendix Table B-2.
- *Industrial* – 500 square feet per employee. This density covers flex space, light industrial, manufacturing and research and development activities such as prototype production and testing. The 500 square feet per employee average is based on ITE⁽¹⁵⁾ and is consistent with parking ratios for a recent industrial project in San José called MidPoint@237⁽¹⁹⁾. The data sources are summarized in Appendix Table B-4.
- *Research and Development (R&D)* – 400 square feet per employee. The estimated employment density is based on ITE⁽¹⁵⁾ and is consistent with estimates for a planned R&D development in a nearby city⁽²⁰⁾. The data sources are summarized in Appendix Table B-4.
- *Warehouse* – 2,000 square feet per employee. This reflects that the primary activity in the building is assumed to be storage or logistics. A small amount of office or administrative space is assumed within warehouse structures. Sources consulted include ITE⁽¹⁵⁾, a Portland Metro Employment Density Study⁽²¹⁾, U.S. Department of Energy (15), and parking ratios reflected in six pipeline warehouse projects in San José^{(22) (23) (24) (25) (26) (27)}. The estimate at 2,000 square feet per employee represents around 60% of the number of employees as can be accommodated by parking ratios for pipeline warehouse developments in San José; therefore, the estimate provides a conservative estimate of employment that will tend to understate impacts. The data sources are summarized in Appendix Table B-4.
- *Residential Care* – 2,000 square feet per employee. The employment density estimate is based on three residential care facilities in San José, including Belmont Village Union Avenue⁽²⁸⁾, Holden Assisted Living, South Bascom^{(29) (30) (31) (32)}, and Oakmont of

Evergreen⁽³³⁾ as well as two examples from other Bay Area cities⁽³⁴⁾ ⁽³⁵⁾. The data sources are summarized in Appendix Table B-3.

Potential Effects of Coronavirus Pandemic on Employment Density

This Nexus Analysis was prepared during the coronavirus pandemic, which is expected to have implications for the workplace that could alter the density of employment. Office buildings tend to be the focus of publications describing workplace changes in response to the coronavirus that have the potential to alter density of employment⁽³⁶⁾ ⁽³⁷⁾ ⁽³⁸⁾. Offices also tend to have higher density of employment than other building types, as shown in Table 3-1. Potential effects can be separated into short-term, during the pandemic, and longer-term, post-pandemic. As the Nexus Analysis determines mitigation costs over the life of new buildings, long-term effects are pertinent while short-term or temporary changes in response to the pandemic do not warrant an adjustment. Based on interviews with members of the development community conducted by KMA and described in the companion feasibility study report⁽³⁹⁾, few commercial buildings are expected to commence construction during the pandemic, another reason long-term post-pandemic effects are more pertinent than short-term effects.

Short-term effects of the pandemic on the workplace are driven by measures to protect health and safety of workers and reduce the risk of virus transmission. Measures being contemplated to support a return to work within offices include increasing distance between workstations, installation of physical barriers to protect workers, reduction in common amenities, limiting the number of workers present at any one time, modified cleaning protocols, providing protective equipment, and monitoring for virus symptoms⁽⁴⁰⁾ ⁽³⁷⁾. According to a survey of Chief Financial Officers by PwC, 78% are planning to reconfigure office environments to promote physical distancing as employees return to work⁽²⁾. In addition, many workers are expected to continue to work remotely while the threat of the virus remains⁽³⁾ ⁽²⁾ ⁽³⁸⁾. The July 2020 order of the Health Officer for the County of Santa Clara in response to the pandemic mandates that businesses maintain at least 250 gross square feet per worker and requires all employees who can do their jobs from home to work remotely⁽⁴¹⁾.

Long term shifts in the workplace are also seen as possible outcomes of the pandemic. Longer term changes that are being imagined stem from changes in worker behavior, preferences and company policies brought on by the pandemic and the experience with remote working. Some companies have announced they will allow remote work for an extended period and a few have indicated they will allow remote working permanently^(3; 4) ⁽²⁾. With permanent remote working, an increasing share of the workforce may not require a physical workplace outside of their homes. This would tend to reduce the need for new commercial buildings overall and may alter decision making by companies about where offices are located⁽⁴²⁾. New workplace buildings are built to house a workforce that is physically present; therefore, the shift toward remote work would not necessarily reduce the density of employment within newly-built buildings. In addition, a partial shift towards remote work, such as two to three days per week, could actually allow a greater density of employment in that the same office space could accommodate more employees if not

all workers are physically present at the same time and some workstations are shared rather than designated to a specific employee⁽⁴³⁾.

Prior to the pandemic, there was a long running trend towards more open plan offices that accommodate a greater density of employment⁽⁴²⁾. One potential longer-term impact being contemplated is a move toward office layouts that provide more space between employees⁽⁴⁾ as a reflection of changes in employee personal preferences which might endure beyond the end of the pandemic. Members of the development community interviewed by KMA indicated there is a view that local tech companies, which tend to have a high density of employment, may modify office layouts in ways that increase the square feet of office space per employee. However, not all experts agree that the effects of the pandemic will be durable, with some predicting preferences for physical distancing will fade after the pandemic is over and will not lead to a fundamental shift away from open plan offices or alter space requirements per employee⁽⁴⁴⁾.

At the time the Nexus Analysis was prepared, the pandemic is on-going and, while there is speculation regarding long-term changes, there is no data on how employment densities will be altered post-pandemic. Considering the unknowns and to provide a conservative analysis, the estimated square feet of office space per employee was increased by one third from estimates prepared prior to the pandemic. This factor is based on a statement in materials produced through the CoreNet Global⁴ “COVID-19 Hackathon” which states “if planning principles reverted to a world of primarily enclosed offices or high-paneled cubicles to give employees increased separation, square footage requirements per person would increase anywhere from 20 to 30 percent”⁽⁴⁴⁾. For office space, this one third increase results in an employment density of 400 square feet per employee, up from a pre-coronavirus estimate of 300 square feet per employee. For high-tech office, the assumed one third increase in square footage per employee results in an employment density of 300 square feet per employee versus a pre-coronavirus estimate of 225 square feet per employee. While a reduction in employment density of this magnitude may be unlikely⁽⁴⁴⁾, the adjustment is never-the-less made to ensure maximum fee levels identified in this Nexus Analysis represent conservative results that likely understate the mitigation costs.

Step 2 – Net New Employment After Adjustment for Changing Industries

This step makes an adjustment to employment estimates to take into account any declines, changes and shifts within all sectors of the economy and to recognize that new space is not always 100% equivalent to net new employees.

The local economy, like that of the U.S. as a whole, is constantly evolving, with job losses in some sectors and job growth in others. Over the past decade, employment declined in some

⁴ CoreNet Global is a non-profit association representing more than 11,000 executives with responsibility for the real estate assets of large corporations.

manufacturing sectors of the local economy as well as wholesale and retail trade, telecommunications, leisure and hospitality, and other services ⁽¹⁾. Jobs lost in these declining sectors were replaced by job growth in other industry sectors.

The analysis makes an adjustment to take these declines, changes and shifts within all sectors of the economy into account, recognizing that jobs added are not 100% net new in all cases. A 23% adjustment is utilized based on the long-term shifts in employment that have occurred in some sectors of the local economy over the last decade and the likelihood of continuing changes in the future. Long term declines in employment experienced in some sectors of the economy mean that some of the new jobs are being filled by workers that have been displaced from another industry and who are presumed to already have housing locally. The analysis makes the assumption that existing workers downsized from declining industries are available to fill a portion of jobs in new workplace buildings built in San José.

The 23% downward adjustment was derived from California Employment Development Department data on employment by industry in the San José-Sunnyvale-Santa Clara MSA ⁽¹⁾. Over the approximately ten-year period from January 2010 to May 2020⁵, approximately 44,700 jobs were lost in declining industry sectors. Over the same period, growing and stable industries added a total of 193,600 jobs. The figures are used to establish a ratio between jobs lost in declining industries to jobs gained in growing and stable industries at 23%. The assumption is that 23% of new jobs are filled by a worker down-sized from a declining industry who already lives locally.

The discount for changing industries represents a conservative assumption because many displaced workers may exit the workforce entirely by retiring. In addition, development of new workspace buildings will typically occur only to the extent there is positive net demand after re-occupancy of buildings vacated by businesses in declining sectors of the economy. To the extent existing buildings are re-occupied, the discount for changing industries is unnecessary because new buildings would represent net new growth in employment. The 23% adjustment is conservative in that it is mainly necessary to cover a special case in which buildings vacated by declining industries cannot be readily occupied by other users due to their special purpose nature, because of obsolescence, or because they are torn down or converted to residential.

Step two is illustrated in Table 3-2.

⁵ May 2020 was selected as the most recent monthly data available at the time this report was prepared while January 2010 was selected as the point of comparison based on having the same 11.2% unemployment rate ⁽¹⁾, which enables longer-term declines to be distinguished from the effects of shorter-term economic cycles.

Table 3-2. Net New Jobs after 23% Adjustment		
Per 100,000 Square Feet of Building Area		
Building Type	Number of Employees (from Table 3-1)	Net New Employees after 23% Adjustment
Office	250	193
Office, High-Tech	333	257
Retail	200	154
Hotel	67	51
Industrial	200	154
Research and Development	250	193
Warehouse	50	39
Residential Care	50	39

Step 3 – Adjustment from Employees to Employee Households

This step 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 needed for new workers is less than the number of new workers. The workers-per-worker-household ratio eliminates from the equation all non-working households, such as retired persons and students.

According to the 2013-2017 ACS ⁽⁴⁶⁾ ⁽⁴⁷⁾, the number of workers per worker household for the City of San José is 1.91 including full- and part-time workers⁶. For Santa Clara County outside of the City of San José, the ratio is 1.75 workers per worker household. Based on data from the 2013-2017 ACS ⁽⁴⁸⁾ ⁽⁴⁹⁾, workers who live in San José make up approximately 59% of the City's overall workforce while the remaining 41% of those who work in San José commute in from outside the city. These percentages are used to calculate a weighted average workers per worker household factor of 1.84 estimated to be representative for San José's workforce.

The total number of jobs created is divided by the 1.84 workers per worker household factor to determine the number of housing units that are needed to house the new workforce. Step three is illustrated in Table 3-3.

⁶ Source data does not allow a breakout between full and part time workers; however, for purposes of compensation levels, full time work is assumed for all workers as described in Step 5.

Table 3-3. Housing Units Needed		
Per 100,000 Square Feet of Building Area		
Building Type	Net New Jobs per 100,000 Square Feet of Building Area (from Table 3-2)	Total Number of Housing Units Needed (= net new jobs / 1.84 workers per worker household)
Office	193	104.5
Office, High-Tech	257	139.3
Retail	154	83.6
Hotel	51	27.9
Industrial	154	83.6
Research and Development	193	104.5
Warehouse	39	20.9
Residential Care	39	20.9

Step 4 – Occupational Distribution of Employees

Estimating the occupational breakdown of employees is the first step to arrive at income levels. The occupational make up of jobs by building type is estimated by combining two data sources: Bureau of Labor Statistics data ⁽⁵⁰⁾ on the distribution of occupations by industry category and data on employment by industry for San José from the Quarterly Census of Employment and Wages (QCEW) ⁽⁵¹⁾. Industry categories are weighted to reflect the mix of employers in San José.

- For office buildings, the mix of industries reflects a wide range of tech, financial, professional service, research and development and medical.
- For high tech office, tenants are assumed to be primarily tech related firms within sectors such as software publishing, computer system design, research and development, telecommunications, data processing, hosting, and related services, and other information services.
- For retail, a wide range of retail categories are included as well as restaurants and personal services.
- For hotels, the applicable industry sector is Traveler Accommodation. An adjustment is made to remove casino hotels.
- The Industrial category encompasses a range of manufacturing, research and development, and automotive and other maintenance and repair services.
- Research and development reflects the industry category for research and development in the physical, engineering and life sciences.
- For warehouse, the applicable industry category is Warehouse & Storage.
- For residential care, the industry category for continuing care retirement communities and assisted living facilities is used.

This step results in a distribution of workers by occupation category for the eight building types. Appendix C Table 17 identifies the specific industry codes utilized by building type. Table 3-4 indicates the percentage distribution by occupation.

	Table 3-4. Estimated Percentage Distribution of Workers by Major Occupation Category							Residential Care
	Office	Office, High-Tech	Retail	Hotel	Industrial	R&D	Warehouse	
Management Occupations	9.8%	12.0%	2.5%	4.4%	9.9%	14.6%	2.7%	3.3%
Business and Financial	14.8%	10.6%	0.6%	1.5%	6.9%	9.7%	2.0%	0.9%
Computer and Mathematical	20.3%	42.3%	0.1%	0.1%	6.9%	12.0%	0.6%	0.1%
Architecture and Engineering	4.4%	3.3%	0.0%	0.0%	12.1%	16.5%	0.4%	0.0%
Sciences	2.0%	2.8%	0.0%	0.0%	6.8%	25.7%	0.0%	0.0%
Community & Social Services	0.6%	0.0%	0.0%	0.0%	0.1%	0.2%	0.0%	0.8%
Legal	2.4%	0.5%	0.0%	0.0%	0.2%	0.5%	0.0%	0.0%
Education, and Library	0.4%	1.2%	0.1%	0.1%	0.2%	0.4%	0.0%	0.0%
Arts, Design, Entertainment	2.1%	3.1%	0.5%	0.2%	0.9%	1.2%	0.1%	0.0%
Healthcare Practitioners	5.7%	0.4%	2.1%	0.0%	0.9%	3.0%	0.1%	10.6%
Healthcare Support	3.5%	0.1%	0.4%	0.5%	0.2%	0.8%	0.0%	27.0%
Protective Service	0.3%	0.1%	0.4%	1.5%	0.1%	0.4%	0.7%	0.6%
Food Prep and Serving	0.4%	0.0%	42.6%	24.9%	0.3%	0.1%	0.1%	17.9%
Building and Grounds	0.4%	0.2%	0.6%	31.0%	0.4%	0.4%	0.7%	6.0%
Personal Care and Service	0.8%	0.1%	5.1%	4.1%	0.1%	0.3%	0.0%	22.9%
Sales and Related	6.0%	8.4%	28.0%	2.5%	3.5%	1.4%	1.2%	0.5%
Office and Admin Support	22.8%	11.6%	8.1%	20.0%	9.9%	8.5%	22.5%	5.3%
Farming, Fishing, Forestry	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.1%	0.0%
Construction and Extraction	0.4%	0.1%	0.1%	0.2%	0.5%	0.4%	0.1%	0.1%
Installation, Maint. and Repair	1.6%	2.6%	2.5%	5.5%	2.9%	1.4%	2.8%	2.5%
Production	0.7%	0.4%	1.7%	2.4%	33.8%	2.1%	2.4%	0.5%
Transportation	<u>0.6%</u>	<u>0.2%</u>	<u>4.3%</u>	<u>1.0%</u>	<u>3.2%</u>	<u>0.4%</u>	<u>63.4%</u>	<u>1.0%</u>
Totals	100%	100%	100%	100%	100%	100%	100%	100%

To determine the distribution of worker households by occupation category, the percentage distribution of worker occupations identified in Table 3-4 is multiplied by the total number of worker households from Table 3-3. The result is a distribution in the number of worker households by worker occupation category as shown in Table 3-5. As one example, the 104.5 estimated worker households with office (Table 3-3) is multiplied by the 9.8% share in management occupations (Table 3-4) to arrive at the 10.2 worker households in management occupations in Table 3-5.

Table 3-5. Number of Worker Households by Worker Occupation Category
Per 100,000 Square Feet of Building Area

	Office	Office, High-Tech	Retail	Hotel	Industrial	R&D	Warehouse	Residential Care
Management								
Occupations	10.2	16.8	2.1	1.2	8.3	15.2	0.6	0.7
Business and Financial	15.5	14.8	0.5	0.4	5.7	10.2	0.4	0.2
Computer and								
Mathematical	21.2	58.9	0.1	0.0	5.7	12.5	0.1	0.0
Architecture and								
Engineering	4.6	4.7	0.0	0.0	10.1	17.3	0.1	0.0
Sciences	2.0	3.9	0.0	0.0	5.7	26.9	0.0	0.0
Community & Social								
Services	0.6	0.0	0.0	0.0	0.1	0.2	0.0	0.2
Legal	2.5	0.6	0.0	0.0	0.2	0.6	0.0	0.0
Education, and Library	0.4	1.6	0.1	0.0	0.2	0.4	0.0	0.0
Arts, Design,								
Entertainment	2.2	4.3	0.4	0.1	0.8	1.2	0.0	0.0
Healthcare Practitioners	6.0	0.6	1.8	0.0	0.7	3.1	0.0	2.2
Healthcare Support	3.6	0.1	0.4	0.1	0.2	0.9	0.0	5.6
Protective Service	0.4	0.2	0.3	0.4	0.1	0.4	0.2	0.1
Food Prep and Serving	0.5	0.0	35.6	6.9	0.3	0.1	0.0	3.7
Building and Grounds.	0.4	0.3	0.5	8.6	0.4	0.4	0.2	1.3
Personal Care and								
Service	0.8	0.1	4.3	1.1	0.1	0.3	0.0	4.8
Sales and Related	6.3	11.7	23.4	0.7	2.9	1.5	0.3	0.1
Office and Admin								
Support	23.8	16.1	6.8	5.6	8.3	8.8	4.7	1.1
Farming, Fishing,								
Forestry	0.0	0.0	0.0	0.0	0.1	0.2	0.0	0.0
Construction and								
Extraction	0.4	0.1	0.1	0.0	0.4	0.4	0.0	0.0
Installation, Maint. and								
Repair	1.6	3.6	2.1	1.5	2.4	1.4	0.6	0.5
Production	0.8	0.6	1.4	0.7	28.2	2.1	0.5	0.1
Transportation	<u>0.7</u>	<u>0.2</u>	<u>3.6</u>	<u>0.3</u>	<u>2.7</u>	<u>0.4</u>	<u>13.2</u>	<u>0.2</u>
Totals	104.5	139.3	83.6	27.9	83.6	104.5	20.9	20.9

Step 5 – Estimate of Employee Household Incomes

Employee wage and salary distribution is based on the occupational distribution from Step 4 in combination with recent Santa Clara County wage and salary information from the California Employment Development Department (EDD) for the first quarter of 2020 ⁽⁵²⁾.

For each occupational category shown in Tables 3-4 and 3-5, the OES data provides a distribution of specific occupations within the category. For example, within the Food Preparation and Serving Category, there are Supervisors, Cooks, Servers, Dishwashers, etc. Each of these individual categories has a different distribution of wages which was obtained

from EDD and is specific to workers in the San Jose-Sunnyvale-Santa Clara MSA as of 2020. This data is used because it includes the City of San Jose and comparable data isolating only those jobs within the City’s boundaries is not available. EDD compensation data are adjusted upwards where applicable to reflect the City of San José’s current minimum wage of \$15.25 per hour⁽⁵³⁾. Worker compensations used in the analysis assume full time employment (40 hours per week) based on EDD’s convention for reporting annual compensation. The detailed occupation and salary data is provided in Appendix C.

Employee income is then translated into an estimate of household income using ratios between individual employee income and household income derived from U.S. Census data⁽⁵⁴⁾ shown in Table 3-6. Ratios reflect an analysis of data for the workforce in Santa Clara County with household incomes under five hundred thousand. The data source does not allow ratios specific to San José’s workforce to be determined; however, County data is representative for San José’s workforce, which includes workers that live both inside and outside the city. Households with income of five hundred thousand or more are not included to avoid a disproportionate influence on averages⁷ by a small percentage of households with incomes well over levels addressed in the Nexus Analysis⁸.

Table 3-6. Ratio of Household Income to Individual Worker Income			
Individual Worker Income	One Worker Households	Two Worker Households	Three or More Workers
\$30,000 to \$49,999	1.26	2.57	3.12
\$50,000 to \$74,999	1.08	2.07	2.34
\$75,000 to \$99,999	1.09	1.82	1.97
\$100,000 to \$124,999	1.04	1.67	1.71
\$125,000 to \$149,999	1.04	1.54	1.59
\$150,000 to \$199,999	1.02	1.47	1.47
\$200,000 to \$249,999	1.02	1.35	1.36
\$250,000 or more	1.01	1.12	1.12

Source: KMA analysis of 2013 to 2017 American Community Survey PUMS data.

A ratio of 1.0 in Table 3-6 indicates the household has no additional income beyond that of the individual worker. A ratio of 2.0 means total household income is twice what the individual worker earns. With a two-earner household, a ratio of 2.0 indicates each worker in the household earns about the same amount. A ratio above 2.0 would indicate the other worker in the household earns more, on average, while a ratio less than 2 indicates the other worker earned less. The ratio between worker income and overall household income decreases as

⁷ By way of illustration, a worker with an income of \$35,000 in a household with a total income of \$1,500,000 would have a ratio between worker income and household income of approximately 42. As an outlier many times the average of 2.57 for two-worker households calculated in Table 3-6, inclusion of the factor of 42 in calculation of the average would have an arithmetically disproportionate influence on the average.

⁸ An income of \$500,000 is approximately 2.94 times the maximum income to qualify as Moderate Income of \$169,900 for a four-person household.

worker pay increases. This is because workers with higher pay are more likely to represent the largest source of household income.

The ratios adjust employee incomes upward even for households with only one worker. This is in consideration of non-wage/salary income sources such as child support, disability, social security, investment income and others. Ratios for one-worker households at the lower end of the compensation range tend to be larger, an indication that these workers are more likely to derive a share of household income from non-employment sources such as social security.

For workers with compensations of \$100,000 or more, having a third worker in the household tends to result in little or no increase in overall household income compared to households with two earners (i.e. ratios for 3+ worker households are not much above ratios for two earner households). This is likely a reflection of the third worker being a teenager or young adult living with their parents who may hold a part time job but does not contribute significantly to household income. In contrast, for workers earning under \$50,000, a third worker tends to be associated with more of an increase to household income compared to two-earner households. This likely represents more of a range of circumstances such as multi-generational households, families doubling up in a unit, or unrelated roommates. It is likely that, in some cases, these are responses to high housing costs and households would not choose the same living arrangements if more affordable housing were available. The Nexus Analysis makes the conservative assumption that the existing pattern, which is likely partially a response to high housing costs, continues.

Household income estimates for workers within each detailed occupation category are summarized in Appendix C. A separate estimate is provided for households with one, two, and three or more workers. Household income estimates are compared to HCD income criteria summarized in Table 2-1 to estimate the percent of worker households that would fall into each income category. This is done for each potential combination of household size and number of workers in the household.

Step 6 – Household Size Distribution

In this step, the household size distribution of workers is estimated using U.S. Census data⁽⁴⁶⁾⁽⁵⁵⁾. In addition to the distribution in household sizes, the data also accounts for a range in the number of workers in households of various sizes. Table 3-7 indicates the percentage distribution utilized in the analysis. As with Step 3, data for the City of San José and the balance of Santa Clara County are combined using a weighted average that reflects the 59% share of San José's workforce that lives in the City per data from the 2013-2017 ACS⁽⁴⁸⁾⁽⁴⁹⁾. Application of these percentage factors accounts for the following:

- Households have a range in size and a range in the number of workers.
- Large households generally have more workers than smaller households.

Table 3-7. Percent of Households by Size and No. of Workers		
No. of Persons in Household	No. of Workers in Household	Percent of Total Households
1	1	14.4%
2	1	12.9%
	2	14.9%
3	1	8.3%
	2	9.5%
	3+	3.2%
4	1	5.9%
	2	8.2%
	3+	5.2%
5	1	2.7%
	2	3.7%
	3+	2.5%
6	1	2.6%
	2	3.6%
	3+	2.5%
Total		100.0%

Source: 2013-2017 American Community Survey data. Reflects weighted average for City of San José and balance of Santa Clara County outside of the City of San José, weighed based on the share of San José's workforce that lives in the City.

The result of Step 6 is a distribution of working households by number of workers and household size.

Step 7 – Estimate of Households that meet HCD Size and Income Criteria

Step 7 calculates the number of employee households that fall into each income category for each size household. This calculation is based on combining the household income distribution (Step 5) with the worker household size distribution (Step 6) to arrive at a distribution of worker households by income category. Table 3-13A at the end of this section shows the results by occupation category after completing Steps 5, 6 and 7 for the Extremely Low Income Tier. The methodology is repeated for each of the lower income tiers (Tables 3-13B, 3-13C, and 3-13D).

3.2 Housing Demand by Income Level

Table 3-8 indicates the results of the analysis for each of the eight building types. The table presents the number of households in each affordability category, the total number up to 120% of median, and the remaining households earning over 120% of median associated with a 100,000 square foot building.

Table 3-8. Number of Households by Income Category								
Per 100,000 Square Feet of Building								
	Office	Office, High-Tech	Retail	Hotel	Industrial	R&D	Warehouse	Residential Care
Extremely Low	1.1	0.8	4.1	1.7	1.7	0.3	1.1	1.1
Very Low Income	12.2	10.0	31.6	10.3	15.6	6.1	6.7	6.9
Low Income	15.7	17.0	8.1	4.9	14.1	12.7	4.8	3.4
Moderate Income	35.1	45.0	30.0	8.3	27.3	34.1	6.6	7.4
Subtotal	64.1	72.8	73.7	25.2	58.7	53.2	19.2	18.8
Above 120% AMI	40.4	66.5	9.9	2.7	24.9	51.3	1.7	2.1
Total	104.5	139.3	83.6	27.9	83.6	104.5	20.9	20.9

Table 3-9 summarizes the percentage of worker households that fall into each income category. As indicated, over 85% of Retail, Warehouse, Residential Care and Hotel worker households are below 120% of median income level. High Tech Office and R&D have the lowest percentage of workers under 120% of median at 52% and 51%, respectively.

Table 3-9. Percentage of Households by Income Category								
	Office	Office, High-Tech	Retail	Hotel	Industrial	R&D	Warehouse	Residential Care
Extremely Low	1.1%	0.6%	4.9%	6.3%	2.1%	0.3%	5.1%	5.1%
Very Low Income	11.6%	7.2%	37.8%	36.9%	18.7%	5.9%	32.2%	33.2%
Low Income	15.1%	12.2%	9.6%	17.6%	16.9%	12.1%	23.1%	16.1%
Moderate Income	33.6%	32.3%	35.9%	29.7%	32.6%	32.6%	31.6%	35.4%
Subtotal	61.4%	52.2%	88.2%	90.4%	70.3%	50.9%	91.9%	89.8%
Above 120% AMI	38.6%	47.8%	11.8%	9.6%	29.7%	49.1%	8.1%	10.2%
Total	100%	100%	100%	100%	100%	100%	100%	100%

3.3 Housing Demand Per Square Foot of Building Area

The analysis thus far has used 100,000 square foot buildings. In this step, the conclusions are translated to affordable housing demand per square foot of building area (see Table 3-10).

Table 3-10. Affordable Housing Demand Per Square Foot of Building Area¹								
Income Category	Office	Office, High-Tech	Retail	Hotel	Industrial	R&D	Warehouse	Residential Care
Extr. Low	0.0000110	0.0000081	0.0000413	0.0000175	0.0000173	0.0000030	0.0000106	0.0000107
Very Low	0.0001215	0.0000999	0.0003157	0.0001027	0.0001561	0.0000613	0.0000672	0.0000694
Low	0.0001574	0.0001699	0.0000806	0.0000491	0.0001412	0.0001270	0.0000483	0.0000337
Moderate	0.0003514	0.0004500	0.0002998	0.0000827	0.0002728	0.0003406	0.0000659	0.0000739
Total	0.0006414	0.0007278	0.0007374	0.0002520	0.0005874	0.0005318	0.0001921	0.0001877

¹ Calculated by dividing the findings from Table 3-8 by 100,000 square feet of building area.

This is the summary of the housing nexus analysis, or the linkage from buildings to employees to housing demand, by income level. Estimates are conservative and most likely understate the number of worker households within the four affordability categories.

3.4 Affordability Gap

A key component of the analysis is the affordability gap, which represents the subsidy required to deliver affordable units to households in each of the four affordability categories. Fees are anticipated to be used to provide financial assistance to affordable projects built by non-profit affordable housing developers. For Extremely Low, Very Low, and Low Income units, the affordability gap assumes that the City would assist affordable rental units financed with 4% tax credits. For Moderate Income, a for-sale unit is assumed to be assisted. While the City may assist some Moderate-Income households in rental units, the affordability gap for rentals was found to be greater than with for-sale units. The lower for-sale affordability gap calculation is selected as the more conservative assumption for the Nexus Analysis. The affordability gaps are summarized in Table 3-11. Supporting analysis is provided in Section 4.

Table 3-11. Affordability Gaps	
Extremely Low (Under 30% AMI)	\$383,000
Very Low (30% to 50% AMI)	\$279,000
Low (50% to 80% AMI)	\$228,000
Moderate (80% to 120% AMI)	\$181,300

AMI = Area Median Income
See Section 4. for supporting analysis.

3.5 Maximum Supported Fees Per Square Foot of Building Area

The last step in the Nexus Analysis calculates the cost of delivering affordable housing to workers in new non-residential buildings. The demand for affordable units within each income category per square foot of building area from Table 3-10 is multiplied by the affordability gaps from Table 3-11 to determine the cost to mitigate the affordable housing impacts.

Affordability Gap (Table 3-11)	X	No. affordable units generated per square foot of building area. (from Table 3-10)	=	Maximum Fee Per Square Foot of Building Area
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The results of this calculation are presented in Table 3-12. The findings in Table 3-12 represent the maximum affordable housing impact fee that could be charged to new non-residential developments to mitigate the development's impacts on the need for affordable housing. These figures are not recommended fee levels; they represent only the maximums established by this analysis.

Table 3-12. Maximum Supported Fees Per Square Foot of Building Area.

INCOME CATEGORY	Office	Office, High-Tech	Retail	Hotel	Industrial	R&D	Warehouse	Residential Care
Extremely Low	\$4.20	\$3.10	\$15.80	\$6.70	\$6.60	\$1.10	\$4.10	\$4.10
Very Low	\$33.90	\$27.90	\$88.10	\$28.70	\$43.60	\$17.10	\$18.80	\$19.40
Low	\$35.90	\$38.70	\$18.40	\$11.20	\$32.20	\$28.90	\$11.00	\$7.70
Moderate	\$63.70	\$81.60	\$54.40	\$15.00	\$49.50	\$61.70	\$12.00	\$13.40
Total Nexus Cost / Maximum Supported Fee	\$137.70	\$151.30	\$176.70	\$61.60	\$131.90	\$108.80	\$45.90	\$44.60

Note: Nexus findings are not recommended fee levels.

Total nexus or mitigation costs are high due to the low compensation levels of many jobs, coupled with the high cost of developing residential units. Higher employment densities also contribute to higher nexus costs. Retail has the highest nexus cost, driven by the combination of generally lower worker compensation levels and the density of employment. While hotel, warehouse and residential care have a similar percentage of their workforce at or below Moderate Income as retail, the lower density of employment results in a lower nexus cost compared to retail.

3.6 Conservative Assumptions

In establishing maximum fees, many conservative assumptions were employed in the analysis that result in a cost to mitigate affordable housing needs that may be considerably understated. These conservative assumptions include:

- Only direct employees are counted in the analysis. Many indirect employees are also associated with each new workspace. Indirect employees in an office building, for example, include security, delivery personnel, building cleaning and maintenance personnel, and a whole range of others. Hotels do have many of these workers on staff, but hotels also “contract out” a number of services that are not taken into account in the analysis. For simplicity and because the results using only direct employees are significantly higher than the fee levels typically considered for adoption, we limit it to direct employees only.
- A downward adjustment of 23% has been reflected in the analysis to account for declining industries and the potential that displaced workers from declining sectors of the economy will fill a portion of new jobs. This is a conservative assumption because many displaced workers may exit the workforce by retiring and the adjustment is only necessary to the extent vacated space is not re-occupied.
- Estimated office employment densities have been reduced to reflect the possibility that the coronavirus will have a long-term impact on employment density. This is a

conservative assumption that will tend to understate impacts given there is no evidence that measures taken to protect health and safety, such as increased physical separation between employees, will endure after the pandemic subsidies.

- Annual incomes for workers reflect full time employment based upon EDD's convention for reporting the compensation information. In fact, many workers work less than full time; therefore, annual compensations for these workers is likely overstated.

In summary, less conservative assumptions could have been made that would justify higher maximum linkage fees.

TABLE 3-13A
ESTIMATE OF QUALIFYING HOUSEHOLDS - EXTREMELY LOW INCOME
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Analysis for Households Earning up to 30% of Median

	Office	Office, High-Tech	Retail	Hotel	Industrial	Research and Development	Warehouse	Residential Care
<i>Per 100,000 SF Building</i>								
Households Earning up to 30% of Median (Step 5, 6, & 7) ⁽¹⁾								
Management	-	-	-	-	-	-	-	-
Business and Financial Operations	0.10	0.01	-	-	0.00	0.00	0.00	-
Computer and Mathematical	0.00	0.00	-	-	0.00	0.00	-	-
Architecture and Engineering	0.00	0.00	-	-	0.01	0.01	-	-
Life, Physical and Social Science	-	0.00	-	-	0.01	0.01	-	-
Community and Social Services	-	-	-	-	-	-	-	-
Legal	0.00	-	-	-	-	-	-	-
Education Training and Library	-	-	-	-	-	-	-	-
Arts, Design, Entertainment, Sports, and Media	0.02	0.01	-	-	-	-	-	-
Healthcare Practitioners and Technical	0.00	-	0.07	-	-	0.00	-	0.00
Healthcare Support	0.06	-	-	-	-	-	-	0.32
Protective Service	-	-	-	-	-	-	-	-
Food Preparation and Serving Related	-	-	2.13	0.39	-	-	-	0.22
Building Grounds and Maintenance	-	-	-	0.96	-	-	-	0.14
Personal Care and Service	-	-	0.23	0.08	-	-	-	0.28
Sales and Related	0.07	0.13	0.98	0.01	0.06	-	-	-
Office and Admin	0.77	0.59	0.28	0.17	0.28	0.18	0.20	0.05
Farm, Fishing, and Forestry	-	-	-	-	-	-	-	-
Construction and Extraction	-	-	-	-	-	-	-	-
Installation Maintenance and Repair	-	0.02	0.04	0.01	0.03	-	0.00	0.00
Production	-	-	-	0.04	1.13	0.07	0.02	-
Transportation and Material Moving	-	-	0.23	-	0.15	-	0.79	-
HH earning up to 30% of Median - major occupations	1.01	0.78	3.95	1.66	1.66	0.28	1.02	1.02
HH earning up to 30% of Median - all other occupations	0.09	0.03	0.18	0.09	0.07	0.02	0.04	0.05
Total Households Earning up to 30% of Median	1.1	0.8	4.1	1.7	1.7	0.3	1.1	1.1

Notes:

(1) Appendix C Tables 1 through 16 contain additional information on worker occupation categories, compensation levels and estimated household incomes.

TABLE 3-13B
ESTIMATE OF QUALIFYING HOUSEHOLDS - VERY LOW INCOME
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Analysis for Households Earning 30% to 50% of Median

	Office	Office, High-Tech	Retail	Hotel	Industrial	Research and Development	Warehouse	Residential Care
Per 100,000 SF Building								
Households Earning 30% to 50% of Median (Step 5, 6, & 7) ⁽¹⁾								
Management	0.01	0.02	0.08	0.09	0.01	0.01	0.00	0.01
Business and Financial Operations	1.04	0.94	-	-	0.37	0.61	0.03	-
Computer and Mathematical	0.41	1.12	-	-	0.08	0.13	-	-
Architecture and Engineering	0.14	0.08	-	-	0.31	0.34	-	-
Life, Physical and Social Science	-	0.22	-	-	0.40	1.47	-	-
Community and Social Services	-	-	-	-	-	-	-	-
Legal	0.08	-	-	-	-	-	-	-
Education Training and Library	-	-	-	-	-	-	-	-
Arts, Design, Entertainment, Sports, and Media	0.30	0.44	-	-	-	-	-	-
Healthcare Practitioners and Technical	0.17	-	0.29	-	-	0.34	-	0.19
Healthcare Support	1.06	-	-	-	-	-	-	2.06
Protective Service	-	-	-	-	-	-	-	-
Food Preparation and Serving Related	-	-	14.53	2.81	-	-	-	1.46
Building Grounds and Maintenance	-	-	-	3.31	-	-	-	0.48
Personal Care and Service	-	-	1.58	0.45	-	-	-	1.93
Sales and Related	0.93	1.51	9.38	0.17	0.59	-	-	-
Office and Admin	7.01	4.72	2.50	2.21	2.47	2.14	1.68	0.35
Farm, Fishing, and Forestry	-	-	-	-	-	-	-	-
Construction and Extraction	-	-	-	-	-	-	-	-
Installation Maintenance and Repair	-	0.62	0.52	0.42	0.52	-	0.14	0.14
Production	-	-	-	0.27	9.26	0.60	0.18	-
Transportation and Material Moving	-	-	1.32	-	0.97	-	4.42	-
HH earning 30% to 50% of Median - major occupations	11.16	9.66	30.20	9.73	14.97	5.64	6.44	6.62
HH earning 30% to 50% of Median - all other occupations	0.99	0.33	1.38	0.54	0.64	0.49	0.28	0.32
Total Households Earning 30% to 50% of Median	12.2	10.0	31.6	10.3	15.6	6.1	6.7	6.9

Notes:

(1) Appendix C Tables 1 through 16 contain additional information on worker occupation categories, compensation levels and estimated household incomes.

TABLE 3-13C
ESTIMATE OF QUALIFYING HOUSEHOLDS - LOW INCOME
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Analysis for Households Earning 50% to 80% of Median

	Office	Office, High-Tech	Retail	Hotel	Industrial	Research and Development	Warehouse	Residential Care
<i>Per 100,000 SF Building</i>								
Households Earning 50% to 80% of Median (Step 5, 6, & 7) ⁽¹⁾								
Management	0.25	0.34	0.21	0.16	0.23	0.31	0.03	0.05
Business and Financial Operations	2.52	2.14	-	-	0.94	1.58	0.07	-
Computer and Mathematical	1.77	4.81	-	-	0.39	0.84	-	-
Architecture and Engineering	0.49	0.30	-	-	0.91	1.34	-	-
Life, Physical and Social Science	-	0.61	-	-	0.89	4.23	-	-
Community and Social Services	-	-	-	-	-	-	-	-
Legal	0.18	-	-	-	-	-	-	-
Education Training and Library	-	-	-	-	-	-	-	-
Arts, Design, Entertainment, Sports, and Media	0.44	0.80	-	-	-	-	-	-
Healthcare Practitioners and Technical	0.38	-	0.35	-	-	0.53	-	0.37
Healthcare Support	0.91	-	-	-	-	-	-	1.23
Protective Service	-	-	-	-	-	-	-	-
Food Preparation and Serving Related	-	-	2.84	0.66	-	-	-	0.39
Building Grounds and Maintenance	-	-	-	2.78	-	-	-	0.40
Personal Care and Service	-	-	0.49	0.14	-	-	-	0.35
Sales and Related	1.17	2.18	1.40	0.11	0.45	-	-	-
Office and Admin	6.33	4.38	1.18	0.44	2.14	2.32	0.85	0.31
Farm, Fishing, and Forestry	-	-	-	-	-	-	-	-
Construction and Extraction	-	-	-	-	-	-	-	-
Installation Maintenance and Repair	-	0.87	0.51	0.36	0.56	-	0.14	0.12
Production	-	-	-	0.02	6.60	0.52	0.09	-
Transportation and Material Moving	-	-	0.73	-	0.43	-	3.45	-
HH earning 50% to 80% of Median - major occupations	14.45	16.43	7.71	4.65	13.54	11.68	4.63	3.22
HH earning 50% to 80% of Median - all other occupations	1.29	0.56	0.35	0.26	0.58	1.02	0.20	0.15
Total Households Earning 50% to 80% of Median	15.7	17.0	8.1	4.9	14.1	12.7	4.8	3.4

Notes:

(1) Appendix C Tables 1 through 16 contain additional information on worker occupation categories, compensation levels and estimated household incomes.

TABLE 3-13D
ESTIMATE OF QUALIFYING HOUSEHOLDS - MODERATE INCOME
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Analysis for Households Earning 80% to 120% of Median

	Office	Office, High-Tech	Retail	Hotel	Industrial	Research and Development	Warehouse	Residential Care
<i>Per 100,000 SF Building</i>								
Households Earning 80% to 120% of Median (Step 5, 6, & 7) ⁽¹⁾								
Management	1.40	1.97	0.59	0.41	1.25	1.98	0.12	0.16
Business and Financial Operations	6.27	5.79	-	-	2.41	4.12	0.18	-
Computer and Mathematical	6.94	19.11	-	-	1.69	3.64	-	-
Architecture and Engineering	1.54	1.26	-	-	3.05	5.04	-	-
Life, Physical and Social Science	-	1.50	-	-	2.20	11.05	-	-
Community and Social Services	-	-	-	-	-	-	-	-
Legal	0.55	-	-	-	-	-	-	-
Education Training and Library	-	-	-	-	-	-	-	-
Arts, Design, Entertainment, Sports, and Media	0.93	1.82	-	-	-	-	-	-
Healthcare Practitioners and Technical	1.70	-	0.43	-	-	1.22	-	0.85
Healthcare Support	1.53	-	-	-	-	-	-	1.71
Protective Service	-	-	-	-	-	-	-	-
Food Preparation and Serving Related	-	-	14.64	2.61	-	-	-	1.32
Building Grounds and Maintenance	-	-	-	1.58	-	-	-	0.23
Personal Care and Service	-	-	1.73	0.38	-	-	-	2.21
Sales and Related	2.57	4.73	7.16	0.28	1.00	-	-	-
Office and Admin	8.84	5.84	2.14	1.75	3.03	3.51	1.47	0.37
Farm, Fishing, and Forestry	-	-	-	-	-	-	-	-
Construction and Extraction	-	-	-	-	-	-	-	-
Installation Maintenance and Repair	-	1.50	0.88	0.61	1.04	-	0.25	0.20
Production	-	-	-	0.23	9.67	0.78	0.17	-
Transportation and Material Moving	-	-	1.10	-	0.83	-	4.12	-
HH earning 80% to 120% of Median - major occupations	32.27	43.51	28.67	7.84	26.16	31.33	6.32	7.06
HH earning 80% to 120% of Median - all other occupations	2.88	1.48	1.31	0.43	1.12	2.73	0.27	0.34
Total Households Earning 80% to 120% of Median	35.1	45.0	30.0	8.3	27.3	34.1	6.6	7.4

Notes:

(1) Appendix C Tables 1 through 16 contain additional information on worker occupation categories, compensation levels and estimated household incomes.

4.0 AFFORDABILITY GAP ANALYSIS

A key component of an impact analysis is the mitigation cost. In an affordable housing nexus analysis, the mitigation cost is the “affordability gap” - the financial gap between what lower income households can afford to pay and the cost of producing new housing. For Extremely Low, Very Low and Low Income units, the affordability gap analysis is based on the remaining financial gap after assistance available through Federal Low Income Housing Tax Credits (LIHTC). For Moderate Income units, the affordability gap is based on the gap between the estimated development costs of a moderate income for-sale unit and the affordable sales price.

4.1 City Assisted Affordable Unit Prototypes

For estimating the affordability gap, there is a need to match a household of each income level with a unit type and size according to governmental regulations and City practices and policies. The prototype affordable unit should reflect a modest unit consistent with what the City is likely to assist. The focus is on affordable projects developed for families as opposed to projects consisting of primarily studios or single room occupancy units too small to accommodate an average-size worker household.

For Low-, Very Low-, and Extremely Low-Income households, it is assumed that the City will assist in development of multi-family rental units averaging approximately 1.3 bedrooms⁹ per unit consistent with recent and proposed affordable rental projects being developed in San José.

For Moderate-Income households, it is assumed that the City would assist households in an ownership unit. The typical project assumed is a two-bedroom condominium unit with an average unit size of 1,150 square feet with wood frame construction over a concrete podium. The City may also assist Moderate-Income households in rental units. As discussed in Section 4.4, the affordability gap for rentals was found to be somewhat greater than with for-sale units. Consistent with the conservative approach taken throughout the analysis, the lower for-sale affordability gap is applied for purposes of maximum fee calculations. Use of rental findings in the calculation would have produced higher maximum fee conclusions.

4.2 Development Costs

KMA prepared an estimate of total development costs for the affordable housing prototypes described above (inclusive of land acquisition costs, direct construction costs, indirect costs of development and financing). The following table summarizes the per-unit development cost estimates.

⁹ For purposes of calculating the average bedroom size, studios are treated as having zero bedrooms.

Table 4-1. Affordability Unit Development Costs		
<i>Income Group</i>	<i>Unit Tenure / Type</i>	<i>Development Cost</i>
Extremely Low (Under 30% AMI)	Rental	\$690,000
Very Low (30% to 50% AMI)	Rental	\$690,000
Low (50% to 80% AMI)	Rental	\$690,000
Moderate (80% to 120% AMI)	Ownership	\$740,000

For the multi-family rental prototype, costs reflect a review of development costs for six multi-family affordable rental projects in San José, listed below. Costs for each project are summarized in Table 4-5 and are derived from summary information from the County of Santa Clara Office of Supportive Housing and an analysis of affordable unit development costs prepared for the City⁽⁵⁶⁾ ⁽⁵⁷⁾ ⁽⁵⁸⁾. The six multi-family rental affordable projects have an average total development cost of \$726,000 per unit and an average of 1.3 bedrooms per unit. The total development cost estimate for the Nexus Analysis is consistent with the average without including the highest cost project (Quetzal Gardens), in the interest of providing a more conservative analysis.

- Gallup and Mesa
- West San Carlos
- 226 Balbach
- Alum Rock Family
- Roosevelt Park
- Quetzal Gardens

For the moderate-income condominium prototype, development costs are based on a recent KMA pro forma analysis⁽⁵⁹⁾ ⁽⁶⁰⁾ for market rate projects of comparable size, density, and construction type. Adjustments are made to reflect a moderate-income affordable project assisted by the City including removal of the inclusionary in-lieu fee which would not apply for an affordable project, prevailing wages and a developer fee. The analysis makes the conservative assumption that moderate income units are developed within lower land cost areas of the City. The estimated total development costs for a moderate-income condominium unit is \$740,000 including land, direct construction, indirect costs and financing. Additional detail on development cost estimates is presented in Table 4-6.

4.3 Unit Values

For the Extremely Low, Very Low, and Low-Income rental units, unit values are based upon the funding sources assumed to be available for the project. Funding sources include tax-exempt permanent debt financing supported by the project’s operating income, a deferred developer fee, and equity generated by 4% federal low income housing tax credits. The highly competitive 9% federal tax credits are not assumed because of the limited number of projects that receive an allocation of 9% tax credits in any given year per geographic region. Other affordable housing subsidy sources such as CDBG, HOME, AHP, Section 8, and various Federal and State funding programs are also limited and difficult to obtain and therefore are not assumed in

this analysis as available to offset the cost of mitigating the affordable housing impacts of new development.

For affordable ownership units, unit values are based on an estimate of the restricted affordable purchase price for a qualifying Moderate-Income household calculated in Table 4-7.

The unit values are summarized in Table 4-2. Further detail is provided in Tables 4-4 and 4-6.

Table 4-2. Unit Values for Affordable Units		
<i>Income Group</i>	<i>Unit Tenure / Type</i>	<i>Unit Value</i>
Extremely Low (Under 30% AMI)	Rental	\$307,000
Very Low (30% to 50% AMI)	Rental	\$411,000
Low (50% to 80% AMI)	Rental	\$462,000
Moderate (80% to 120% AMI)	Ownership	\$558,700

4.4 Affordability Gap

The affordability gap is the difference between the cost of developing the affordable units and the unit value based on the restricted affordable rent or sales price. The resulting affordability gaps are as presented in Table 4-3.

Table 4-3. Affordability Gap Calculation			
	<i>Unit Value</i>	<i>Development Cost</i>	<i>Affordability Gap</i>
<u><i>Affordable Rental Units</i></u>			
Extremely Low (Under 30% AMI)	\$307,000	\$690,000	\$383,000
Very Low (30% to 50% AMI)	\$411,000	\$690,000	\$279,000
Low (50% to 80% AMI)	\$462,000	\$690,000	\$228,000
<u><i>Affordable Ownership Units</i></u>			
Moderate (80% to 120% AMI)	\$558,700	\$740,000	\$181,300

Detailed analysis supporting the affordability gap calculations is provided in Tables 4-4 to 4-7.

In addition to the findings summarized in Table 4-3, an affordability gap calculation for a Moderate-Income rental unit is included in Table 4-4. While Moderate Income rents are higher than Low Income rents, units over 80% AMI are not eligible for tax credits or a property tax exemption, resulting in an affordability gap similar to Low Income rentals and approximately \$30,000 more than the Moderate Income for-sale affordability gap calculation. As the Moderate Income for-sale affordability gap calculation was found to be less, it was applied for purposes of maximum fee calculations in Section 3.5 to provide a more conservative analysis.

Table 4-4
Affordability Gap Calculation, Rental Affordable Units
Commercial Linkage Fee Nexus Analysis
City of San Jose, CA

	Extremely Low	Very Low	Low Income	Moderate
I. Affordable Prototype				
Tenure	Rental			
Average Number of Bedrooms	1.3 Bedrooms			
II. Development Costs ^[1]				
	Per Unit	Per Unit	Per Unit	Per Unit
Land Acquisition	\$45,000	\$45,000	\$45,000	\$45,000
Directs	\$440,000	\$440,000	\$440,000	\$440,000
Indirects	\$165,000	\$165,000	\$165,000	\$165,000
Financing	\$40,000	\$40,000	\$40,000	\$40,000
Total Development Costs	\$690,000	\$690,000	\$690,000	\$690,000
III. Supported Financing				
	Per Unit	Per Unit	Per Unit	Per Unit
<u>Affordable Rents</u>				
Maximum Rent ^[2]	\$941	\$1,570	\$1,884	\$3,232
(Less) Utility Allowance ^[3]	(\$63)	(\$63)	(\$63)	(\$63)
Maximum Monthly Rent	\$878	\$1,507	\$1,821	\$3,169
<u>Net Operating Income (NOI)</u>				
Gross Potential Income	<u>Per Unit</u>	<u>Per Unit</u>	<u>Per Unit</u>	<u>Per Unit</u>
Monthly	\$878	\$1,507	\$1,821	\$3,169
Annual	\$10,537	\$18,078	\$21,846	\$38,030
Other Income	\$250	\$250	\$250	\$250
(Less) Vacancy 5.0%	(\$539)	(\$916)	(\$1,105)	(\$1,914)
Effective Gross Income (EGI)	\$10,248	\$17,412	\$20,991	\$36,366
(Less) Operating Expense & Reserves ^[4]	(\$7,800)	(\$7,800)	(\$7,800)	(\$7,800)
(Less) Property Taxes ^[5]	\$0	\$0	\$0	(\$5,700)
Net Operating Income (NOI)	\$2,448	\$9,612	\$13,191	\$22,866
<u>Permanent Financing</u>				
Permanent Loan ^[6]	\$35,000	\$139,000	\$190,000	\$330,000
Deferred Developer Fee ^[7]	\$21,000	\$21,000	\$21,000	\$21,000
4% Tax Credit Equity/Developer Equity ^[8]	\$251,000	\$251,000	\$251,000	\$127,000
Total Sources	\$307,000	\$411,000	\$462,000	\$478,000
IV. Affordability Gap				
	Per Unit	Per Unit	Per Unit	Per Unit
Supported Permanent Financing	\$307,000	\$411,000	\$462,000	\$478,000
(Less) Total Development Costs	(\$690,000)	(\$690,000)	(\$690,000)	(\$690,000)
Affordability Gap	(\$383,000)	(\$279,000)	(\$228,000)	(\$212,000)

[1] Development costs estimated by KMA based on costs for recent and pipeline affordable projects in San Jose summarized in Table 4-5.

[2] Maximum rents per Tax Credit Allocation Committee (TCAC) for projects utilizing Low Income Housing Tax Credits. Moderate Income rents at 110% AMI per City rent schedule.

[3] Utility allowances from Santa Clara County Housing Authority (2019).

[4] Based on median operating expense and replacement reserves for eight family affordable projects analyzed by KMA in a report entitled Review of Affordable Housing Development Costs, prepared by KMA for the City of San Jose in October 2019.

[5] Assumes tax exemption for non-profit general partner for units under 80% AMI. Property taxes for Moderate Income based on capitalized value at 5% and a 1.25% tax rate.

[6] Based on representative permanent loan terms including 5.25% interest rate, 1.15 debt service coverage and 40 year term.

[7] Reflects the average deferred developer fee for the specific projects on which development costs are based.

[8] Current tax credit underwriting assumptions drawn from Novogradac.com as of January 2020 and reflect tax credit yield of \$0.94 and applicable percentage of 3.19%. Tax credit equity estimate assumes high cost area adjustment and basis limit adjustments for prevailing wage, parking beneath units, and inclusion of Very Low or ELI units as part of the unit mix. Moderate Income units over 80% AMI are not eligible for tax credits. Supported equity for moderate income is estimated based on a capitalization rate of 5%, which reflects a 0.5% premium over a market rate cap rate of 4.5% less debt financing. A cap rate is used rather than a return on cost as the developer receives a return through a developer fee included in project costs.

**Table 4-5
Development Costs for Recent Affordable Housing Projects in San Jose
Commercial Linkage Fee Nexus Analysis
City of San Jose, CA**

	Gallup & Mesa	West San Carlos	226 Balbach	Alum Rock Family	Roosevelt Park	Quetzal Gardens	Average	Average without Quetzal Gardens
Number of Units	46	80	87	87	80	71	75	76
Avg No. Bedrooms ⁽¹⁾	1.00	1.30	0.94	1.45	1.34	2.00	1.34	1.21
Cost Information Year	2019	2018	2019	2018	2018	2018		
Land	\$0	\$73,906	\$27,586	\$47,207	\$55,243	\$61,247	\$44,000	\$41,000
Direct Construction	\$438,261	\$376,544	\$427,488	\$421,862	\$559,056	\$611,972	\$472,000	\$444,000
Indirect Costs	\$227,672	\$171,220	\$104,665	\$127,284	\$192,367	\$170,027	\$166,000	\$165,000
Financing	<u>\$17,679</u>	<u>\$24,420</u>	<u>\$42,615</u>	<u>\$39,810</u>	<u>\$73,526</u>	<u>\$67,211</u>	<u>\$44,000</u>	<u>\$40,000</u>
Total Development Cost	\$683,612	\$646,091	\$602,354	\$636,163	\$880,191	\$910,456	\$726,000	\$690,000

(1) For purposes of average bedroom size calculations, studios are treated as having zero bedrooms.

Table 4-6
Affordability Gap Calculation, Moderate Income For-Sale
Commercial Linkage Fee Nexus Analysis
City of San Jose, CA

I. Affordable Prototype	
Tenure	For-Sale
Density	50 du/acre
Unit Size	1,150 SF
Bedrooms	2-Bedrooms
Construction Type	Condominiums (Type V over podium)

II. Development Costs ^[1]		Per Unit
Land Acquisition		\$74,000
Directs		\$483,000
Indirects		\$148,000
Financing		\$35,000
Total Costs		<u>\$740,000</u>

III. Affordable Sales Price		Per Unit
Household Size		3 person HH
110% of Median Income ^[2]		\$140,195
Maximum Affordable Sales Price		\$558,700 ^[3]

IV. Affordability Gap		Per Unit
Affordable Sales Price		\$558,700
(Less) Development Costs		<u>(\$740,000)</u>
Affordability Gap - Moderate Income		(\$181,300)

^[1] Costs based on recent KMA pro forma analysis with adjustments to reflect a City funded affordable project including removal of the affordable housing fee, prevailing wages and inclusion of an upfront developer fee as part of indirect costs. The prior analysis is available at <https://sanjose.legistar.com/LegislationDetail.aspx?ID=4200129&GUID=5E04A82B-8D9D-46D1-9FFD-5B80A82B565E&Options=&Search=>

^[2] Per California Health and Safety Code Section 50052.5, the affordable sale price for a Moderate Income household is to be based on 110% of AMI, whereas qualifying income can be up to 120% of AMI.

^[3] See Table 4-7 for Moderate Income home price estimate.

Table 4-7
Affordable Sales Price Calculation
Commercial Linkage Fee Analysis
City of San Jose, CA

Unit Size (Bedroom) Household Size	2-Bedroom <u>3-person HH</u>
Santa Clara County 2020 Median Income	\$127,450
Home Price at 110% of AMI	\$140,195
% for Housing Costs	35%
Available for Housing Costs	\$49,068
(Less) Property Taxes	(\$6,976)
(Less) HOA	(\$4,800)
(Less) Maintenance	(\$300)
(Less) Utilities	(\$1,440)
(Less) Hazard Insurance ⁽⁵⁾	(\$900)
(Less) Mortgage Insurance	(\$4,242)
Income Available for Mortgage	<u>\$30,410</u>
Supported Mortgage	\$530,800
Down Payment @5%	\$27,900
Home Price @110% AMI	<u>\$558,700</u>

Expense Assumptions

- HOA ⁽¹⁾	\$400
- Utilities ⁽²⁾	\$120
- Maintenance ⁽³⁾	\$25

Common Assumptions

- Mortgage Interest Rate ⁽⁶⁾	4.00%
- Down Payment	5.00%
- Property Taxes (% of sales price)	1.25%
- Mortgage Insurance ⁽⁴⁾	0.80%

Notes

- (1) Estimated based on data reported by Redfin.com on HOA dues applicable to homes built since 2000 and sold from July through September 2019.
- (2) Utility allowances per Santa Clara County Housing Authority (2019).
- (3) Per City of San Jose affordable sales price calculations.
- (4) Based on FHA mortgage insurance premium schedule.
- (5) Calculated consistent with City of San Jose inclusionary housing guidelines. For attached units, reflects a "walls-in" policy.
- (6) Reflects average for calendar year 2019 based on Freddie Mac PMMS. Historically low interest rates available as of the time this Nexus Study was prepared are not reflected as interest rates have been driven down by the effects of the pandemic and are unlikely to endure after.

5.0 MITIGATION FEE ACT FINDINGS

This section provides findings language consistent with the requirements of the Mitigation Fee Act as set forth in Government Code § 66000 et seq.

(1) Identify the purpose of the fee (66001(a)(1)).

The purpose of the commercial linkage fee is to fund construction of affordable housing to mitigate the increased demand for affordable housing from workers in newly developed workplace buildings.

(2) Identify the use to which the fee is to be put (66001(a)(2)).

Commercial linkage fees are used to increase the supply of housing affordable to qualifying Extremely Low, Very Low, Low and Moderate-Income households earning from 0% through 120% of median income.

(3) Determine how there is a reasonable relationship between the fee's use and the type of development project on which the fee is imposed (66001(a)(3)).

The foregoing Nexus Analysis has demonstrated that there is a reasonable relationship between the use of the fee, which is to increase the supply of affordable housing in San José, and the development of new non-residential buildings which increases the need for affordable housing. Development of new non-residential buildings increases the number of jobs in San José. A share of the new workers in these new jobs will have household incomes that qualify as Extremely Low, Very Low, Low and Moderate Income and result in an increased need for affordable housing.

(4) Determine how there is a reasonable relationship between the need for the public facility and the type of development project on which the fee is imposed (66001(a)(4)).

The analysis has demonstrated that there is a reasonable relationship between the development of non-residential workspace buildings in San José and the need for additional affordable units. Development of new workspace buildings accommodates additional jobs in San José. Eight different non-residential development types were analyzed (Office, Office High-Tech, Retail, Hotel, Industrial, R&D, Warehouse, and Residential Care). The number of jobs added in various types of new non-residential buildings is documented on page 7. Based on household income levels for the new workers in these new jobs, a significant share of the need is for housing affordable to Extremely Low, Very Low, Low and Moderate Income levels. The Nexus Analysis concludes that for every 100,000 square feet of new office space, 64.1 incremental

affordable units are needed. For High-Tech Office, 72.8 affordable units are needed per 100,000 square feet of space developed, 73.7 for Retail, 25.2 for Hotel, 58.7 for Industrial, 53.2 for R&D, 19.2 for Warehouse and 18.8 for Residential Care.

(5) Determine how there is a reasonable relationship between the amount of the fee and the cost of the public facility or portion of the public facility attributable to the development on which the fee is imposed. (66001(b)).

There is a reasonable relationship between the amount of the fee and the cost of the needed affordable housing attributable to the new non-residential development. The Nexus Analysis has quantified the increased need for affordable units in relation to each type of new non-residential use being developed and determined maximum fee levels based on the cost of providing the needed affordable housing. Costs reflect the net subsidy required to produce the affordable units based on recent cost information for development of affordable housing in San José. Commercial Linkage fees do not exceed the cost of providing the affordable housing that is attributable to the new development.

(6) A fee shall not include the costs attributable to existing deficiencies in public facilities (66001(g)).

The Nexus Analysis quantifies only the net new affordable housing needs generated by new non-residential development in San José. Existing deficiencies with respect to housing conditions in San José are not considered nor in any way included in the analysis.

APPENDIX A: DISCUSSION OF VARIOUS FACTORS IN RELATION TO NEXUS CONCEPT

This appendix includes a discussion of various factors and assumptions in relation to the Nexus Analysis and provides a description of the validity of certain assumptions in the San José market.

1. No Excess Supply of Affordable Housing

An assumption of this Nexus Analysis is that there is no excess supply of affordable housing available to absorb or offset new demand; therefore, new affordable units are needed to mitigate the new affordable housing demand generated by new non-residential development. Based on a review of San José's Housing Element, recent Census information for the City of San José, and other sources, conditions in San José are consistent with the underlying assumption that no excess supply of housing affordable to Extremely Low, Very Low, Low and Moderate Income households exists, as evidenced by the following:

- Census data for San José (from the 2013 to 2017 American Community Survey) shows 39% of all households in the City are paying thirty percent or more of their income on housing ⁽⁶¹⁾.
- For households earning less than \$75,000 per year, a group that includes 38% of all households in the City, 73% are paying thirty percent or more of their income on housing according the U.S. Census 2013 to 2017 American Community Survey ⁽⁶¹⁾.
- San José's Housing Element ⁽⁶²⁾ states that "...approximately 50% of owners (those with a mortgage) and an even higher percentage (53.4%) of renters experiencing housing burden in 2010, this analysis concludes that the existing housing need in San José is substantial. In fact, these results suggest that needs are not confined to lower-income residents, but extend to middle class households as well..."
- San José's Annual Housing Element Progress Report for 2018 ⁽⁶³⁾ indicates approximately 13% of the 20,849 Very Low, Low, and Moderate income unit production target for the 2014 to 2023 Regional Housing Needs Allocation Period have been permitted, a pace that would result in only 30% of the needed Very Low, Low and Moderate Income units being built over the entire nine year planning period.
- Vacancy is approximately 5.6% for rental housing in San José as of 2019 according to real estate data provider Costar ⁽⁶⁴⁾, a level generally considered normal to accommodate regular turnover of units. However, vacancy is skewed toward newer and higher rent units, classified as 4 and 5-star properties by Costar, which have a vacancy rate of 9.2%. Among older and lower rent properties that receive a one or two-star rating by Costar, vacancy is just 4.1%, indicating a tighter housing market among more affordable properties ⁽⁶⁴⁾.

- According to mortgage provider HSH⁽⁶⁵⁾, an income of approximately \$229,000 is needed to afford the median price home in the San José metro area as of the third quarter 2019, which is 1.62 times the area median income for a four-person household⁽⁵⁾.
- Development of new rental units affordable to Extremely Low, Very Low, Low, and Moderate Income is unlikely to occur without a subsidy as rents affordable to these income groups are not sufficient to support the high cost of construction⁽⁶⁶⁾.

2. Addressing the Housing Needs of a New Population vs. the Existing Population

This Nexus Analysis assumes there is no excess supply of affordable housing available to absorb or offset new demand; therefore, new affordable units are needed to mitigate the new affordable housing demand generated by development of new workplace buildings.

This nexus study does not address the housing needs of the existing population. Rather, the study focuses exclusively on documenting and quantifying the housing needs created by development of new workplace buildings.

3. Substitution Factor

Any given new building may be occupied partly, or even perhaps totally, by employees relocating from elsewhere in the region. Buildings are often leased entirely to firms relocating from other buildings in the same jurisdiction. However, when a firm relocates to a new building from elsewhere in the region, there is a space in an existing building that is vacated and occupied by another firm. That building in turn may be filled by some combination of newcomers to the area and existing workers. Somewhere in the chain there are jobs new to the region. The net effect is that new workplace buildings accommodate new employees, although not necessarily inside the new buildings themselves.

4. Relationship Between Construction of Employment Space and Job Growth Holds on Macro Scale

The Nexus Analysis relates square feet of new non-residential development to added jobs in San José on an individual building basis. While the analysis is conducted at the level of the individual building, the underlying relationships hold on a larger County-level scale. KMA reviewed published data on employment in Santa Clara County in relationship to the absorption of new office, R&D and industrial space. As summarized in Table A-1 below, employment has grown in proportion to new building area. Relationships between building area and jobs has been relatively consistent over time with a modest trend toward increasing density of employment. As shown in the table below, over the 10-year period from 2008 to 2018, an average of one new job was added for every 303 square feet of added office, R&D, and industrial space.

Table A-1. Relationship Between Added Jobs and Added Employment Space in Santa Clara County

	2008	2018	Incremental Growth
Jobs in sectors relevant to Office/R&D/Industrial Space ^{1 2}	680,700 Jobs	868,200 Jobs	187,500 Jobs
Office, R&D, and Industrial Space, Santa Clara County ³	249,629,088 Square Feet	306,369,983 Square Feet	56,740,895 Square Feet
Ratio: Added Jobs to Square Feet	1 job per 367 square feet of office / R&D / industrial	1 job per 353 square feet of office / R&D / industrial	1 added job for every 303 square feet office / R&D / Industrial space added

¹ Employment data is from the California Employment Development Department and is for Santa Clara County ⁽⁴⁵⁾.

² Does not include employment in industry sectors less likely to be primarily located in private office / R&D and industrial buildings. Jobs in governmental, farm, construction, retail, transportation, warehouse and utilities totaling 237,700 and 245,800 in 2008 and 2018, respectively, were removed from the indicated employment totals to provide for a more consistent comparison.

³ NAI/BT Commercial ⁽⁶⁷⁾ for 2008 building area totals; Colliers International ⁽⁶⁸⁾ for 2018 building area totals (uses 4th quarter figures).

5. Indirect Employment and Multiplier Effects

The multiplier effect refers to the concept that the income generated by a new job recycles through the economy and results in additional jobs. The total number of jobs generated is broken down into three categories – direct, indirect and induced. In the case of this Nexus Analysis, the direct jobs are those located in the new workspace buildings that would be subject to the linkage fee. Multiplier effects encompass indirect and induced employment. Indirect jobs are generated by suppliers to the businesses located in the new workspace buildings. Induced jobs are generated by local spending on goods and services by employees.

Multiplier effects vary by industry. Industries that draw heavily on a network of local suppliers tend to generate larger multiplier effects. Industries that are labor intensive also tend to have larger multiplier effects as a result of the induced effects of employee spending.

Theoretically, a jobs-housing nexus analysis could consider multiplier effects although the potential for double-counting exists to the extent indirect and induced jobs are added in other new buildings in jurisdictions that have linkage fees. KMA chose to omit the multiplier effects (the indirect and induced employment impacts) to avoid potential double-counting and make the analysis more conservative.

In addition, the Nexus Analysis addresses direct “inside” employment only. In the case of an office building, for example, direct employment covers the various managerial, professional and clerical people that work in the building; it does not include delivery services, landscape maintenance workers, janitorial contractors and many others that are associated with the normal functioning of an office building. In other words, any analysis that ties lower income housing to the number of workers inside buildings will continue to understate the demand. Thus, confining

the analysis to the direct employees does not address all the lower income workers associated with each type of building and understates the impacts.

6. Jobs Housing Balance and Commuting

San José is a part of the broader Silicon Valley and Bay Area economies and many workers commute into and out of San José for work on a daily or regular basis. San José has been a net “exporter” of workers in that more workers live in San José than work in San José. As of the 2013 to 2017 American Community Survey, approximately 21% more workers were living in San José than there are jobs⁽⁴⁸⁾⁽⁴⁹⁾. Around half of workers who reside in the City commute out to work in another city while the other half hold jobs in San José. Overall, San José residents hold approximately 59% of the jobs that are located in San José and workers that reside elsewhere hold the other 41% of jobs⁽⁴⁸⁾⁽⁴⁹⁾. The City has long had policy goals around jobs housing balance and increasing the level of employment in the City.

The fact that San José is a net “exporter” of workers is not a material consideration from the standpoint of the nexus technical analyses. The methodology and assumptions do not rely upon a particular commute share or balance of jobs to housing. The important factor is that the San José market is consistent with the key underlying assumption that there is no excess supply of affordable housing available to meet the needs of new workers, as discussed above. In addition, the fact that many workers commute out of the City for work is not an indication of an excess capacity in the labor force available to absorb new job growth. Job growth in the City of San José and in the broader region necessitates corresponding growth in housing opportunities at a range of affordability levels to avoid exacerbating adverse effects already being experienced such as overcrowding, overpaying for housing, displacement and long commutes.

7. Economic Cycles

An impact analysis of this nature is intended to support a one-time impact requirement to address impacts generated over the life of a project (generally 40 years or more). Short-term conditions, such as a recession or a vigorous boom period, are not an appropriate basis for estimating impacts over the life of the building. These cycles can produce impacts that are higher or lower on a temporary basis.

Development of new workspace buildings tends to be minimal during a recession and generally remains minimal until conditions improve or there is confidence that improved conditions are imminent. When this occurs, the improved economic condition will absorb existing vacant space and underutilized capacity of existing workers, employed and unemployed. By the time new buildings become occupied, conditions will have likely improved.

To the limited extent that new workspace buildings are built during a recession, housing impacts from these new buildings may not be fully experienced immediately, but the impacts will be experienced at some point. New buildings delivered during a recession can sometimes sit

vacant for a period after completion. Even if new buildings are immediately occupied, overall absorption of space can still be zero or negative if other buildings are vacated in the process. Jobs added may also be filled in part by unemployed or underemployed workers who are already housed locally. As the economy recovers, firms will begin to expand and hire again filling unoccupied space as unemployment is reduced. New space delivered during the recession still adds to the total supply of employment space in the region. Though the jobs are not realized immediately, as the economy recovers and vacant space is filled, this new employment space absorbs or accommodates job growth. Although there may be a delay in experiencing the impacts, the fundamental relationship between new buildings, added jobs, and housing needs remains over the long term.

In contrast, during a vigorous economic boom period, conditions exist in which elevated impacts are experienced on a temporary basis. As an example, compression of employment densities can occur as firms add employees while making do with existing space. Compressed employment densities mean more jobs added for a given amount of building area. The employment density data used in the Nexus Analysis are reflective of longer-term averages and in many cases are based on selection of estimates at the lower end of the range of sources considered. For office, a conservative assumption is made that employment density will decrease in the future. While rising construction costs in the Bay Area have also impacted development costs for the affordable projects which form the basis of the affordability gap analysis in the Nexus Analysis, the costliest project was removed from the average applied in the mitigation cost calculations. These conservative assumptions, among others, result in a Nexus Analysis that provides a conservative result and will tend to understate mitigation costs.

While the economic cycles can produce impacts that are temporarily higher or lower than normal, an impact fee is designed to be collected once, during the development of the project. Over the lifetime of the project, the impacts of the development on the demand for affordable housing will be realized, despite short-term booms and recessions.

8. Non-Duplication of Residential and Non-Residential Affordable Housing Mitigations

The City of San Jose has an existing Affordable Housing Impact Fee (AHIF) program that helps mitigate the impacts of new rental residential development on the demand for affordable housing. The City has been transitioning away from the AHIF program; however, it is expected to apply to some future rental residential developments. A separate Residential Nexus Analysis prepared in 2014 provides nexus support to the AHIF program⁽⁶⁹⁾. This section evaluates the potential for overlap between the affordable housing impacts being mitigated by the City's existing AHIF program and a proposed new commercial linkage fee. The analysis demonstrates that no duplication in affordable housing mitigations will occur.

To briefly summarize the Commercial Linkage Fee Nexus Analysis, the logic begins with jobs located in new workplace buildings including office buildings, retail spaces, hotels and others.

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 categories.

In the Residential Nexus Analysis, the logic begins with households who rent new market rate units. The nexus analysis quantifies the number of jobs created in services to the new households and then identifies the compensation structure of the new jobs, 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 categories.

Some of the jobs that are counted in the Commercial Linkage Fee Nexus Analysis may also be counted in the Residential Nexus Analysis. The overlap potential exists in jobs generated by the expenditures of residents of new rental residential units, such as expenditures for food, personal services, restaurant meals and entertainment. However, many jobs counted in the Commercial Linkage Fee Nexus Analysis are not addressed in the Residential Nexus Analysis at all. Firms in office, industrial, warehouse and hotel buildings often serve a much broader, sometimes international, market and are generally not focused on providing services to local residents. These non-local serving jobs are not counted in the Residential Nexus Analysis. Retail, which typically is primarily local serving, is the building type that has the greatest potential for overlap between the jobs counted in the Residential and Commercial Linkage Fee Nexus Analyses.

Theoretically, there is a set of conditions in which 100% of the jobs counted for purposes of the Commercial Linkage Fee Nexus Analysis 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 apartment building and entirely dependent upon customers from the apartments in the floors above. The commercial space on the ground floor may be subject to a commercial linkage fee while the apartments above may pay a residential affordable housing impact fee. In this special case, the two programs mitigate the affordable housing demand of the very same workers. Therefore, in this special case, the combined requirements of the two programs to 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 the Commercial Linkage Fee Nexus Analysis and jobs counted in the Residential Nexus Analysis could occur only in a very narrow set of theoretical circumstances. The following analysis demonstrates that combined mitigation requirements would not exceed the nexus even if the jobs counted in the Residential Nexus Analysis are also counted in the Commercial Linkage Fee Nexus Analysis. As discussed, the theoretical possibility of 100% overlap exists mainly with retail jobs that serve residents of new rental housing in San Jose; therefore, the overlap analysis is focused on the retail land use.

Proposed Commercial Linkage Fee as Percent of Nexus Maximum

The Commercial Linkage Fee Nexus Analysis calculates the maximum fee supported by the analysis of \$176.70 per square foot of retail. KMA’s recommendation is to exempt retail uses from the proposed commercial linkage fee or to consider a fee up to \$3 to \$5 per square foot with an exemption for retail within mixed use projects¹⁰. Therefore, recommended fee levels would mitigate between 0% and 3% of the total affordable housing impacts for retail as shown in Table A-2.

Table A-2. Recommended Fee as a Percent of Nexus Maximum			
Building Type	Nexus Maximum	Recommended Fee	Percent of Nexus
Retail	\$176.70	Exempt or \$3-\$5/SF	0% to 3%

AHIF as Percent of Nexus Maximum

The Residential Nexus Analysis identifies the affordable unit demand impacts of new market rate rental residential development and calculates maximum affordable housing impact fees based on the cost of mitigating these impacts. In Table A-3, KMA combines affordable unit demand impact findings of the 2014 Residential Nexus Analysis with the updated affordability gaps that are calculated in Section 4 to determine updated maximum supported affordable housing impact fees per square foot. Based on current mitigation costs, the updated maximum affordable housing impact fee for rental residential developments is \$42.30 per square foot.

Table A-3 Update to Residential Nexus Analysis Findings to Reflect Current Affordability Gap.				
	A.	B.	C.	D.
	Affordable Unit Demand Per 100 Market Rate Units	Affordability Gap	Updated Mitigation Cost Per Residential Unit	Updated Mitigation Cost Per Square Foot
	<i>Residential Nexus Analysis, Page 3</i>	<i>Section 4</i>	<i>=A x B./100</i>	<i>= C. / 990 SF market rate unit size</i>
Extr. Low (Under 30% AMI)	2.5	\$383,000	\$9,600	\$9.70
Very Low (30% - 50% AMI)	5.1	\$279,000	\$14,200	\$14.30
Low (50%-80% AMI)	5.3	\$228,000	\$12,100	\$12.20
Moderate (80%-120% AMI)	<u>3.3</u>	\$181,300	<u>\$6,000</u>	<u>\$6.10</u>
Total	16.2		\$41,900	\$42.30

Source: 2014 Residential Nexus Analysis prepared by KMA for the City of San Jose.

The AHIF is currently \$18.70/SF and applies only to rental projects between 3 and 19 units as well as certain pipeline rental projects with 20 or more units that submitted a planning application and affordable housing compliance plan prior to June 30, 2018. The AHIF is

¹⁰ Recommendations are presented in the companion report entitled “Feasibility Analysis of Proposed Commercial Linkage Fees.”

proposed to be phased out in favor of applying the City’s Inclusionary Housing Ordinance (IHO) to all residential development projects with five or more units; however, the AHIF will continue to apply to some projects until the phase out is complete.

As shown in Table A-4, the current AHIF rate of \$18.70/SF represents approximately 44% of the \$42.30/SF updated nexus maximum identified in Table A-3. Therefore, the AHIF mitigates approximately 44% of the affordable housing impacts associated with new market rate rental developments. While the Residential Nexus Analysis also included separate nexus findings for high-rise apartments, the current AHIF rate for applicable high-rise developments is zero.

TableA-4. Percent of Nexus Maximum Mitigated by AHIF	
Nexus Maximum Per Square Foot ¹	\$42.30/SF
Current AHIF	\$18.70/SF
Percent of Nexus Maximum Mitigated	44%

¹Table A-3

Combined Affordable Housing Mitigations Do Not Exceed Nexus Maximums

As recommended commercial linkage fees for retail mitigate between 0% and 3% of the maximum supported by the nexus and residential fees mitigate an estimated 44% of the maximum supported by the nexus, combined residential and non-residential affordable housing mitigations would mitigate no more than 47% of the impacts (3% + 44% = 47%) even under the theoretical circumstance of 100% overlap in the jobs counted in the two nexus analyses. Therefore, no duplication in affordable housing mitigations will occur.

Inclusionary Housing Ordinance (IHO) is Compatible with Proposed Commercial Linkage Fee

As noted above, the City has been transitioning away from the AHIF toward implementation of the IHO for all residential development projects. In contrast to the AHIF, the IHO is not limited in purpose or extent to mitigation of impacts of new development. Findings made by the City Council at adoption indicate the purpose of the IHO is to “enhance the public welfare by establishing policies which require the development of housing affordable to households of very low, lower, and moderate incomes, meet the City’s regional share of housing needs, and implement the housing element’s goals and objectives.”

The IHO is not, and is not required to be, supported by a nexus study, as confirmed by the ruling in *California Building Industry Association v. City of San Jose* (2015) 61 Cal.4th 435, cert. denied 138 S.Ct. 928 (2016). Therefore, a similar test regarding potential overlapping mitigations is not performed with respect to the IHO because it is not focused on or limited to mitigation of impacts. So long as the San José housing market is consistent with the underlying assumption described in Appendix A, No. 1, that there is no excess supply of affordable housing available to meet the needs of new workers, which includes consideration of units produced through the IHO, proposed commercial linkage fees applicable to non-residential development

remain a valid requirement fully compatible with implementation of the IHO for residential developments.

This section may require updating if residential requirements are modified or if the proposed commercial linkage fees are adopted at levels that exceed recommended levels.

APPENDIX B: LIST OF DATA SOURCES

This appendix lists data sources used in preparation of the Nexus Analysis. Numbering corresponds to the citations in the report text. Following the list of sources, a series of tables provides a summary of the employment density information from the sources consulted.

1. **Employment Development Department, Labor Market Information Division.** Industry Employment & Labor Force - by MONTH, San Jose, Sunnyvale, Santa Clara MSA (San Benito and Santa Clara Counties). June 19, 2020.
2. **PwC.** *US COVID-19 CFO Pulse Survey US findings.* June 15, 2020.
3. **Sherr, Ian.** The new work-from-home policies at Facebook, Twitter, Apple and More. *CNET.* May 29, 2020.
4. **Rafter, Dan.** Will COVID-19 change the way we work ... forever? *REJournals.* April 16, 2020.
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7. **David J. Powers Associates, Inc. and City of San Jose.** *Initial Study / Addendum, 200 Park Avenue Office Project, File H18-045.* San Jose : s.n., October 2019.
8. **City of San Jose.** *Addendum to the Downtown Strategy 2000 Final Environmental Impact Report and Addenda Thereto, Downtown Strategy 2040 Final Environmental Impact Report, and Envision San Jose 2040 General Plan Final Environmental Impact Report as Supplemented.* San Jose : s.n., May 2019.
9. —. *Draft Subsequent Environmental Impact Report, America Center Phase III Project, File Numbers: PDC15-058 and PD15-053, State Clearinghouse Number: 2016092066.* San Jose : s.n., March 2017.
10. **ICF International.** *Facebook Campus Expansion Project Draft EIR. State Clearinghouse No. 2015062056.* May 2016.
11. **LSA Associates Inc.** *Apple Campus 2 Project Environmental Impact Report. State Clearinghouse #2011082055.* June 2013.
12. **David J. Powers and Associates and City of Mountain View.** *Draft Subsequent Environmental Impact Report North Bayshore Precise Plan. State Clearinghouse #2013082088.* Mountain View : s.n., March 2017.
13. **Keyser Marston Associates, Inc.** *Office Employment Density Estimate.* San Francisco : s.n., October 2017.
14. **City of San Jose.** *Draft Environmental Impact Report, Santana Row Planned Development Rezoning, SCH# 2013122059.* March 2015.
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16. **Keyser Marston Associates, Inc.** *Summary of National Restaurant Association. 2009-10 National Restaurant Industry Operations Report. 2009-2010.*
17. **Silicon Valley Business Journal.** 2010 Book of Lists. *Silicon Valley Business Journal.* [Online] 2010. https://bizjournals.com/sanjose/digital-edition?issue_id=7404.

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20. **ICF International.** *Initial Study for 1350 Adams Court Project.* December 2018.
21. **Dennis Yee, Senior Economist. Jennifer Bradford, Associate Planner and Department, Growth Management Services.** *Portland Metro Employment Density Study.* 1999.
22. **Perkins, Williams and Cotterill Architects.** *Site Plan, Silicon Valley Industrial Center.* San Jose : s.n., 2014. Permit H14-027.
23. **HPA Architecture.** *IPT Silicon Valley, Site Development Permit H17-005.* San Jose : s.n., 2017.
24. **City of San Jose.** *Site Development Permit, 2829 Monterey Road, File H18-027.* San Jose : s.n., 2018.
25. —. *Site Development Permit, 970 McLaughlin Ave, File No. H17-058.* San Jose : s.n., 2017.
26. **Hexagon Transportation Consultants, Inc.** 1605 Industrial Avenue Warehouse Project Transportation Analysis prepared for Dudek. San Jose : s.n., 2019.
27. **Vitae Architecture Planning and Interiors.** *Site Plan, Panattoni Warehouse Distribution Facility, File No. H17-034.* San Jose : s.n., 2017.
28. **HKIT Architects.** *Plan Set for Belmont Village Union Avenue, San Jose.* San Jose : s.n., February 9, 2018.
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31. **City of San Jose.** *Project information (web) page for 1015 S. Bascom Ave. Assisted Living Facility CP17-046: 1015 South Bascom Ave ("Holden") Assisted Living Facility Project.* San Jose : s.n.
32. —. *Responses to Public Comments & Text Changes to the Initial Study/ Mitigated Negative Declaration for 1015 S. Bascom Avenue Assisted Living Facility. No CP17-046.* San Jose : s.n., September 2018.
33. —. *Initial Study/ Mitigated Negative Declaration. Oakmont of Evergreen Assisted Living Facility.* San Jose : s.n., February 16, 2017.
34. **Lisa P. White, Bay Area News Group.** *Concord: Proposed Assisted Living Facility Needs More Parking Spaces.* December 24, 2014.
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47. —. *Table B08128, Means of Transportation to Work by Class of Worker*.
48. —. *S0804 Means of Transportation to Work by Selected Characteristics for Workplace Geography*.
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54. **U.S. Census Bureau American Community Survey 2013 to 2017.** *Public Use Microdata Sample Data Set (PUMS)*.
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71. **Santa Clara County Housing Authority.** *Utility Allowances Schedule.* Santa Clara County : s.n., October 1, 2019.

While we believe these sources are sufficiently accurate for purposes of the analyses, we cannot guarantee their accuracy. KMA assumes no liability for information derived from these or any other source.

Appendix B Tables 1 through 4 provide a summary of the employment density information derived from sources listed above.

**APPENDIX B TABLE 1
OFFICE EMPLOYMENT DENSITY
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA**

OFFICE AND HIGH-TECH OFFICE

Source	SF Per Employee	Employees Per 1,000 SF
<u>San Jose EIRs</u>		
Santana West Redevelopment EIR, San Jose	300	3.33
200 Park Avenue Office Project, Initial Study, San Jose	300	3.33
Adobe North Tower, supplement to EIR, San Jose	300	3.33
America Center EIR, San Jose	300	3.33
<u>Estimates for other cities (focus on tech)</u>		
North Bay Shore Precise Plan EIR, Mountain View	250	4.00
Apple Campus 2.0 EIR, Cupertino	241	4.15
Facebook Campus Expansion Project EIR, Menlo Park	150	6.65
KMA office employment density estimate, San Francisco - blend of tenant t	238	4.20
- tech tenants only ⁽²⁾	207	4.83
<u>Institute of Transportation Engineers, Trip Generation ⁽¹⁾</u>		
General Office	304	3.29
Single Tenant Office	295	3.39
Medical-Dental Office	207	4.83
Office park	278	3.60
Business park	332	3.01
Estimate for Nexus Study		
Office employment density estimate pre-coronavirus	300	3.33
With assumed 1/3 post-coronavirus increase in SF per employee	400	2.50
High-Tech Office employment density estimate pre-coronavirus	225	4.44
With assumed 1/3 post-coronavirus increase in SF per employee	300	3.33

(1) Drawn from summary prepared by U.S. Green Building Council.

(2) Based on one of the three methodologies used in the study adjusted for 10% vacancy.

**APPENDIX B TABLE 2
HOTEL EMPLOYMENT DENSITY
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA**

HOTEL

Source	Number of Rooms	No. of Employees	Employees Per Room								
Silicon Valley Book of Lists, 2010											
Fairmont San Jose	805	430	0.53								
Santa Clara Marriott	759	300	0.40								
Hilton San Jose	353	200	0.57								
Crowne Plaza San Jose	239	100	0.42								
San Jose Tribute Hotel EIR	274	125	0.46								
U.S. Department of Energy ^{(1) (2)}			0.53								
<table border="0" style="width: 100%;"> <tr> <td style="width: 30%;">Estimate for Nexus Study</td> <td style="width: 30%;">employees per room</td> <td style="width: 30%;"></td> <td style="width: 10%; text-align: right;">0.4</td> </tr> <tr> <td></td> <td>SF per employee⁽²⁾</td> <td></td> <td style="text-align: right;">1,500</td> </tr> </table>				Estimate for Nexus Study	employees per room		0.4		SF per employee ⁽²⁾		1,500
Estimate for Nexus Study	employees per room		0.4								
	SF per employee ⁽²⁾		1,500								

(1) Drawn from summary prepared by U.S. Green Building Council.

(2) Translations between per room and per square foot figures are based on an average of 600 square feet per room.

**APPENDIX B TABLE 3
RESIDENTIAL CARE EMPLOYMENT DENSITY
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA**

RESIDENTIAL CARE

Name	City	Beds	Units	Square Footage	Estimated Employees	SF / Employee
Belmont Village Union Avenue	San Jose	198	152	125,303	47	2,666
Holden Assisted Living, South Bascc	San Jose	192	165	147,789	85	1,739
Oakmont of Evergreen Assisted Livii	San Jose	109	94	91,714	55	1,668
Oakmont	Concord	76	76	100,000	38	2,632
Oakmont Emerald Isle	Santa Rosa	71	49	68,114	50	<u>1,362</u>
					Average	2,013

Estimate for Nexus Study	2,000
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Sources: Staff reports for applicable jurisdictions, EIRs and other sources. In some cases, the number of employees has been estimated by KMA based on the project description.

**APPENDIX B TABLE 4
 EMPLOYMENT DENSITY - RETAIL, R&D, INDUSTRIAL, WAREHOUSE
 COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
 SAN JOSE, CA**

Source	SF Per Employee	Employees Per 1,000 SF
RETAIL		
Institute of Transportation Engineers, Trip Generation ⁽¹⁾		
Specialty Retail Store	549	1.82
Discount Store	654	1.53
Quality Restaurant	134	7.46
High Turnover Restaurant	100	10.0
Restaurants, National Restaurant Association ⁽²⁾	140	7.14
Portland Metro Employment Density Study ⁽³⁾	470	2.13
Santana ROW EIR	400	2.50
Estimate for Nexus Study	500	2.00
RESEARCH AND DEVELOPMENT		
Institute of Transportation Engineers, Trip Generation ⁽¹⁾		
Life Science R&D, estimate for 1350 Adams, Menlo Park	400	2.50
Estimate for Nexus Study	400	2.50
INDUSTRIAL		
Institute of Transportation Engineers, Trip Generation ⁽³⁾		
Light Industrial	463	2.16
Heavy Industrial	549	1.82
Industrial Park	500	2.00
Manufacturing	535	1.87
San Jose Midpoint @237 Parking Ratio	500	2.00
Estimate for Nexus Study	500	2.00

**APPENDIX B TABLE 4
 EMPLOYMENT DENSITY - RETAIL, R&D, INDUSTRIAL, WAREHOUSE
 COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
 SAN JOSE, CA**

Source	SF Per Employee	Employees Per 1,000 SF
WAREHOUSE		
Institute of Transportation Engineers, Trip Generation ⁽¹⁾	781	1.28
Portland Metro Employment Density Study ⁽³⁾		
Wholesale Trade	1,390	0.72
Transportation and Warehousing	3,290	0.30
U.S. Department of Energy ⁽¹⁾		
Warehousing	2,114	0.47
San Jose Pipeline Warehouse Projects, average parking ratio for six pipeline projects	1,146	0.87
Estimate for Nexus Study	2,000	0.50

Notes:

(1) Drawn from summary of ITE data prepared by U.S. Green Building Council.

(2) Calculated by KMA from data presented in 2009-10 national restaurant industry operations report. Based on limited service and full service restaurants with average check per person of \$15.

(3) Technical Report 1999 Employment Density Study. Prepared by Portland Metro. 1999. Consideration of a range of data sources for employment density provides useful points of reference to inform the analysis even if not all sources are local

APPENDIX C: SUPPORTING TECHNICAL ANALYSIS TABLES

Addressing: worker occupation, compensation, and household incomes, industry categories, and use categories.

**APPENDIX C TABLE 1
 ESTIMATED WORKER OCCUPATION DISTRIBUTION, 2018
 OFFICE WORKERS
 COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
 SAN JOSE, CA**

	Worker Occupation Distribution Office
Major Occupations (2% or more)	
Management Occupations	9.8%
Business and Financial Operations Occupations	14.8%
Computer and Mathematical Occupations	20.3%
Architecture and Engineering Occupations	4.4%
Legal Occupations	2.4%
Arts, Design, Entertainment, Sports, and Media Occupations	2.1%
Healthcare Practitioners and Technical Occupations	5.7%
Healthcare Support Occupations	3.5%
Sales and Related Occupations	6.0%
Office and Administrative Support Occupations	22.8%
All Other Worker Occupations - Office	<u>8.2%</u>
TOTAL	100.0%

**APPENDIX C TABLE 2
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
OFFICE WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA**

Occupation ³	2020 Avg.	Household Income Estimate ⁴			% of Total	% of Total
	<u>Worker Compensation¹</u>	<u>One Worker</u>	<u>Two Workers</u>	<u>Three+ Workers</u>	<u>Occupation Group²</u>	<u>Office Workers</u>
<i>Page 1 of 4</i>						
<i>Management Occupations</i>						
Chief Executives	\$253,400	\$255,000	\$283,000	\$284,000	3.1%	0.3%
General and Operations Managers	\$165,700	\$169,000	\$243,000	\$243,000	25.0%	2.4%
Marketing Managers	\$203,300	\$207,000	\$275,000	\$276,000	6.5%	0.6%
Sales Managers	\$177,700	\$181,000	\$260,000	\$260,000	6.1%	0.6%
Administrative Services Managers	\$145,000	\$151,000	\$224,000	\$231,000	3.6%	0.3%
Computer and Information Systems Managers	\$219,000	\$223,000	\$296,000	\$297,000	17.2%	1.7%
Financial Managers	\$181,200	\$184,000	\$266,000	\$266,000	13.7%	1.3%
Human Resources Managers	\$177,600	\$181,000	\$260,000	\$260,000	2.5%	0.2%
Architectural and Engineering Managers	\$207,000	\$211,000	\$280,000	\$281,000	3.7%	0.4%
Medical and Health Services Managers	\$147,200	\$153,000	\$227,000	\$235,000	2.2%	0.2%
Managers, All Other	\$174,500	\$178,000	\$256,000	\$256,000	6.8%	0.7%
Other Management Occupations	<u>\$186,100</u>	<u>\$189,000</u>	<u>\$273,000</u>	<u>\$273,000</u>	<u>9.5%</u>	<u>0.9%</u>
Weighted Mean Annual Wage	\$186,100	\$190,000	\$264,000	\$265,000	100.0%	9.8%
<i>Business and Financial Operations Occupations</i>						
Buyers and Purchasing Agents	\$84,000	\$92,000	\$153,000	\$165,000	2.1%	0.3%
Claims Adjusters, Examiners, and Investigators	\$83,500	\$91,000	\$152,000	\$164,000	2.1%	0.3%
Compliance Officers	\$95,400	\$104,000	\$174,000	\$188,000	2.1%	0.3%
Human Resources Specialists	\$86,300	\$94,000	\$157,000	\$170,000	5.5%	0.8%
Management Analysts	\$122,900	\$128,000	\$205,000	\$210,000	11.7%	1.7%
Training and Development Specialists	\$93,600	\$102,000	\$171,000	\$184,000	3.4%	0.5%
Market Research Analysts and Marketing Specialists	\$100,400	\$105,000	\$167,000	\$172,000	10.7%	1.6%
Business Operations Specialists, All Other	\$102,500	\$107,000	\$171,000	\$176,000	10.5%	1.6%
Accountants and Auditors	\$92,400	\$101,000	\$168,000	\$182,000	26.3%	3.9%
Financial Analysts	\$119,400	\$124,000	\$199,000	\$204,000	4.1%	0.6%
Loan Officers	\$85,100	\$93,000	\$155,000	\$167,000	5.4%	0.8%
Tax Preparers	\$80,000	\$87,000	\$146,000	\$157,000	3.6%	0.5%
Other Business and Financial Operations Occupations	<u>\$98,300</u>	<u>\$107,000</u>	<u>\$179,000</u>	<u>\$193,000</u>	<u>12.7%</u>	<u>1.9%</u>
Weighted Mean Annual Wage	\$98,300	\$105,000	\$173,000	\$183,000	100.0%	14.8%
<i>Computer and Mathematical Occupations</i>						
Computer Systems Analysts	\$122,500	\$128,000	\$204,000	\$210,000	12.9%	2.6%
Information Security Analysts	\$123,400	\$129,000	\$206,000	\$211,000	2.4%	0.5%
Computer Programmers	\$108,000	\$113,000	\$180,000	\$185,000	6.9%	1.4%
Software Developers, Applications	\$134,000	\$139,000	\$207,000	\$214,000	28.4%	5.8%
Software Developers, Systems Software	\$150,100	\$153,000	\$220,000	\$220,000	10.3%	2.1%
Web Developers	\$99,600	\$109,000	\$181,000	\$196,000	2.6%	0.5%
Network and Computer Systems Administrators	\$117,700	\$123,000	\$196,000	\$202,000	5.9%	1.2%
Computer Network Architects	\$148,300	\$154,000	\$229,000	\$236,000	3.4%	0.7%
Computer User Support Specialists	\$84,400	\$92,000	\$154,000	\$166,000	12.2%	2.5%
Computer Network Support Specialists	\$85,800	\$94,000	\$156,000	\$169,000	3.2%	0.7%
Computer Occupations, All Other	\$138,900	\$144,000	\$215,000	\$221,000	7.2%	1.5%
Other Computer and Mathematical Occupations	<u>\$123,000</u>	<u>\$128,000</u>	<u>\$205,000</u>	<u>\$211,000</u>	<u>4.6%</u>	<u>0.9%</u>
Weighted Mean Annual Wage	\$123,000	\$128,000	\$198,000	\$205,000	100.0%	20.3%

**APPENDIX C TABLE 2
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
OFFICE WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA**

Occupation ³	2020 Avg.	Household Income Estimate ⁴			% of Total Occupation Group ²	% of Total Office Workers
	Worker Compensation ¹	One Worker	Two Workers	Three+ Workers		
<i>Architecture and Engineering Occupations</i>						
Architects, Except Landscape and Naval Surveyors	\$124,200	\$129,000	\$207,000	\$213,000	7.4%	0.3%
Aerospace Engineers	\$92,900	\$101,000	\$169,000	\$183,000	2.8%	0.1%
Civil Engineers	\$142,600	\$148,000	\$220,000	\$227,000	2.2%	0.1%
Computer Hardware Engineers	\$116,100	\$121,000	\$194,000	\$199,000	14.6%	0.6%
Electrical Engineers	\$164,700	\$168,000	\$241,000	\$241,000	5.9%	0.3%
Electronics Engineers, Except Computer	\$141,400	\$147,000	\$218,000	\$225,000	7.6%	0.3%
Environmental Engineers	\$144,700	\$150,000	\$224,000	\$231,000	5.9%	0.3%
Industrial Engineers	\$107,300	\$112,000	\$179,000	\$184,000	2.3%	0.1%
Mechanical Engineers	\$124,600	\$130,000	\$208,000	\$213,000	5.4%	0.2%
Engineers, All Other	\$128,300	\$133,000	\$198,000	\$204,000	9.3%	0.4%
Architectural and Civil Drafters	\$130,100	\$135,000	\$201,000	\$207,000	4.7%	0.2%
Civil Engineering Technicians	\$66,500	\$72,000	\$138,000	\$156,000	6.0%	0.3%
Electrical and Electronics Engineering Technicians	\$77,400	\$84,000	\$141,000	\$152,000	2.9%	0.1%
Engineering Technicians, Except Drafters, All Other	\$73,500	\$80,000	\$152,000	\$172,000	4.2%	0.2%
Surveying and Mapping Technicians	\$78,200	\$85,000	\$142,000	\$154,000	2.6%	0.1%
Other Architecture and Engineering Occupations	\$73,300	\$79,000	\$152,000	\$172,000	3.0%	0.1%
Weighted Mean Annual Wage	\$117,100	\$122,000	\$193,000	\$201,000	100.0%	4.4%
<i>Legal Occupations</i>						
Lawyers	\$117,100	\$122,000	\$193,000	\$201,000	60.7%	1.5%
Paralegals and Legal Assistants	\$223,100	\$227,000	\$301,000	\$303,000	32.9%	0.8%
Title Examiners, Abstractors, and Searchers	\$88,500	\$96,000	\$161,000	\$174,000	4.0%	0.1%
Other Legal Occupations	\$69,700	\$76,000	\$144,000	\$163,000	2.4%	0.1%
Weighted Mean Annual Wage	\$171,500	\$177,000	\$248,000	\$254,000	100.0%	2.4%
<i>Arts, Design, Entertainment, Sports, and Media Occupations</i>						
Art Directors	\$171,500	\$177,000	\$248,000	\$254,000	4.1%	0.1%
Multimedia Artists and Animators	\$96,200	\$105,000	\$175,000	\$189,000	5.8%	0.1%
Graphic Designers	\$72,000	\$78,000	\$149,000	\$169,000	17.7%	0.4%
Interior Designers	\$72,500	\$79,000	\$150,000	\$170,000	5.1%	0.1%
Merchandise Displayers and Window Trimmers	\$42,700	\$54,000	\$110,000	\$133,000	4.0%	0.1%
Producers and Directors	\$108,200	\$113,000	\$180,000	\$185,000	3.8%	0.1%
Public Relations Specialists	\$85,700	\$93,000	\$156,000	\$168,000	20.0%	0.4%
Editors	\$78,700	\$86,000	\$143,000	\$155,000	5.7%	0.1%
Technical Writers	\$115,000	\$120,000	\$192,000	\$197,000	8.7%	0.2%
Writers and Authors	\$89,600	\$98,000	\$163,000	\$176,000	4.1%	0.1%
Interpreters and Translators	\$62,400	\$68,000	\$129,000	\$146,000	2.5%	0.1%
Audio and Video Equipment Technicians	\$64,000	\$69,000	\$132,000	\$150,000	2.2%	0.0%
Photographers	\$47,600	\$60,000	\$122,000	\$149,000	2.8%	0.1%
Other Arts, Design, Entertainment, Sports, and Media Occupations	\$83,800	\$91,000	\$153,000	\$165,000	13.3%	0.3%
Weighted Mean Annual Wage	\$83,800	\$91,000	\$157,000	\$171,000	100.0%	2.1%

APPENDIX C TABLE 2
 AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
 OFFICE WORKER OCCUPATIONS
 COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
 SAN JOSE, CA

Occupation ³	2020 Avg.	Household Income Estimate ⁴			% of Total Occupation Group ²	% of Total Office Workers
	Worker Compensation ¹	One Worker	Two Workers	Three+ Workers		
<i>Healthcare Practitioners and Technical Occupations</i>						
Dentists, General	\$202,700	\$206,000	\$274,000	\$275,000	10.1%	0.6%
Family and General Practitioners	\$216,400	\$220,000	\$292,000	\$293,000	2.6%	0.1%
Physicians and Surgeons, All Other	\$250,000	\$252,000	\$279,000	\$280,000	6.5%	0.4%
Physician Assistants	\$133,900	\$139,000	\$207,000	\$213,000	2.3%	0.1%
Physical Therapists	\$104,700	\$109,000	\$175,000	\$179,000	4.3%	0.2%
Veterinarians	\$105,500	\$110,000	\$176,000	\$181,000	2.1%	0.1%
Registered Nurses	\$143,800	\$150,000	\$222,000	\$229,000	9.7%	0.6%
Nurse Practitioners	\$139,600	\$145,000	\$216,000	\$222,000	3.2%	0.2%
Clinical Laboratory Technologists and Technicians	\$66,100	\$72,000	\$137,000	\$155,000	2.3%	0.1%
Dental Hygienists	\$114,200	\$119,000	\$190,000	\$196,000	20.1%	1.2%
Veterinary Technologists and Technicians	\$50,400	\$55,000	\$104,000	\$118,000	3.2%	0.2%
Licensed Practical and Licensed Vocational Nurses	\$69,600	\$75,000	\$144,000	\$163,000	3.4%	0.2%
Medical Records and Health Information Technicians	\$61,000	\$66,000	\$126,000	\$143,000	4.1%	0.2%
Other Healthcare Practitioners and Technical Occupations	<u>\$137,400</u>	<u>\$143,000</u>	<u>\$212,000</u>	<u>\$219,000</u>	<u>26.0%</u>	<u>1.5%</u>
Weighted Mean Annual Wage	\$137,400	\$142,000	\$208,000	\$215,000	100.0%	5.7%
<i>Healthcare Support Occupations</i>						
Physical Therapist Assistants	\$72,400	\$78,000	\$150,000	\$170,000	3.7%	0.1%
Physical Therapist Aides	\$33,400	\$42,000	\$86,000	\$104,000	2.3%	0.1%
Massage Therapists	\$44,600	\$56,000	\$115,000	\$139,000	2.7%	0.1%
Dental Assistants	\$54,000	\$59,000	\$112,000	\$127,000	50.8%	1.8%
Medical Assistants	\$47,800	\$60,000	\$123,000	\$149,000	26.9%	0.9%
Veterinary Assistants and Laboratory Animal Caretakers	\$45,200	\$57,000	\$116,000	\$141,000	4.7%	0.2%
Other Healthcare Support Occupations	<u>\$51,700</u>	<u>\$56,000</u>	<u>\$107,000</u>	<u>\$121,000</u>	<u>8.9%</u>	<u>0.3%</u>
Weighted Mean Annual Wage	\$51,700	\$59,000	\$116,000	\$134,000	100.0%	3.5%
<i>Sales and Related Occupations</i>						
First-Line Supervisors of Non-Retail Sales Workers	\$88,000	\$96,000	\$160,000	\$173,000	5.2%	0.3%
Retail Salespersons	\$40,000	\$51,000	\$103,000	\$125,000	2.0%	0.1%
Advertising Sales Agents	\$77,600	\$85,000	\$141,000	\$153,000	3.6%	0.2%
Insurance Sales Agents	\$93,400	\$102,000	\$170,000	\$184,000	9.9%	0.6%
Securities, Commodities, and Financial Services Sales Agents	\$82,100	\$89,000	\$150,000	\$161,000	13.3%	0.8%
Sales Representatives, Services, All Other	\$83,400	\$91,000	\$152,000	\$164,000	34.9%	2.1%
Sales Representatives, Wholesale and Manufacturing, Technical	\$112,900	\$118,000	\$188,000	\$193,000	11.4%	0.7%
Sales Representatives, Wholesale and Manufacturing, Except Technical	\$89,300	\$97,000	\$163,000	\$176,000	5.8%	0.3%
Sales Engineers	\$142,600	\$148,000	\$220,000	\$227,000	3.7%	0.2%
Other Sales and Related Occupations	<u>\$89,900</u>	<u>\$98,000</u>	<u>\$164,000</u>	<u>\$177,000</u>	<u>10.3%</u>	<u>0.6%</u>
Weighted Mean Annual Wage	\$89,900	\$97,000	\$161,000	\$173,000	100.0%	6.0%

Page 3 of 4

**APPENDIX C TABLE 2
 AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
 OFFICE WORKER OCCUPATIONS
 COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
 SAN JOSE, CA**

Occupation ³	2020 Avg.	Household Income Estimate ⁴			% of Total	% of Total
	Worker Compensation ¹	One Worker	Two Workers	Three+ Workers	Occupation Group ²	Office Workers
<i>Office and Administrative Support Occupations</i>						
First-Line Supervisors of Office and Administrative Support Work	\$71,800	\$78,000	\$149,000	\$168,000	8.1%	1.8%
Billing and Posting Clerks	\$52,900	\$57,000	\$109,000	\$124,000	3.8%	0.9%
Bookkeeping, Accounting, and Auditing Clerks	\$55,200	\$60,000	\$114,000	\$129,000	9.3%	2.1%
Tellers	\$41,400	\$52,000	\$106,000	\$129,000	7.8%	1.8%
Customer Service Representatives	\$48,900	\$62,000	\$126,000	\$153,000	16.6%	3.8%
Loan Interviewers and Clerks	\$51,400	\$56,000	\$106,000	\$120,000	2.4%	0.5%
Receptionists and Information Clerks	\$39,200	\$50,000	\$101,000	\$122,000	6.9%	1.6%
Executive Secretaries and Executive Administrative Assistants	\$84,200	\$92,000	\$153,000	\$166,000	3.3%	0.8%
Legal Secretaries	\$77,400	\$84,000	\$141,000	\$152,000	2.0%	0.5%
Medical Secretaries	\$55,600	\$60,000	\$115,000	\$130,000	4.4%	1.0%
Secretaries and Administrative Assistants, Except Legal, Medica	\$49,900	\$63,000	\$128,000	\$156,000	8.5%	1.9%
Office Clerks, General	\$47,800	\$60,000	\$123,000	\$149,000	10.6%	2.4%
Other Office and Administrative Support Occupations	<u>\$53,000</u>	<u>\$57,000</u>	<u>\$110,000</u>	<u>\$124,000</u>	<u>16.2%</u>	<u>3.7%</u>
Weighted Mean Annual Wage	\$53,000	\$62,000	\$120,000	\$141,000	100.0%	22.8%
						91.8%

¹ The methodology utilized by the California Employment Development Department (EDD) assumes hourly paid employees are employed full-time. EDD data is adjusted by KMA to reflect San Jose minimum wage. 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 2018 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on Occupational Employment Survey data applicable to Santa Clara County as of 2019 and are adjusted by EDD to the first quarter of 2020.

³ Including occupations representing 2% or more of the major occupation group.

⁴ Household income estimated based average worker compensation and ratios between employee income and household income identified in Table 3-6.

**APPENDIX C TABLE 3
 ESTIMATED WORKER OCCUPATION DISTRIBUTION, 2018
 TECH OFFICE WORKERS
 COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
 SAN JOSE, CA**

Worker Occupation Distribution Tech Office
Major Occupations (2% or more)
Management Occupations 12.0%
Business and Financial Operations Occupations 10.6%
Computer and Mathematical Occupations 42.3%
Architecture and Engineering Occupations 3.3%
Life, Physical, and Social Science Occupations 2.8%
Arts, Design, Entertainment, Sports, and Media Occupations 3.1%
Sales and Related Occupations 8.4%
Office and Administrative Support Occupations 11.6%
Installation, Maintenance, and Repair Occupations 2.6%
All Other Worker Occupations - Tech Office <u>3.3%</u>
TOTAL 100.0%

**APPENDIX C TABLE 4
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
TECH OFFICE WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA**

Occupation ³	2020 Avg.	Household Income Estimate ⁴			% of Total	% of Total
	Worker Compensation ¹	One Worker	Two Workers	Three+ Workers	Occupation Group ²	Tech Office Workers
<i>Page 1 of 3</i>						
<i>Management Occupations</i>						
Chief Executives	\$253,400	\$255,000	\$283,000	\$284,000	2.7%	0.3%
General and Operations Managers	\$165,700	\$169,000	\$243,000	\$243,000	22.0%	2.6%
Marketing Managers	\$203,300	\$207,000	\$275,000	\$276,000	8.6%	1.0%
Sales Managers	\$177,700	\$181,000	\$260,000	\$260,000	9.0%	1.1%
Administrative Services Managers	\$145,000	\$151,000	\$224,000	\$231,000	2.8%	0.3%
Computer and Information Systems Managers	\$219,000	\$223,000	\$296,000	\$297,000	28.8%	3.5%
Financial Managers	\$181,200	\$184,000	\$266,000	\$266,000	5.9%	0.7%
Human Resources Managers	\$177,600	\$181,000	\$260,000	\$260,000	2.3%	0.3%
Architectural and Engineering Managers	\$207,000	\$211,000	\$280,000	\$281,000	2.9%	0.4%
Natural Sciences Managers	\$200,200	\$204,000	\$270,000	\$272,000	2.5%	0.3%
Managers, All Other	\$174,500	\$178,000	\$256,000	\$256,000	7.4%	0.9%
Other Management Occupations	<u>\$192,400</u>	<u>\$196,000</u>	<u>\$282,000</u>	<u>\$282,000</u>	<u>5.1%</u>	<u>0.6%</u>
Weighted Mean Annual Wage	\$192,400	\$196,000	\$270,000	\$270,000	100.0%	12.0%
<i>Business and Financial Operations Occupations</i>						
Buyers and Purchasing Agents	\$84,000	\$92,000	\$153,000	\$165,000	3.1%	0.3%
Compliance Officers	\$95,400	\$104,000	\$174,000	\$188,000	2.4%	0.3%
Human Resources Specialists	\$86,300	\$94,000	\$157,000	\$170,000	9.1%	1.0%
Logisticians	\$98,900	\$108,000	\$180,000	\$194,000	2.0%	0.2%
Management Analysts	\$122,900	\$128,000	\$205,000	\$210,000	15.1%	1.6%
Training and Development Specialists	\$93,600	\$102,000	\$171,000	\$184,000	6.3%	0.7%
Market Research Analysts and Marketing Specialists	\$100,400	\$105,000	\$167,000	\$172,000	22.1%	2.3%
Business Operations Specialists, All Other	\$102,500	\$107,000	\$171,000	\$176,000	16.8%	1.8%
Accountants and Auditors	\$92,400	\$101,000	\$168,000	\$182,000	12.1%	1.3%
Financial Analysts	\$119,400	\$124,000	\$199,000	\$204,000	4.7%	0.5%
Other Business and Financial Operations Occupations	<u>\$101,800</u>	<u>\$106,000</u>	<u>\$170,000</u>	<u>\$174,000</u>	<u>6.5%</u>	<u>0.7%</u>
Weighted Mean Annual Wage	\$101,800	\$108,000	\$175,000	\$182,000	100.0%	10.6%
<i>Computer and Mathematical Occupations</i>						
Computer Systems Analysts	\$122,500	\$128,000	\$204,000	\$210,000	12.0%	5.1%
Computer Programmers	\$108,000	\$113,000	\$180,000	\$185,000	7.0%	2.9%
Software Developers, Applications	\$134,000	\$139,000	\$207,000	\$214,000	31.4%	13.3%
Software Developers, Systems Software	\$150,100	\$153,000	\$220,000	\$220,000	10.5%	4.4%
Web Developers	\$99,600	\$109,000	\$181,000	\$196,000	3.2%	1.4%
Network and Computer Systems Administrators	\$117,700	\$123,000	\$196,000	\$202,000	5.2%	2.2%
Computer Network Architects	\$148,300	\$154,000	\$229,000	\$236,000	3.3%	1.4%
Computer User Support Specialists	\$84,400	\$92,000	\$154,000	\$166,000	11.8%	5.0%
Computer Network Support Specialists	\$85,800	\$94,000	\$156,000	\$169,000	3.0%	1.3%
Computer Occupations, All Other	\$138,900	\$144,000	\$215,000	\$221,000	6.9%	2.9%
Other Computer and Mathematical Occupations	<u>\$123,500</u>	<u>\$129,000</u>	<u>\$206,000</u>	<u>\$211,000</u>	<u>5.7%</u>	<u>2.4%</u>
Weighted Mean Annual Wage	\$123,500	\$129,000	\$198,000	\$205,000	100.0%	42.3%

**APPENDIX C TABLE 4
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
TECH OFFICE WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA**

Occupation ³	2020 Avg.	Household Income Estimate ⁴			% of Total	% of Total
	Worker Compensation ¹	One Worker	Two Workers	Three+ Workers	Occupation Group ²	Tech Office Workers
<i>Architecture and Engineering Occupations</i>						
Aerospace Engineers	\$142,600	\$148,000	\$220,000	\$227,000	3.8%	0.1%
Computer Hardware Engineers	\$164,700	\$168,000	\$241,000	\$241,000	15.8%	0.5%
Electrical Engineers	\$141,400	\$147,000	\$218,000	\$225,000	11.2%	0.4%
Electronics Engineers, Except Computer	\$144,700	\$150,000	\$224,000	\$231,000	13.8%	0.5%
Industrial Engineers	\$124,600	\$130,000	\$208,000	\$213,000	8.6%	0.3%
Mechanical Engineers	\$128,300	\$133,000	\$198,000	\$204,000	10.6%	0.4%
Engineers, All Other	\$130,100	\$135,000	\$201,000	\$207,000	7.5%	0.2%
Electrical and Electronics Engineering Technicians	\$73,500	\$80,000	\$152,000	\$172,000	7.2%	0.2%
Engineering Technicians, Except Drafters, All Other	\$78,200	\$85,000	\$142,000	\$154,000	3.9%	0.1%
Other Architecture and Engineering Occupations	<u>\$133,100</u>	<u>\$138,000</u>	<u>\$206,000</u>	<u>\$212,000</u>	<u>17.8%</u>	<u>0.6%</u>
Weighted Mean Annual Wage	\$133,100	\$138,000	\$208,000	\$215,000	100.0%	3.3%
<i>Life, Physical, and Social Science Occupations</i>						
Biological Scientists, All Other	\$112,400	\$117,000	\$187,000	\$192,000	5.8%	0.2%
Medical Scientists, Except Epidemiologists	\$115,700	\$121,000	\$193,000	\$198,000	26.7%	0.7%
Physicists	\$131,800	\$137,000	\$204,000	\$210,000	4.0%	0.1%
Chemists	\$117,000	\$122,000	\$195,000	\$200,000	7.8%	0.2%
Biological Technicians	\$66,400	\$72,000	\$137,000	\$156,000	14.9%	0.4%
Social Science Research Assistants	\$61,000	\$66,000	\$126,000	\$143,000	3.4%	0.1%
Life, Physical, and Social Science Technicians, All Other	\$72,000	\$78,000	\$149,000	\$169,000	4.6%	0.1%
Other Life, Physical, and Social Science Occupations	<u>\$99,800</u>	<u>\$109,000</u>	<u>\$182,000</u>	<u>\$196,000</u>	<u>32.8%</u>	<u>0.9%</u>
Weighted Mean Annual Wage	\$99,800	\$106,000	\$177,000	\$188,000	100.0%	2.8%
<i>Arts, Design, Entertainment, Sports, and Media Occupations</i>						
Art Directors	\$123,200	\$128,000	\$206,000	\$211,000	3.9%	0.1%
Multimedia Artists and Animators	\$96,200	\$105,000	\$175,000	\$189,000	9.3%	0.3%
Graphic Designers	\$72,000	\$78,000	\$149,000	\$169,000	13.3%	0.4%
Producers and Directors	\$108,200	\$113,000	\$180,000	\$185,000	7.0%	0.2%
Public Relations Specialists	\$85,700	\$93,000	\$156,000	\$168,000	10.2%	0.3%
Editors	\$78,700	\$86,000	\$143,000	\$155,000	17.9%	0.6%
Technical Writers	\$115,000	\$120,000	\$192,000	\$197,000	11.2%	0.3%
Writers and Authors	\$89,600	\$98,000	\$163,000	\$176,000	6.6%	0.2%
Audio and Video Equipment Technicians	\$64,000	\$69,000	\$132,000	\$150,000	2.3%	0.1%
Other Arts, Design, Entertainment, Sports, and Media Occupa	<u>\$90,600</u>	<u>\$99,000</u>	<u>\$165,000</u>	<u>\$178,000</u>	<u>18.2%</u>	<u>0.6%</u>
Weighted Mean Annual Wage	\$90,600	\$98,000	\$164,000	\$176,000	100.0%	3.1%

**APPENDIX C TABLE 4
 AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
 TECH OFFICE WORKER OCCUPATIONS
 COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
 SAN JOSE, CA**

Occupation ³	2020 Avg.	Household Income Estimate ⁴			% of Total	% of Total
	Worker Compensation ¹	One Worker	Two Workers	Three+ Workers	Occupation Group ²	Tech Office Workers
<i>Sales and Related Occupations</i>						
First-Line Supervisors of Non-Retail Sales Workers	\$88,000	\$96,000	\$160,000	\$173,000	4.8%	0.4%
Advertising Sales Agents	\$77,600	\$85,000	\$141,000	\$153,000	7.9%	0.7%
Sales Representatives, Services, All Other	\$83,400	\$91,000	\$152,000	\$164,000	51.8%	4.3%
Sales Representatives, Wholesale and Manufacturing, Techni	\$112,900	\$118,000	\$188,000	\$193,000	17.2%	1.4%
Sales Representatives, Wholesale and Manufacturing, Except	\$89,300	\$97,000	\$163,000	\$176,000	6.6%	0.6%
Sales Engineers	\$142,600	\$148,000	\$220,000	\$227,000	5.4%	0.5%
Other Sales and Related Occupations	<u>\$92,400</u>	<u>\$101,000</u>	<u>\$168,000</u>	<u>\$182,000</u>	<u>6.2%</u>	<u>0.5%</u>
Weighted Mean Annual Wage	\$92,400	\$100,000	\$163,000	\$174,000	100.0%	8.4%
<i>Office and Administrative Support Occupations</i>						
First-Line Supervisors of Office and Administrative Support W	\$71,800	\$78,000	\$149,000	\$168,000	7.6%	0.9%
Bookkeeping, Accounting, and Auditing Clerks	\$55,200	\$60,000	\$114,000	\$129,000	7.0%	0.8%
Customer Service Representatives	\$48,900	\$62,000	\$126,000	\$153,000	31.1%	3.6%
Library Assistants, Clerical	\$42,900	\$54,000	\$110,000	\$134,000	4.0%	0.5%
Executive Secretaries and Executive Administrative Assistants	\$84,200	\$92,000	\$153,000	\$166,000	6.0%	0.7%
Secretaries and Administrative Assistants, Except Legal, Medi	\$49,900	\$63,000	\$128,000	\$156,000	8.4%	1.0%
Data Entry Keyers	\$39,400	\$50,000	\$101,000	\$123,000	3.6%	0.4%
Office Clerks, General	\$47,800	\$60,000	\$123,000	\$149,000	12.4%	1.4%
Other Office and Administrative Support Occupations	<u>\$53,500</u>	<u>\$58,000</u>	<u>\$111,000</u>	<u>\$125,000</u>	<u>19.8%</u>	<u>2.3%</u>
Weighted Mean Annual Wage	\$53,500	\$63,000	\$124,000	\$146,000	100.0%	11.6%
<i>Installation, Maintenance, and Repair Occupations</i>						
First-Line Supervisors of Mechanics, Installers, and Repairers	\$96,300	\$105,000	\$175,000	\$189,000	5.3%	0.1%
Computer, Automated Teller, and Office Machine Repairers	\$46,900	\$59,000	\$120,000	\$146,000	5.8%	0.1%
Telecommunications Equipment Installers and Repairers, Exce	\$61,100	\$66,000	\$126,000	\$143,000	50.5%	1.3%
Telecommunications Line Installers and Repairers	\$82,400	\$90,000	\$150,000	\$162,000	21.2%	0.5%
Maintenance and Repair Workers, General	\$56,000	\$61,000	\$116,000	\$131,000	7.4%	0.2%
Other Installation, Maintenance, and Repair Occupations	<u>\$66,800</u>	<u>\$72,000</u>	<u>\$138,000</u>	<u>\$157,000</u>	<u>9.8%</u>	<u>0.3%</u>
Weighted Mean Annual Wage	\$66,800	\$73,000	\$134,000	\$150,000	100.0%	2.6%

96.7%

¹ The methodology utilized by the California Employment Development Department (EDD) assumes hourly paid employees are employed full-time. EDD data is adjusted by KMA to reflect San Jose minimum wage. 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 2018 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on Occupational Employment Survey data applicable to Santa Clara County as of 2019 and are adjusted by EDD to the first quarter of 2020.

³ Including occupations representing 2% or more of the major occupation group.

⁴ Household income estimated based average worker compensation and ratios between employee income and household income identified in Table 3-6.

**APPENDIX C TABLE 5
 ESTIMATED WORKER OCCUPATION DISTRIBUTION, 2018
 RETAIL WORKERS
 COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
 SAN JOSE, CA**

	Worker Occupation Distribution Retail
Major Occupations (2% or more)	
Management Occupations	2.5%
Healthcare Practitioners and Technical Occupations	2.1%
Food Preparation and Serving Related Occupations	42.6%
Personal Care and Service Occupations	5.1%
Sales and Related Occupations	28.0%
Office and Administrative Support Occupations	8.1%
Installation, Maintenance, and Repair Occupations	2.5%
Transportation and Material Moving Occupations	4.3%
All Other Worker Occupations - Retail	<u>4.7%</u>
TOTAL	100.0%

**APPENDIX C TABLE 6
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
RETAIL WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA**

Occupation ³	2020 Avg.	Household Income Estimate ⁴			% of Total Occupation Group ²	% of Total Retail Workers
	Worker Compensation ¹	One Worker	Two Workers	Three+ Workers		
<i>Page 1 of 2</i>						
<i>Management Occupations</i>						
General and Operations Managers	\$165,700	\$169,000	\$243,000	\$243,000	52.8%	1.3%
Sales Managers	\$177,700	\$181,000	\$260,000	\$260,000	9.4%	0.2%
Food Service Managers	\$87,400	\$95,000	\$159,000	\$172,000	27.2%	0.7%
Other Management Occupations	<u>\$143,200</u>	<u>\$149,000</u>	<u>\$221,000</u>	<u>\$228,000</u>	<u>10.6%</u>	<u>0.3%</u>
Weighted Mean Annual Wage	\$143,200	\$148,000	\$219,000	\$224,000	100.0%	2.5%
<i>Healthcare Practitioners and Technical Occupations</i>						
Pharmacists	\$156,100	\$159,000	\$229,000	\$229,000	33.4%	0.7%
Pharmacy Technicians	\$49,600	\$63,000	\$127,000	\$155,000	53.8%	1.1%
Opticians, Dispensing	\$49,900	\$63,000	\$128,000	\$156,000	4.8%	0.1%
Other Healthcare Practitioners and Technical Occupations	<u>\$88,300</u>	<u>\$96,000</u>	<u>\$161,000</u>	<u>\$174,000</u>	<u>8.0%</u>	<u>0.2%</u>
Weighted Mean Annual Wage	\$88,300	\$98,000	\$164,000	\$181,000	100.0%	2.1%
<i>Food Preparation and Serving Related Occupations</i>						
First-Line Supervisors of Food Preparation and Serving Workers	\$48,500	\$61,000	\$125,000	\$151,000	7.3%	3.1%
Cooks, Fast Food	\$31,700	\$40,000	\$81,000	\$99,000	4.2%	1.8%
Cooks, Restaurant	\$35,500	\$45,000	\$91,000	\$111,000	10.6%	4.5%
Food Preparation Workers	\$32,700	\$41,000	\$84,000	\$102,000	5.9%	2.5%
Bartenders	\$35,300	\$45,000	\$91,000	\$110,000	4.2%	1.8%
Combined Food Preparation and Serving Workers, Including Fast Counter Attendants, Cafeteria, Food Concession, and Coffee Shop	\$31,700	\$40,000	\$81,000	\$99,000	29.8%	12.7%
Waiters and Waitresses	\$32,600	\$41,000	\$84,000	\$102,000	20.1%	8.6%
Dining Room and Cafeteria Attendants and Bartender Helpers	\$31,700	\$40,000	\$81,000	\$99,000	3.0%	1.3%
Dishwashers	\$31,700	\$40,000	\$81,000	\$99,000	3.9%	1.7%
Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop	\$31,700	\$40,000	\$81,000	\$99,000	3.3%	1.4%
Other Food Preparation and Serving Related Occupations	<u>\$33,800</u>	<u>\$43,000</u>	<u>\$87,000</u>	<u>\$106,000</u>	<u>4.3%</u>	<u>1.8%</u>
Weighted Mean Annual Wage	\$33,800	\$43,000	\$87,000	\$106,000	100.0%	42.6%
<i>Personal Care and Service Occupations</i>						
First-Line Supervisors of Personal Service Workers	\$46,200	\$58,000	\$119,000	\$144,000	5.1%	0.3%
Nonfarm Animal Caretakers	\$38,900	\$49,000	\$100,000	\$121,000	5.6%	0.3%
Amusement and Recreation Attendants	\$31,700	\$40,000	\$81,000	\$99,000	5.0%	0.3%
Funeral Attendants	\$38,700	\$49,000	\$99,000	\$121,000	2.5%	0.1%
Hairdressers, Hairstylists, and Cosmetologists	\$33,400	\$42,000	\$86,000	\$104,000	32.9%	1.7%
Manicurists and Pedicurists	\$31,700	\$40,000	\$81,000	\$99,000	10.8%	0.6%
Skincare Specialists	\$38,800	\$49,000	\$100,000	\$121,000	3.9%	0.2%
Childcare Workers	\$33,900	\$43,000	\$87,000	\$106,000	3.1%	0.2%
Fitness Trainers and Aerobics Instructors	\$64,800	\$70,000	\$134,000	\$152,000	16.6%	0.9%
Other Personal Care and Service Occupations	<u>\$40,700</u>	<u>\$51,000</u>	<u>\$104,000</u>	<u>\$127,000</u>	<u>14.5%</u>	<u>0.7%</u>
Weighted Mean Annual Wage	\$40,700	\$49,000	\$99,000	\$119,000	100.0%	5.1%
<i>Sales and Related Occupations</i>						
First-Line Supervisors of Retail Sales Workers	\$53,700	\$58,000	\$111,000	\$126,000	11.6%	3.3%
Cashiers	\$34,000	\$43,000	\$87,000	\$106,000	31.2%	8.7%
Counter and Rental Clerks	\$44,300	\$56,000	\$114,000	\$138,000	2.8%	0.8%
Retail Salespersons	\$40,000	\$51,000	\$103,000	\$125,000	48.1%	13.5%
Sales Representatives, Services, All Other	\$83,400	\$91,000	\$152,000	\$164,000	2.4%	0.7%
Other Sales and Related Occupations	<u>\$40,900</u>	<u>\$52,000</u>	<u>\$105,000</u>	<u>\$128,000</u>	<u>3.8%</u>	<u>1.1%</u>
Weighted Mean Annual Wage	\$40,900	\$50,000	\$101,000	\$121,000	100.0%	28.0%

**APPENDIX C TABLE 6
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
RETAIL WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA**

Occupation ³	2020 Avg.	Household Income Estimate ⁴			% of Total	% of Total
	Worker Compensation ¹	One Worker	Two Workers	Three+ Workers	Occupation Group ²	Retail Workers
<i>Office and Administrative Support Occupations</i>						
First-Line Supervisors of Office and Administrative Support Work	\$71,800	\$78,000	\$149,000	\$168,000	5.5%	0.4%
Bookkeeping, Accounting, and Auditing Clerks	\$55,200	\$60,000	\$114,000	\$129,000	6.8%	0.6%
Customer Service Representatives	\$48,900	\$62,000	\$126,000	\$153,000	14.6%	1.2%
Receptionists and Information Clerks	\$39,200	\$50,000	\$101,000	\$122,000	8.5%	0.7%
Stock Clerks and Order Fillers	\$33,700	\$43,000	\$87,000	\$105,000	39.4%	3.2%
Secretaries and Administrative Assistants, Except Legal, Medical, Office Clerks, General	\$49,900	\$63,000	\$128,000	\$156,000	4.5%	0.4%
Office Clerks, General	\$47,800	\$60,000	\$123,000	\$149,000	10.1%	0.8%
Other Office and Administrative Support Occupations	<u>\$43,100</u>	<u>\$54,000</u>	<u>\$111,000</u>	<u>\$135,000</u>	<u>10.5%</u>	<u>0.9%</u>
Weighted Mean Annual Wage	\$43,100	\$53,000	\$107,000	\$128,000	100.0%	8.1%
<i>Installation, Maintenance, and Repair Occupations</i>						
First-Line Supervisors of Mechanics, Installers, and Repairers	\$96,300	\$105,000	\$175,000	\$189,000	7.7%	0.2%
Computer, Automated Teller, and Office Machine Repairers	\$46,900	\$59,000	\$120,000	\$146,000	4.7%	0.1%
Automotive Body and Related Repairers	\$56,800	\$62,000	\$118,000	\$133,000	3.7%	0.1%
Automotive Service Technicians and Mechanics	\$60,300	\$65,000	\$125,000	\$141,000	40.0%	1.0%
Bus and Truck Mechanics and Diesel Engine Specialists	\$69,400	\$75,000	\$144,000	\$163,000	3.4%	0.1%
Tire Repairers and Changers	\$41,200	\$52,000	\$106,000	\$129,000	10.9%	0.3%
Home Appliance Repairers	\$55,200	\$60,000	\$114,000	\$129,000	2.1%	0.1%
Maintenance and Repair Workers, General	\$56,000	\$61,000	\$116,000	\$131,000	9.6%	0.2%
Installation, Maintenance, and Repair Workers, All Other	\$63,100	\$68,000	\$131,000	\$148,000	3.0%	0.1%
Other Installation, Maintenance, and Repair Occupations	<u>\$60,100</u>	<u>\$65,000</u>	<u>\$124,000</u>	<u>\$141,000</u>	<u>14.8%</u>	<u>0.4%</u>
Weighted Mean Annual Wage	\$60,100	\$66,000	\$126,000	\$143,000	100.0%	2.5%
<i>Transportation and Material Moving Occupations</i>						
First-Line Supervisors of Transportation and Material Moving Work	\$67,800	\$74,000	\$140,000	\$159,000	2.5%	0.1%
Driver/Sales Workers	\$39,000	\$49,000	\$100,000	\$122,000	20.5%	0.9%
Heavy and Tractor-Trailer Truck Drivers	\$55,400	\$60,000	\$115,000	\$130,000	3.3%	0.1%
Light Truck or Delivery Services Drivers	\$50,400	\$55,000	\$104,000	\$118,000	21.1%	0.9%
Taxi Drivers and Chauffeurs	\$31,900	\$40,000	\$82,000	\$100,000	3.4%	0.1%
Parking Lot Attendants	\$33,000	\$42,000	\$85,000	\$103,000	5.8%	0.3%
Cleaners of Vehicles and Equipment	\$35,600	\$45,000	\$91,000	\$111,000	9.3%	0.4%
Laborers and Freight, Stock, and Material Movers, Hand	\$41,200	\$52,000	\$106,000	\$129,000	15.4%	0.7%
Packers and Packagers, Hand	\$33,200	\$42,000	\$85,000	\$104,000	11.4%	0.5%
Other Transportation and Material Moving Occupations	<u>\$41,600</u>	<u>\$53,000</u>	<u>\$107,000</u>	<u>\$130,000</u>	<u>7.4%</u>	<u>0.3%</u>
Weighted Mean Annual Wage	\$41,600	\$50,000	\$100,000	\$119,000	100.0%	4.3%

95.3%

¹ The methodology utilized by the California Employment Development Department (EDD) assumes hourly paid employees are employed full-time. EDD data is adjusted by KMA to reflect San Jose minimum wage. 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 2018 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on Occupational Employment Survey data applicable to Santa Clara County as of 2019 and are adjusted by EDD to the first quarter of 2020.

³ Including occupations representing 2% or more of the major occupation group.

⁴ Household income estimated based average worker compensation and ratios between employee income and household income for the San Francisco Bay Area identified in Table 3-6.

APPENDIX C TABLE 7
ESTIMATED WORKER OCCUPATION DISTRIBUTION, 2018
HOTEL WORKERS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

	Worker Occupation Distribution Hotel
Major Occupations (2% or more)	
Management Occupations	4.4%
Food Preparation and Serving Related Occupations	24.9%
Building and Grounds Cleaning and Maintenance Occupations	31.0%
Personal Care and Service Occupations	4.1%
Sales and Related Occupations	2.5%
Office and Administrative Support Occupations	20.0%
Installation, Maintenance, and Repair Occupations	5.5%
Production Occupations	2.4%
All Other Worker Occupations - Hotel	<u>5.2%</u>
TOTAL	100.0%

**APPENDIX C TABLE 8
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
HOTEL WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA**

Occupation ³	2020 Avg.	Household Income Estimate ⁴			% of Total	% of Total
	Worker Compensation ¹	One Worker	Two Workers	Three+ Workers	Occupation Group ²	Hotel Workers
<i>Page 1 of 2</i>						
<i>Management Occupations</i>						
General and Operations Managers	\$165,700	\$169,000	\$243,000	\$243,000	21.0%	0.9%
Sales Managers	\$177,700	\$181,000	\$260,000	\$260,000	7.4%	0.3%
Administrative Services Managers	\$145,000	\$151,000	\$224,000	\$231,000	4.2%	0.2%
Financial Managers	\$181,200	\$184,000	\$266,000	\$266,000	4.2%	0.2%
Human Resources Managers	\$177,600	\$181,000	\$260,000	\$260,000	2.2%	0.1%
Food Service Managers	\$87,400	\$95,000	\$159,000	\$172,000	9.6%	0.4%
Lodging Managers	\$79,600	\$87,000	\$145,000	\$156,000	44.4%	1.9%
Managers, All Other	\$174,500	\$178,000	\$256,000	\$256,000	3.3%	0.1%
Other Management Occupations	<u>\$119,400</u>	<u>\$124,000</u>	<u>\$199,000</u>	<u>\$204,000</u>	<u>3.7%</u>	<u>0.2%</u>
Weighted Mean Annual Wage	\$119,400	\$125,000	\$192,000	\$199,000	100.0%	4.4%
<i>Food Preparation and Serving Related Occupations</i>						
Chefs and Head Cooks	\$86,000	\$94,000	\$157,000	\$169,000	2.6%	0.7%
First-Line Supervisors of Food Preparation and Serving Workers	\$48,500	\$61,000	\$125,000	\$151,000	5.8%	1.4%
Cooks, Restaurant	\$35,500	\$45,000	\$91,000	\$111,000	15.7%	3.9%
Food Preparation Workers	\$32,700	\$41,000	\$84,000	\$102,000	2.2%	0.5%
Bartenders	\$35,300	\$45,000	\$91,000	\$110,000	7.8%	1.9%
Combined Food Preparation and Serving Workers, Including Fast F	\$31,700	\$40,000	\$81,000	\$99,000	3.1%	0.8%
Counter Attendants, Cafeteria, Food Concession, and Coffee Shop	\$32,200	\$41,000	\$83,000	\$101,000	2.1%	0.5%
Waiters and Waitresses	\$32,600	\$41,000	\$84,000	\$102,000	31.2%	7.8%
Food Servers, Nonrestaurant	\$37,300	\$47,000	\$96,000	\$116,000	6.4%	1.6%
Dining Room and Cafeteria Attendants and Bartender Helpers	\$31,700	\$40,000	\$81,000	\$99,000	11.5%	2.9%
Dishwashers	\$31,700	\$40,000	\$81,000	\$99,000	5.8%	1.5%
Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop	\$31,700	\$40,000	\$81,000	\$99,000	3.5%	0.9%
Other Food Preparation and Serving Related Occupations	<u>\$35,700</u>	<u>\$45,000</u>	<u>\$92,000</u>	<u>\$111,000</u>	<u>2.4%</u>	<u>0.6%</u>
Weighted Mean Annual Wage	\$35,700	\$45,000	\$90,000	\$109,000	100.0%	24.9%
<i>Building and Grounds Cleaning and Maintenance Occupations</i>						
First-Line Supervisors of Housekeeping and Janitorial Workers	\$52,900	\$57,000	\$109,000	\$124,000	6.1%	1.9%
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	\$38,500	\$49,000	\$99,000	\$120,000	5.4%	1.7%
Maids and Housekeeping Cleaners	\$37,400	\$47,000	\$96,000	\$117,000	86.0%	26.7%
Other Building and Grounds Cleaning and Maintenance Occupation	<u>\$38,400</u>	<u>\$49,000</u>	<u>\$99,000</u>	<u>\$120,000</u>	<u>2.4%</u>	<u>0.8%</u>
Weighted Mean Annual Wage	\$38,400	\$48,000	\$97,000	\$118,000	100.0%	31.0%
<i>Personal Care and Service Occupations</i>						
First-Line Supervisors of Personal Service Workers	\$46,200	\$58,000	\$119,000	\$144,000	5.6%	0.2%
Ushers, Lobby Attendants, and Ticket Takers	\$31,700	\$40,000	\$81,000	\$99,000	2.1%	0.1%
Amusement and Recreation Attendants	\$31,700	\$40,000	\$81,000	\$99,000	17.4%	0.7%
Locker Room, Coatroom, and Dressing Room Attendants	\$39,800	\$50,000	\$102,000	\$124,000	4.9%	0.2%
Skincare Specialists	\$38,800	\$49,000	\$100,000	\$121,000	3.0%	0.1%
Baggage Porters and Bellhops	\$34,300	\$43,000	\$88,000	\$107,000	29.4%	1.2%
Concierges	\$37,900	\$48,000	\$97,000	\$118,000	18.1%	0.7%
Recreation Workers	\$41,700	\$53,000	\$107,000	\$130,000	6.0%	0.2%
Personal Care and Service Workers, All Other	\$31,700	\$40,000	\$81,000	\$99,000	2.9%	0.1%
Other Personal Care and Service Occupations	<u>\$36,100</u>	<u>\$46,000</u>	<u>\$93,000</u>	<u>\$113,000</u>	<u>10.4%</u>	<u>0.4%</u>
Weighted Mean Annual Wage	\$36,100	\$46,000	\$93,000	\$113,000	100.0%	4.1%

**APPENDIX C TABLE 8
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
HOTEL WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA**

Occupation ³	2020 Avg.	Household Income Estimate ⁴			% of Total	% of Total
	Worker Compensation ¹	One Worker	Two Workers	Three+ Workers	Occupation Group ²	Hotel Workers
<i>Sales and Related Occupations</i>						
First-Line Supervisors of Retail Sales Workers	\$53,700	\$58,000	\$111,000	\$126,000	3.7%	0.1%
First-Line Supervisors of Non-Retail Sales Workers	\$88,000	\$96,000	\$160,000	\$173,000	3.1%	0.1%
Cashiers	\$34,000	\$43,000	\$87,000	\$106,000	18.1%	0.4%
Retail Salespersons	\$40,000	\$51,000	\$103,000	\$125,000	12.2%	0.3%
Sales Representatives, Services, All Other	\$83,400	\$91,000	\$152,000	\$164,000	56.1%	1.4%
Other Sales and Related Occupations	<u>\$67,100</u>	<u>\$73,000</u>	<u>\$139,000</u>	<u>\$157,000</u>	<u>6.9%</u>	<u>0.2%</u>
Weighted Mean Annual Wage	\$67,100	\$75,000	\$132,000	\$147,000	100.0%	2.5%
<i>Office and Administrative Support Occupations</i>						
First-Line Supervisors of Office and Administrative Support Workers	\$71,800	\$78,000	\$149,000	\$168,000	8.9%	1.8%
Bookkeeping, Accounting, and Auditing Clerks	\$55,200	\$60,000	\$114,000	\$129,000	5.6%	1.1%
Hotel, Motel, and Resort Desk Clerks	\$32,300	\$41,000	\$83,000	\$101,000	71.6%	14.3%
Secretaries and Administrative Assistants, Except Legal, Medical, a Office Clerks, General	\$49,900	\$63,000	\$128,000	\$156,000	2.3%	0.5%
	\$47,800	\$60,000	\$123,000	\$149,000	2.3%	0.5%
Other Office and Administrative Support Occupations	<u>\$38,400</u>	<u>\$49,000</u>	<u>\$99,000</u>	<u>\$120,000</u>	<u>9.4%</u>	<u>1.9%</u>
Weighted Mean Annual Wage	\$38,400	\$47,000	\$94,000	\$113,000	100.0%	20.0%
<i>Installation, Maintenance, and Repair Occupations</i>						
First-Line Supervisors of Mechanics, Installers, and Repairers	\$96,300	\$105,000	\$175,000	\$189,000	7.4%	0.4%
Maintenance and Repair Workers, General	\$56,000	\$61,000	\$116,000	\$131,000	89.8%	5.0%
Other Installation, Maintenance, and Repair Occupations	<u>\$59,100</u>	<u>\$64,000</u>	<u>\$122,000</u>	<u>\$139,000</u>	<u>2.7%</u>	<u>0.1%</u>
Weighted Mean Annual Wage	\$59,100	\$64,000	\$121,000	\$136,000	100.0%	5.5%
<i>Production Occupations</i>						
First-Line Supervisors of Production and Operating Workers	\$76,200	\$83,000	\$139,000	\$150,000	2.2%	0.1%
Bakers	\$38,300	\$48,000	\$98,000	\$120,000	7.0%	0.2%
Laundry and Dry-Cleaning Workers	\$33,800	\$43,000	\$87,000	\$106,000	85.9%	2.1%
Other Production Occupations	<u>\$35,100</u>	<u>\$44,000</u>	<u>\$90,000</u>	<u>\$110,000</u>	<u>4.9%</u>	<u>0.1%</u>
Weighted Mean Annual Wage	\$35,100	\$44,000	\$89,000	\$108,000	100.0%	2.4%
						94.8%

¹ The methodology utilized by the California Employment Development Department (EDD) assumes hourly paid employees are employed full-time. EDD data is adjusted by KMA to reflect San Jose minimum wage. 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 2018 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on Occupational Employment Survey data applicable to Santa Clara County as of 2019 and are adjusted by EDD to the first quarter of 2020.

³ Including occupations representing 2% or more of the major occupation group.

⁴ Household income estimated based average worker compensation and ratios between employee income and household income identified in Table 3-6.

**APPENDIX C TABLE 9
 ESTIMATED WORKER OCCUPATION DISTRIBUTION, 2018
 INDUSTRIAL WORKERS
 COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
 SAN JOSE, CA**

	Worker Occupation Distribution Industrial
Major Occupations (2% or more)	
Management Occupations	8.6%
Business and Financial Operations Occupations	5.9%
Computer and Mathematical Occupations	6.1%
Architecture and Engineering Occupations	10.4%
Life, Physical, and Social Science Occupations	5.7%
Sales and Related Occupations	3.8%
Office and Administrative Support Occupations	10.5%
Installation, Maintenance, and Repair Occupations	10.6%
Production Occupations	29.0%
Transportation and Material Moving Occupations	5.8%
All Other Worker Occupations - Industrial	<u>3.6%</u>
TOTAL	100.0%

**APPENDIX C TABLE 10
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
INDUSTRIAL WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA**

Occupation ³	2020 Avg.	Household Income Estimate ⁴			% of Total Occupation Group ²	% of Total Industrial Workers
	Worker Compensation ¹	One Worker	Two Workers	Three+ Workers		
<i>Page 1 of 3</i>						
<i>Management Occupations</i>						
Chief Executives	\$253,400	\$255,000	\$283,000	\$284,000	2.6%	0.2%
General and Operations Managers	\$165,700	\$169,000	\$243,000	\$243,000	27.9%	2.4%
Marketing Managers	\$203,300	\$207,000	\$275,000	\$276,000	4.5%	0.4%
Sales Managers	\$177,700	\$181,000	\$260,000	\$260,000	5.0%	0.4%
Administrative Services Managers	\$145,000	\$151,000	\$224,000	\$231,000	3.1%	0.3%
Computer and Information Systems Managers	\$219,000	\$223,000	\$296,000	\$297,000	6.7%	0.6%
Financial Managers	\$181,200	\$184,000	\$266,000	\$266,000	5.7%	0.5%
Industrial Production Managers	\$152,100	\$155,000	\$223,000	\$223,000	9.3%	0.8%
Purchasing Managers	\$155,200	\$158,000	\$227,000	\$227,000	2.5%	0.2%
Human Resources Managers	\$177,600	\$181,000	\$260,000	\$260,000	2.1%	0.2%
Architectural and Engineering Managers	\$207,000	\$211,000	\$280,000	\$281,000	11.9%	1.0%
Natural Sciences Managers	\$200,200	\$204,000	\$270,000	\$272,000	6.6%	0.6%
Managers, All Other	\$174,500	\$178,000	\$256,000	\$256,000	7.3%	0.6%
Other Management Occupations	\$181,400	\$185,000	\$266,000	\$266,000	4.9%	0.4%
Weighted Mean Annual Wage	\$181,400	\$185,000	\$257,000	\$258,000	100.0%	8.6%
<i>Business and Financial Operations Occupations</i>						
Buyers and Purchasing Agents	\$84,000	\$92,000	\$153,000	\$165,000	15.2%	0.9%
Compliance Officers	\$95,400	\$104,000	\$174,000	\$188,000	6.1%	0.4%
Cost Estimators	\$93,100	\$101,000	\$170,000	\$183,000	5.3%	0.3%
Human Resources Specialists	\$86,300	\$94,000	\$157,000	\$170,000	7.3%	0.4%
Logisticians	\$98,900	\$108,000	\$180,000	\$194,000	5.9%	0.4%
Management Analysts	\$122,900	\$128,000	\$205,000	\$210,000	6.9%	0.4%
Training and Development Specialists	\$93,600	\$102,000	\$171,000	\$184,000	3.5%	0.2%
Market Research Analysts and Marketing Specialists	\$100,400	\$105,000	\$167,000	\$172,000	9.4%	0.6%
Business Operations Specialists, All Other	\$102,500	\$107,000	\$171,000	\$176,000	16.0%	0.9%
Accountants and Auditors	\$92,400	\$101,000	\$168,000	\$182,000	14.4%	0.8%
Budget Analysts	\$105,800	\$110,000	\$176,000	\$181,000	2.1%	0.1%
Financial Analysts	\$119,400	\$124,000	\$199,000	\$204,000	4.7%	0.3%
Other Business and Financial Operations Occupations	\$97,500	\$106,000	\$178,000	\$192,000	3.0%	0.2%
Weighted Mean Annual Wage	\$97,500	\$104,000	\$171,000	\$181,000	100.0%	5.9%
<i>Computer and Mathematical Occupations</i>						
Computer and Information Research Scientists	\$170,900	\$174,000	\$250,000	\$250,000	2.8%	0.2%
Computer Systems Analysts	\$122,500	\$128,000	\$204,000	\$210,000	9.2%	0.6%
Information Security Analysts	\$123,400	\$129,000	\$206,000	\$211,000	2.4%	0.1%
Computer Programmers	\$108,000	\$113,000	\$180,000	\$185,000	4.6%	0.3%
Software Developers, Applications	\$134,000	\$139,000	\$207,000	\$214,000	18.0%	1.1%
Software Developers, Systems Software	\$150,100	\$153,000	\$220,000	\$220,000	29.2%	1.8%
Network and Computer Systems Administrators	\$117,700	\$123,000	\$196,000	\$202,000	6.4%	0.4%
Computer Network Architects	\$148,300	\$154,000	\$229,000	\$236,000	2.4%	0.1%
Computer User Support Specialists	\$84,400	\$92,000	\$154,000	\$166,000	8.7%	0.5%
Computer Network Support Specialists	\$85,800	\$94,000	\$156,000	\$169,000	2.7%	0.2%
Computer Occupations, All Other	\$138,900	\$144,000	\$215,000	\$221,000	5.9%	0.4%
Statisticians	\$123,400	\$129,000	\$206,000	\$211,000	3.0%	0.2%
Other Computer and Mathematical Occupations	\$130,700	\$136,000	\$202,000	\$208,000	4.8%	0.3%
Weighted Mean Annual Wage	\$130,700	\$135,000	\$204,000	\$209,000	100.0%	6.1%

**APPENDIX C TABLE 10
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
INDUSTRIAL WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA**

Occupation ³	2020 Avg.	Household Income Estimate ⁴			% of Total Occupation Group ²	% of Total Industrial Workers
	Worker Compensation ¹	One Worker	Two Workers	Three+ Workers		
<i>Page 2 of 3</i>						
<i>Architecture and Engineering Occupations</i>						
Aerospace Engineers	\$142,600	\$148,000	\$220,000	\$227,000	5.3%	0.6%
Biomedical Engineers	\$124,700	\$130,000	\$208,000	\$214,000	2.8%	0.3%
Computer Hardware Engineers	\$164,700	\$168,000	\$241,000	\$241,000	3.5%	0.4%
Electrical Engineers	\$141,400	\$147,000	\$218,000	\$225,000	12.5%	1.3%
Electronics Engineers, Except Computer	\$144,700	\$150,000	\$224,000	\$231,000	7.6%	0.8%
Industrial Engineers	\$124,600	\$130,000	\$208,000	\$213,000	16.3%	1.7%
Mechanical Engineers	\$128,300	\$133,000	\$198,000	\$204,000	16.5%	1.7%
Engineers, All Other	\$130,100	\$135,000	\$201,000	\$207,000	5.7%	0.6%
Electrical and Electronics Engineering Technicians	\$73,500	\$80,000	\$152,000	\$172,000	7.8%	0.8%
Industrial Engineering Technicians	\$63,900	\$69,000	\$132,000	\$150,000	3.8%	0.4%
Mechanical Engineering Technicians	\$71,500	\$78,000	\$148,000	\$168,000	2.4%	0.2%
Engineering Technicians, Except Drafters, All Other	\$78,200	\$85,000	\$142,000	\$154,000	3.8%	0.4%
Other Architecture and Engineering Occupations	<u>\$121,900</u>	<u>\$127,000</u>	<u>\$203,000</u>	<u>\$209,000</u>	<u>11.8%</u>	<u>1.2%</u>
Weighted Mean Annual Wage	\$121,900	\$127,000	\$198,000	\$206,000	100.0%	10.4%
<i>Life, Physical, and Social Science Occupations</i>						
Biochemists and Biophysicists	\$140,400	\$146,000	\$217,000	\$224,000	9.3%	0.5%
Biological Scientists, All Other	\$112,400	\$117,000	\$187,000	\$192,000	4.7%	0.3%
Medical Scientists, Except Epidemiologists	\$115,700	\$121,000	\$193,000	\$198,000	23.4%	1.3%
Physicists	\$131,800	\$137,000	\$204,000	\$210,000	3.4%	0.2%
Chemists	\$117,000	\$122,000	\$195,000	\$200,000	8.5%	0.5%
Biological Technicians	\$66,400	\$72,000	\$137,000	\$156,000	12.8%	0.7%
Chemical Technicians	\$51,800	\$56,000	\$107,000	\$121,000	4.1%	0.2%
Social Science Research Assistants	\$61,000	\$66,000	\$126,000	\$143,000	7.0%	0.4%
Life, Physical, and Social Science Technicians, All Other	\$72,000	\$78,000	\$149,000	\$169,000	4.3%	0.2%
Other Life, Physical, and Social Science Occupations	<u>\$100,400</u>	<u>\$105,000</u>	<u>\$167,000</u>	<u>\$172,000</u>	<u>22.6%</u>	<u>1.3%</u>
Weighted Mean Annual Wage	\$100,400	\$106,000	\$172,000	\$181,000	100.0%	5.7%
<i>Sales and Related Occupations</i>						
First-Line Supervisors of Non-Retail Sales Workers	\$88,000	\$96,000	\$160,000	\$173,000	3.3%	0.1%
Cashiers	\$34,000	\$43,000	\$87,000	\$106,000	7.5%	0.3%
Counter and Rental Clerks	\$44,300	\$56,000	\$114,000	\$138,000	6.3%	0.2%
Parts Salespersons	\$44,400	\$56,000	\$114,000	\$139,000	3.0%	0.1%
Retail Salespersons	\$40,000	\$51,000	\$103,000	\$125,000	7.8%	0.3%
Sales Representatives, Services, All Other	\$83,400	\$91,000	\$152,000	\$164,000	9.4%	0.4%
Sales Representatives, Wholesale and Manufacturing, Technic	\$112,900	\$118,000	\$188,000	\$193,000	20.0%	0.8%
Sales Representatives, Wholesale and Manufacturing, Except T	\$89,300	\$97,000	\$163,000	\$176,000	32.9%	1.3%
Demonstrators and Product Promoters	\$37,200	\$47,000	\$96,000	\$116,000	2.5%	0.1%
Sales Engineers	\$142,600	\$148,000	\$220,000	\$227,000	4.6%	0.2%
Other Sales and Related Occupations	<u>\$82,200</u>	<u>\$90,000</u>	<u>\$150,000</u>	<u>\$162,000</u>	<u>2.9%</u>	<u>0.1%</u>
Weighted Mean Annual Wage	\$82,200	\$90,000	\$153,000	\$166,000	100.0%	3.8%
<i>Office and Administrative Support Occupations</i>						
First-Line Supervisors of Office and Administrative Support Wor	\$71,800	\$78,000	\$149,000	\$168,000	5.3%	0.6%
Bookkeeping, Accounting, and Auditing Clerks	\$55,200	\$60,000	\$114,000	\$129,000	9.6%	1.0%
Customer Service Representatives	\$48,900	\$62,000	\$126,000	\$153,000	13.0%	1.4%
Production, Planning, and Expediting Clerks	\$62,600	\$68,000	\$130,000	\$147,000	6.9%	0.7%
Shipping, Receiving, and Traffic Clerks	\$41,900	\$53,000	\$108,000	\$131,000	11.0%	1.2%
Stock Clerks and Order Fillers	\$33,700	\$43,000	\$87,000	\$105,000	5.6%	0.6%
Executive Secretaries and Executive Administrative Assistants	\$84,200	\$92,000	\$153,000	\$166,000	4.9%	0.5%
Secretaries and Administrative Assistants, Except Legal, Medic	\$49,900	\$63,000	\$128,000	\$156,000	13.0%	1.4%
Office Clerks, General	\$47,800	\$60,000	\$123,000	\$149,000	17.7%	1.9%
Other Office and Administrative Support Occupations	<u>\$52,100</u>	<u>\$56,000</u>	<u>\$108,000</u>	<u>\$122,000</u>	<u>13.1%</u>	<u>1.4%</u>
Weighted Mean Annual Wage	\$52,100	\$61,000	\$121,000	\$142,000	100.0%	10.5%

**APPENDIX C TABLE 10
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
INDUSTRIAL WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA**

Occupation ³	2020 Avg.	Household Income Estimate ⁴			% of Total Occupation Group ²	% of Total Industrial Workers
	Worker Compensation ¹	One Worker	Two Workers	Three+ Workers		
<i>Installation, Maintenance, and Repair Occupations</i>						
First-Line Supervisors of Mechanics, Installers, and Repairers	\$96,300	\$105,000	\$175,000	\$189,000	8.0%	0.8%
Computer, Automated Teller, and Office Machine Repairers	\$46,900	\$59,000	\$120,000	\$146,000	6.8%	0.7%
Electrical and Electronics Repairers, Commercial and Industrial	\$59,900	\$65,000	\$124,000	\$140,000	3.3%	0.3%
Automotive Body and Related Repairers	\$56,800	\$62,000	\$118,000	\$133,000	12.3%	1.3%
Automotive Glass Installers and Repairers	\$66,300	\$72,000	\$137,000	\$155,000	2.2%	0.2%
Automotive Service Technicians and Mechanics	\$60,300	\$65,000	\$125,000	\$141,000	28.2%	3.0%
Bus and Truck Mechanics and Diesel Engine Specialists	\$69,400	\$75,000	\$144,000	\$163,000	3.3%	0.4%
Industrial Machinery Mechanics	\$76,800	\$84,000	\$140,000	\$151,000	7.1%	0.7%
Medical Equipment Repairers	\$62,300	\$68,000	\$129,000	\$146,000	3.6%	0.4%
Maintenance and Repair Workers, General	\$56,000	\$61,000	\$116,000	\$131,000	7.7%	0.8%
Helpers—Installation, Maintenance, and Repair Workers	\$46,500	\$59,000	\$119,000	\$145,000	2.6%	0.3%
Other Installation, Maintenance, and Repair Occupations	<u>\$63,300</u>	<u>\$69,000</u>	<u>\$131,000</u>	<u>\$148,000</u>	<u>14.9%</u>	<u>1.6%</u>
Weighted Mean Annual Wage	\$63,300	\$69,000	\$130,000	\$146,000	100.0%	10.6%
<i>Production Occupations</i>						
First-Line Supervisors of Production and Operating Workers	\$76,200	\$83,000	\$139,000	\$150,000	6.8%	2.0%
Electrical, Electronic, and Electromechanical Assemblers, Except	\$47,500	\$60,000	\$122,000	\$148,000	12.4%	3.6%
Assemblers and Fabricators, All Other, Including Team Assemblers	\$38,100	\$48,000	\$98,000	\$119,000	13.8%	4.0%
Computer-Controlled Machine Tool Operators, Metal and Plastic	\$45,800	\$58,000	\$118,000	\$143,000	4.6%	1.3%
Machinists	\$51,500	\$56,000	\$107,000	\$121,000	12.6%	3.6%
Welders, Cutters, Solderers, and Brazers	\$59,700	\$65,000	\$124,000	\$140,000	4.4%	1.3%
Printing Press Operators	\$45,500	\$58,000	\$117,000	\$142,000	2.6%	0.7%
Inspectors, Testers, Sorters, Samplers, and Weighers	\$51,800	\$56,000	\$107,000	\$121,000	6.9%	2.0%
Dental Laboratory Technicians	\$47,600	\$60,000	\$122,000	\$149,000	2.3%	0.7%
Packaging and Filling Machine Operators and Tenders	\$36,600	\$46,000	\$94,000	\$114,000	2.9%	0.9%
Helpers—Production Workers	\$32,900	\$42,000	\$84,000	\$103,000	2.3%	0.7%
Other Production Occupations	<u>\$49,200</u>	<u>\$62,000</u>	<u>\$126,000</u>	<u>\$154,000</u>	<u>28.3%</u>	<u>8.2%</u>
Weighted Mean Annual Wage	\$49,200	\$59,000	\$116,000	\$138,000	100.0%	29.0%
<i>Transportation and Material Moving Occupations</i>						
First-Line Supervisors of Transportation and Material Moving Workers	\$67,800	\$74,000	\$140,000	\$159,000	5.8%	0.3%
Driver/Sales Workers	\$39,000	\$49,000	\$100,000	\$122,000	2.1%	0.1%
Heavy and Tractor-Trailer Truck Drivers	\$55,400	\$60,000	\$115,000	\$130,000	4.6%	0.3%
Light Truck or Delivery Services Drivers	\$50,400	\$55,000	\$104,000	\$118,000	6.3%	0.4%
Industrial Truck and Tractor Operators	\$46,600	\$59,000	\$120,000	\$146,000	4.7%	0.3%
Cleaners of Vehicles and Equipment	\$35,600	\$45,000	\$91,000	\$111,000	34.4%	2.0%
Laborers and Freight, Stock, and Material Movers, Hand	\$41,200	\$52,000	\$106,000	\$129,000	20.1%	1.2%
Packers and Packagers, Hand	\$33,200	\$42,000	\$85,000	\$104,000	8.4%	0.5%
Other Transportation and Material Moving Occupations	<u>\$41,600</u>	<u>\$53,000</u>	<u>\$107,000</u>	<u>\$130,000</u>	<u>13.7%</u>	<u>0.8%</u>
Weighted Mean Annual Wage	\$41,600	\$51,000	\$102,000	\$123,000	100.0%	5.8%

96.4%

¹ The methodology utilized by the California Employment Development Department (EDD) assumes hourly paid employees are employed full-time. EDD data is adjusted by KMA to reflect San Jose minimum wage. 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 2018 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on Occupational Employment Survey data applicable to Santa Clara County as of 2019 and are adjusted by EDD to the first quarter of 2020.

³ Including occupations representing 2% or more of the major occupation group.

⁴ Household income estimated based average worker compensation and ratios between employee income and household income identified in Table 3-6.

APPENDIX C TABLE 11
ESTIMATED WORKER OCCUPATION DISTRIBUTION, 2018
R&D WORKERS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

	Worker Occupation Distribution R&D
Major Occupations (2% or more)	
Management Occupations	14.6%
Business and Financial Operations Occupations	9.7%
Computer and Mathematical Occupations	12.0%
Architecture and Engineering Occupations	16.5%
Life, Physical, and Social Science Occupations	25.7%
Healthcare Practitioners and Technical Occupations	3.0%
Office and Administrative Support Occupations	8.5%
Production Occupations	2.1%
All Other Worker Occupations - R&D	<u>8.0%</u>
TOTAL	100.0%

APPENDIX C TABLE 12
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
R&D WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Occupation ³	2020 Avg.	Household Income Estimate ⁴			% of Total	% of Total	
	Worker Compensation ¹	One Worker	Two Workers	Three+ Workers	Occupation Group ²	R&D Workers	
<i>Page 1 of 3</i>							
<i>Management Occupations</i>							
Chief Executives	\$253,400	\$255,000	\$283,000	\$284,000	2.5%	0.4%	
General and Operations Managers	\$165,700	\$169,000	\$243,000	\$243,000	16.7%	2.4%	
Marketing Managers	\$203,300	\$207,000	\$275,000	\$276,000	4.5%	0.7%	
Sales Managers	\$177,700	\$181,000	\$260,000	\$260,000	2.7%	0.4%	
Administrative Services Managers	\$145,000	\$151,000	\$224,000	\$231,000	3.8%	0.6%	
Computer and Information Systems Managers	\$219,000	\$223,000	\$296,000	\$297,000	7.6%	1.1%	
Financial Managers	\$181,200	\$184,000	\$266,000	\$266,000	6.0%	0.9%	
Industrial Production Managers	\$152,100	\$155,000	\$223,000	\$223,000	2.6%	0.4%	
Human Resources Managers	\$177,600	\$181,000	\$260,000	\$260,000	2.2%	0.3%	
Architectural and Engineering Managers	\$207,000	\$211,000	\$280,000	\$281,000	12.1%	1.8%	
Medical and Health Services Managers	\$147,200	\$153,000	\$227,000	\$235,000	4.3%	0.6%	
Natural Sciences Managers	\$200,200	\$204,000	\$270,000	\$272,000	19.7%	2.9%	
Managers, All Other	\$174,500	\$178,000	\$256,000	\$256,000	9.5%	1.4%	
Other Management Occupations	<u>\$187,100</u>	<u>\$190,000</u>	<u>\$274,000</u>	<u>\$274,000</u>	<u>5.6%</u>	<u>0.8%</u>	
	Weighted Mean Annual Wage	\$187,100	\$191,000	\$263,000	\$264,000	100.0%	14.6%
<i>Business and Financial Operations Occupations</i>							
Buyers and Purchasing Agents	\$84,000	\$92,000	\$153,000	\$165,000	7.9%	0.8%	
Compliance Officers	\$95,400	\$104,000	\$174,000	\$188,000	10.6%	1.0%	
Human Resources Specialists	\$86,300	\$94,000	\$157,000	\$170,000	7.3%	0.7%	
Logisticians	\$98,900	\$108,000	\$180,000	\$194,000	4.1%	0.4%	
Management Analysts	\$122,900	\$128,000	\$205,000	\$210,000	10.7%	1.0%	
Training and Development Specialists	\$93,600	\$102,000	\$171,000	\$184,000	4.0%	0.4%	
Market Research Analysts and Marketing Specialists	\$100,400	\$105,000	\$167,000	\$172,000	8.5%	0.8%	
Business Operations Specialists, All Other	\$102,500	\$107,000	\$171,000	\$176,000	23.3%	2.3%	
Accountants and Auditors	\$92,400	\$101,000	\$168,000	\$182,000	12.9%	1.3%	
Financial Analysts	\$119,400	\$124,000	\$199,000	\$204,000	4.5%	0.4%	
Other Business and Financial Operations Occupations	<u>\$99,900</u>	<u>\$109,000</u>	<u>\$182,000</u>	<u>\$196,000</u>	<u>6.2%</u>	<u>0.6%</u>	
	Weighted Mean Annual Wage	\$99,900	\$107,000	\$174,000	\$184,000	100.0%	9.7%
<i>Computer and Mathematical Occupations</i>							
Computer and Information Research Scientists	\$170,900	\$174,000	\$250,000	\$250,000	6.8%	0.8%	
Computer Systems Analysts	\$122,500	\$128,000	\$204,000	\$210,000	11.3%	1.4%	
Information Security Analysts	\$123,400	\$129,000	\$206,000	\$211,000	4.0%	0.5%	
Computer Programmers	\$108,000	\$113,000	\$180,000	\$185,000	5.8%	0.7%	
Software Developers, Applications	\$134,000	\$139,000	\$207,000	\$214,000	16.7%	2.0%	
Software Developers, Systems Software	\$150,100	\$153,000	\$220,000	\$220,000	17.6%	2.1%	
Database Administrators	\$112,200	\$117,000	\$187,000	\$192,000	2.6%	0.3%	
Network and Computer Systems Administrators	\$117,700	\$123,000	\$196,000	\$202,000	6.4%	0.8%	
Computer Network Architects	\$148,300	\$154,000	\$229,000	\$236,000	3.0%	0.4%	
Computer User Support Specialists	\$84,400	\$92,000	\$154,000	\$166,000	4.7%	0.6%	
Computer Occupations, All Other	\$138,900	\$144,000	\$215,000	\$221,000	7.3%	0.9%	
Operations Research Analysts	\$101,400	\$106,000	\$169,000	\$174,000	3.3%	0.4%	
Statisticians	\$123,400	\$129,000	\$206,000	\$211,000	7.3%	0.9%	
Other Computer and Mathematical Occupations	<u>\$131,000</u>	<u>\$136,000</u>	<u>\$202,000</u>	<u>\$209,000</u>	<u>3.2%</u>	<u>0.4%</u>	
	Weighted Mean Annual Wage	\$131,000	\$136,000	\$206,000	\$211,000	100.0%	12.0%

**APPENDIX C TABLE 12
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
R&D WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA**

Occupation ³	2020 Avg.	Household Income Estimate ⁴			% of Total	% of Total
	Worker Compensation ¹	One Worker	Two Workers	Three+ Workers	Occupation Group ²	R&D Workers
<i>Architecture and Engineering Occupations</i>						
Aerospace Engineers	\$142,600	\$148,000	\$220,000	\$227,000	5.6%	0.9%
Biomedical Engineers	\$124,700	\$130,000	\$208,000	\$214,000	3.0%	0.5%
Chemical Engineers	\$116,300	\$121,000	\$194,000	\$199,000	3.3%	0.6%
Civil Engineers	\$116,100	\$121,000	\$194,000	\$199,000	2.2%	0.4%
Computer Hardware Engineers	\$164,700	\$168,000	\$241,000	\$241,000	6.1%	1.0%
Electrical Engineers	\$141,400	\$147,000	\$218,000	\$225,000	11.4%	1.9%
Electronics Engineers, Except Computer	\$144,700	\$150,000	\$224,000	\$231,000	7.9%	1.3%
Industrial Engineers	\$124,600	\$130,000	\$208,000	\$213,000	8.5%	1.4%
Materials Engineers	\$115,400	\$120,000	\$192,000	\$198,000	2.3%	0.4%
Mechanical Engineers	\$128,300	\$133,000	\$198,000	\$204,000	16.9%	2.8%
Engineers, All Other	\$130,100	\$135,000	\$201,000	\$207,000	7.7%	1.3%
Electrical and Electronics Engineering Technicians	\$73,500	\$80,000	\$152,000	\$172,000	4.4%	0.7%
Mechanical Engineering Technicians	\$71,500	\$78,000	\$148,000	\$168,000	2.2%	0.4%
Engineering Technicians, Except Drafters, All Other	\$78,200	\$85,000	\$142,000	\$154,000	5.1%	0.8%
Other Architecture and Engineering Occupations	<u>\$126,400</u>	<u>\$131,000</u>	<u>\$195,000</u>	<u>\$201,000</u>	<u>13.5%</u>	<u>2.2%</u>
Weighted Mean Annual Wage	\$126,400	\$132,000	\$201,000	\$208,000	100.0%	16.5%
<i>Life, Physical, and Social Science Occupations</i>						
Biological Scientists, All Other	\$112,400	\$117,000	\$187,000	\$192,000	5.8%	1.5%
Medical Scientists, Except Epidemiologists	\$115,700	\$121,000	\$193,000	\$198,000	27.6%	7.1%
Physicists	\$131,800	\$137,000	\$204,000	\$210,000	4.0%	1.0%
Chemists	\$117,000	\$122,000	\$195,000	\$200,000	7.8%	2.0%
Biological Technicians	\$66,400	\$72,000	\$137,000	\$156,000	15.5%	4.0%
Social Science Research Assistants	\$61,000	\$66,000	\$126,000	\$143,000	3.5%	0.9%
Life, Physical, and Social Science Technicians, All Other	\$72,000	\$78,000	\$149,000	\$169,000	3.9%	1.0%
Other Life, Physical, and Social Science Occupations	<u>\$100,000</u>	<u>\$104,000</u>	<u>\$167,000</u>	<u>\$171,000</u>	<u>31.9%</u>	<u>8.2%</u>
Weighted Mean Annual Wage	\$100,000	\$105,000	\$172,000	\$180,000	100.0%	25.7%
<i>Healthcare Practitioners and Technical Occupations</i>						
Physicians and Surgeons, All Other	\$250,000	\$252,000	\$279,000	\$280,000	7.7%	0.2%
Veterinarians	\$105,500	\$110,000	\$176,000	\$181,000	2.5%	0.1%
Registered Nurses	\$143,800	\$150,000	\$222,000	\$229,000	11.9%	0.4%
Nurse Practitioners	\$139,600	\$145,000	\$216,000	\$222,000	2.4%	0.1%
Clinical Laboratory Technologists and Technicians	\$66,100	\$72,000	\$137,000	\$155,000	41.9%	1.2%
Veterinary Technologists and Technicians	\$50,400	\$55,000	\$104,000	\$118,000	5.2%	0.2%
Medical Records and Health Information Technicians	\$61,000	\$66,000	\$126,000	\$143,000	4.3%	0.1%
Occupational Health and Safety Specialists	\$91,100	\$99,000	\$166,000	\$179,000	8.5%	0.3%
Healthcare Practitioners and Technical Workers, All Other	\$75,700	\$83,000	\$138,000	\$149,000	2.2%	0.1%
Other Healthcare Practitioners and Technical Occupations	<u>\$97,800</u>	<u>\$107,000</u>	<u>\$178,000</u>	<u>\$192,000</u>	<u>13.4%</u>	<u>0.4%</u>
Weighted Mean Annual Wage	\$97,800	\$104,000	\$167,000	\$180,000	100.0%	3.0%
<i>Office and Administrative Support Occupations</i>						
First-Line Supervisors of Office and Administrative Support Workers	\$71,800	\$78,000	\$149,000	\$168,000	7.3%	0.6%
Bookkeeping, Accounting, and Auditing Clerks	\$55,200	\$60,000	\$114,000	\$129,000	6.4%	0.5%
Customer Service Representatives	\$48,900	\$62,000	\$126,000	\$153,000	5.3%	0.5%
Production, Planning, and Expediting Clerks	\$62,600	\$68,000	\$130,000	\$147,000	4.2%	0.4%
Shipping, Receiving, and Traffic Clerks	\$41,900	\$53,000	\$108,000	\$131,000	2.7%	0.2%
Executive Secretaries and Executive Administrative Assistants	\$84,200	\$92,000	\$153,000	\$166,000	16.3%	1.4%
Secretaries and Administrative Assistants, Except Legal, Medical, and	\$49,900	\$63,000	\$128,000	\$156,000	22.1%	1.9%
Office Clerks, General	\$47,800	\$60,000	\$123,000	\$149,000	16.9%	1.4%
Other Office and Administrative Support Occupations	<u>\$59,100</u>	<u>\$64,000</u>	<u>\$122,000</u>	<u>\$139,000</u>	<u>18.8%</u>	<u>1.6%</u>
Weighted Mean Annual Wage	\$59,100	\$68,000	\$130,000	\$151,000	100.0%	8.5%

**APPENDIX C TABLE 12
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
R&D WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA**

Occupation ³	2020 Avg.	Household Income Estimate ⁴			% of Total	% of Total
	Worker Compensation ¹	One Worker	Two Workers	Three+ Workers	Occupation Group ²	R&D Workers
<i>Production Occupations</i>						
First-Line Supervisors of Production and Operating Workers	\$76,200	\$83,000	\$139,000	\$150,000	14.6%	0.3%
Electrical, Electronic, and Electromechanical Assemblers, Except Coil	\$47,500	\$60,000	\$122,000	\$148,000	7.0%	0.1%
Machinists	\$51,500	\$56,000	\$107,000	\$121,000	8.1%	0.2%
Stationary Engineers and Boiler Operators	\$104,700	\$109,000	\$175,000	\$179,000	2.7%	0.1%
Chemical Equipment Operators and Tenders	\$48,100	\$61,000	\$123,000	\$150,000	3.0%	0.1%
Mixing and Blending Machine Setters, Operators, and Tenders	\$51,700	\$56,000	\$107,000	\$121,000	3.6%	0.1%
Inspectors, Testers, Sorters, Samplers, and Weighers	\$51,800	\$56,000	\$107,000	\$121,000	20.7%	0.4%
Packaging and Filling Machine Operators and Tenders	\$36,600	\$46,000	\$94,000	\$114,000	7.1%	0.1%
Production Workers, All Other	\$41,700	\$53,000	\$107,000	\$130,000	3.7%	0.1%
Other Production Occupations	<u>\$56,200</u>	<u>\$61,000</u>	<u>\$116,000</u>	<u>\$132,000</u>	<u>29.5%</u>	<u>0.6%</u>
Weighted Mean Annual Wage	\$56,200	\$62,000	\$117,000	\$133,000	100.0%	2.1%

92.0%

¹ The methodology utilized by the California Employment Development Department (EDD) assumes hourly paid employees are employed full-time. EDD data is adjusted by KMA to reflect San Jose minimum wage. 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 2018 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on Occupational Employment Survey data applicable to Santa Clara County as of 2019 and are adjusted by EDD to the first quarter of 2020.

³ Including occupations representing 2% or more of the major occupation group.

⁴ Household income estimated based average worker compensation and ratios between employee income and household income identified in Table 3-6.

APPENDIX C TABLE 13
ESTIMATED WORKER OCCUPATION DISTRIBUTION, 2018
WAREHOUSE WORKERS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

	Worker Occupation Distribution Warehouse
Major Occupations (2% or more)	
Management Occupations	2.7%
Business and Financial Operations Occupations	2.0%
Office and Administrative Support Occupations	22.5%
Installation, Maintenance, and Repair Occupations	2.8%
Production Occupations	2.4%
Transportation and Material Moving Occupations	63.4%
All Other Worker Occupations - Warehouse	<u>4.1%</u>
TOTAL	100.0%

APPENDIX C TABLE 14
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
WAREHOUSE WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Occupation ³	2020 Avg.	Household Income Estimate ⁴			% of Total Occupation Group ²	% of Total Warehouse Workers
	Worker Compensation ¹	One Worker	Two Workers	Three+ Workers		
<i>Page 1 of 2</i>						
<i>Management Occupations</i>						
General and Operations Managers	\$165,700	\$169,000	\$243,000	\$243,000	35.4%	0.9%
Sales Managers	\$177,700	\$181,000	\$260,000	\$260,000	2.9%	0.1%
Administrative Services Managers	\$145,000	\$151,000	\$224,000	\$231,000	4.4%	0.1%
Financial Managers	\$181,200	\$184,000	\$266,000	\$266,000	2.5%	0.1%
Industrial Production Managers	\$152,100	\$155,000	\$223,000	\$223,000	2.1%	0.1%
Transportation, Storage, and Distribution Managers	\$146,800	\$153,000	\$227,000	\$234,000	37.3%	1.0%
Human Resources Managers	\$177,600	\$181,000	\$260,000	\$260,000	3.1%	0.1%
Managers, All Other	\$174,500	\$178,000	\$256,000	\$256,000	4.9%	0.1%
Other Management Occupations	<u>\$158,500</u>	<u>\$161,000</u>	<u>\$232,000</u>	<u>\$232,000</u>	<u>7.3%</u>	<u>0.2%</u>
Weighted Mean Annual Wage	\$158,500	\$163,000	\$237,000	\$240,000	100.0%	2.7%
<i>Business and Financial Operations Occupations</i>						
Buyers and Purchasing Agents	\$84,000	\$92,000	\$153,000	\$165,000	15.8%	0.3%
Compliance Officers	\$95,400	\$104,000	\$174,000	\$188,000	2.3%	0.0%
Human Resources Specialists	\$86,300	\$94,000	\$157,000	\$170,000	15.8%	0.3%
Logisticians	\$98,900	\$108,000	\$180,000	\$194,000	13.8%	0.3%
Management Analysts	\$122,900	\$128,000	\$205,000	\$210,000	2.9%	0.1%
Training and Development Specialists	\$93,600	\$102,000	\$171,000	\$184,000	12.5%	0.3%
Market Research Analysts and Marketing Specialists	\$100,400	\$105,000	\$167,000	\$172,000	5.5%	0.1%
Business Operations Specialists, All Other	\$102,500	\$107,000	\$171,000	\$176,000	17.7%	0.4%
Accountants and Auditors	\$92,400	\$101,000	\$168,000	\$182,000	9.5%	0.2%
Other Business and Financial Operations Occupations	<u>\$94,400</u>	<u>\$103,000</u>	<u>\$172,000</u>	<u>\$186,000</u>	<u>4.1%</u>	<u>0.1%</u>
Weighted Mean Annual Wage	\$94,400	\$102,000	\$168,000	\$179,000	100.0%	2.0%
<i>Office and Administrative Support Occupations</i>						
First-Line Supervisors of Office and Administrative Support Workers	\$71,800	\$78,000	\$149,000	\$168,000	5.6%	1.3%
Customer Service Representatives	\$48,900	\$62,000	\$126,000	\$153,000	7.3%	1.6%
Order Clerks	\$46,200	\$58,000	\$119,000	\$144,000	2.2%	0.5%
Production, Planning, and Expediting Clerks	\$62,600	\$68,000	\$130,000	\$147,000	4.5%	1.0%
Shipping, Receiving, and Traffic Clerks	\$41,900	\$53,000	\$108,000	\$131,000	23.2%	5.2%
Stock Clerks and Order Fillers	\$33,700	\$43,000	\$87,000	\$105,000	38.7%	8.7%
Weighers, Measurers, Checkers, and Samplers, Recordkeeping	\$38,800	\$49,000	\$100,000	\$121,000	2.6%	0.6%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	\$49,900	\$63,000	\$128,000	\$156,000	2.7%	0.6%
Office Clerks, General	\$47,800	\$60,000	\$123,000	\$149,000	5.2%	1.2%
Other Office and Administrative Support Occupations	<u>\$42,400</u>	<u>\$54,000</u>	<u>\$109,000</u>	<u>\$132,000</u>	<u>8.0%</u>	<u>1.8%</u>
Weighted Mean Annual Wage	\$42,400	\$53,000	\$106,000	\$127,000	100.0%	22.5%

APPENDIX C TABLE 14
AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
WAREHOUSE WORKER OCCUPATIONS
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA

Occupation ³	2020 Avg.	Household Income Estimate ⁴			% of Total	% of Total
	Worker Compensation ¹	One Worker	Two Workers	Three+ Workers	Occupation Group ²	Warehouse Workers
<i>Installation, Maintenance, and Repair Occupations</i>						
First-Line Supervisors of Mechanics, Installers, and Repairers	\$96,300	\$105,000	\$175,000	\$189,000	8.8%	0.2%
Automotive Service Technicians and Mechanics	\$60,300	\$65,000	\$125,000	\$141,000	2.7%	0.1%
Bus and Truck Mechanics and Diesel Engine Specialists	\$69,400	\$75,000	\$144,000	\$163,000	9.1%	0.3%
Mobile Heavy Equipment Mechanics, Except Engines	\$74,400	\$81,000	\$154,000	\$174,000	2.8%	0.1%
Industrial Machinery Mechanics	\$76,800	\$84,000	\$140,000	\$151,000	3.9%	0.1%
Maintenance Workers, Machinery	\$68,700	\$74,000	\$142,000	\$161,000	2.6%	0.1%
Maintenance and Repair Workers, General	\$56,000	\$61,000	\$116,000	\$131,000	60.3%	1.7%
Installation, Maintenance, and Repair Workers, All Other	\$63,100	\$68,000	\$131,000	\$148,000	2.9%	0.1%
Other Installation, Maintenance, and Repair Occupations	<u>\$63,200</u>	<u>\$69,000</u>	<u>\$131,000</u>	<u>\$148,000</u>	<u>7.0%</u>	<u>0.2%</u>
Weighted Mean Annual Wage	\$63,200	\$69,000	\$128,000	\$144,000	100.0%	2.8%
<i>Production Occupations</i>						
First-Line Supervisors of Production and Operating Workers	\$76,200	\$83,000	\$139,000	\$150,000	8.3%	0.2%
Assemblers and Fabricators, All Other, Including Team Assemblers	\$38,100	\$48,000	\$98,000	\$119,000	15.6%	0.4%
Sewing Machine Operators	\$31,700	\$40,000	\$81,000	\$99,000	3.1%	0.1%
Inspectors, Testers, Sorters, Samplers, and Weighers	\$51,800	\$56,000	\$107,000	\$121,000	27.2%	0.7%
Packaging and Filling Machine Operators and Tenders	\$36,600	\$46,000	\$94,000	\$114,000	16.8%	0.4%
Helpers--Production Workers	\$32,900	\$42,000	\$84,000	\$103,000	2.3%	0.1%
Production Workers, All Other	\$41,700	\$53,000	\$107,000	\$130,000	5.3%	0.1%
Other Production Occupations	<u>\$46,400</u>	<u>\$59,000</u>	<u>\$119,000</u>	<u>\$145,000</u>	<u>21.4%</u>	<u>0.5%</u>
Weighted Mean Annual Wage	\$46,400	\$55,000	\$107,000	\$126,000	100.0%	2.4%
<i>Transportation and Material Moving Occupations</i>						
First-Line Supervisors of Transportation and Material Moving Workers	\$67,800	\$74,000	\$140,000	\$159,000	6.4%	4.0%
Heavy and Tractor-Trailer Truck Drivers	\$55,400	\$60,000	\$115,000	\$130,000	7.9%	5.0%
Light Truck or Delivery Services Drivers	\$50,400	\$55,000	\$104,000	\$118,000	2.8%	1.8%
Industrial Truck and Tractor Operators	\$46,600	\$59,000	\$120,000	\$146,000	25.3%	16.0%
Laborers and Freight, Stock, and Material Movers, Hand	\$41,200	\$52,000	\$106,000	\$129,000	45.4%	28.8%
Packers and Packagers, Hand	\$33,200	\$42,000	\$85,000	\$104,000	9.4%	6.0%
Other Transportation and Material Moving Occupations	<u>\$45,000</u>	<u>\$57,000</u>	<u>\$116,000</u>	<u>\$141,000</u>	<u>2.8%</u>	<u>1.8%</u>
Weighted Mean Annual Wage	\$45,000	\$55,000	\$111,000	\$133,000	100.0%	63.4%

95.9%

¹ The methodology utilized by the California Employment Development Department (EDD) assumes hourly paid employees are employed full-time. EDD data is adjusted by KMA to reflect San Jose minimum wage. 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 2018 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on Occupational Employment Survey data applicable to Santa Clara County as of 2019 and are adjusted by EDD to the first quarter of 2020.

³ Including occupations representing 2% or more of the major occupation group.

⁴ Household income estimated based average worker compensation and ratios between employee income and household income for the San Francisco Bay Area identified in Table 3-6.

**APPENDIX C TABLE 15
 ESTIMATED WORKER OCCUPATION DISTRIBUTION, 2018
 RESIDENTIAL CARE WORKERS
 COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
 SAN JOSE, CA**

Worker Occupation Distribution Residential Care
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Major Occupations (2% or more)

Management Occupations	3.3%
Healthcare Practitioners and Technical Occupations	10.6%
Healthcare Support Occupations	27.0%
Food Preparation and Serving Related Occupations	17.9%
Building and Grounds Cleaning and Maintenance Occupations	6.0%
Personal Care and Service Occupations	22.9%
Office and Administrative Support Occupations	5.3%
Installation, Maintenance, and Repair Occupations	2.5%
All Other Worker Occupations - Residential Care	<u>4.6%</u>

TOTAL	100.0%
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**APPENDIX C TABLE 16
 AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
 RESIDENTIAL CARE WORKER OCCUPATIONS
 COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
 SAN JOSE, CA**

Occupation ³	2020 Avg.	Household Income Estimate ⁴			% of Total	% of Total
	Worker Compensation ¹	One Worker	Two Workers	Three+ Workers	Occupation Group ²	Res. Care Workers
<i>Page 1 of 2</i>						
<i>Management Occupations</i>						
Chief Executives	\$253,400	\$255,000	\$283,000	\$284,000	2.2%	0.1%
General and Operations Managers	\$165,700	\$169,000	\$243,000	\$243,000	32.2%	1.1%
Marketing Managers	\$203,300	\$207,000	\$275,000	\$276,000	2.9%	0.1%
Administrative Services Managers	\$145,000	\$151,000	\$224,000	\$231,000	5.9%	0.2%
Food Service Managers	\$87,400	\$95,000	\$159,000	\$172,000	7.8%	0.3%
Medical and Health Services Managers	\$147,200	\$153,000	\$227,000	\$235,000	33.4%	1.1%
Managers, All Other	\$174,500	\$178,000	\$256,000	\$256,000	2.1%	0.1%
Other Management Occupations	<u>\$153,700</u>	<u>\$156,000</u>	<u>\$225,000</u>	<u>\$225,000</u>	<u>13.6%</u>	<u>0.4%</u>
Weighted Mean Annual Wage	\$153,700	\$158,000	\$230,000	\$234,000	100.0%	3.3%
<i>Healthcare Practitioners and Technical Occupations</i>						
Registered Nurses	\$143,800	\$150,000	\$222,000	\$229,000	35.1%	3.7%
Dietetic Technicians	\$40,200	\$51,000	\$103,000	\$126,000	3.0%	0.3%
Licensed Practical and Licensed Vocational Nurses	\$69,600	\$75,000	\$144,000	\$163,000	52.0%	5.5%
Other Healthcare Practitioners and Technical Occupations	<u>\$97,500</u>	<u>\$106,000</u>	<u>\$178,000</u>	<u>\$192,000</u>	<u>9.9%</u>	<u>1.1%</u>
Weighted Mean Annual Wage	\$97,500	\$104,000	\$173,000	\$188,000	100.0%	10.6%
<i>Healthcare Support Occupations</i>						
Home Health Aides	\$37,800	\$48,000	\$97,000	\$118,000	27.5%	7.4%
Nursing Assistants	\$40,900	\$52,000	\$105,000	\$128,000	65.5%	17.6%
Medical Assistants	\$47,800	\$60,000	\$123,000	\$149,000	5.2%	1.4%
Other Healthcare Support Occupations	<u>\$40,400</u>	<u>\$51,000</u>	<u>\$104,000</u>	<u>\$126,000</u>	<u>1.8%</u>	<u>0.5%</u>
Weighted Mean Annual Wage	\$40,400	\$51,000	\$104,000	\$126,000	100.0%	27.0%
<i>Food Preparation and Serving Related Occupations</i>						
First-Line Supervisors of Food Preparation and Serving Workers	\$48,500	\$61,000	\$125,000	\$151,000	4.9%	0.9%
Cooks, Institution and Cafeteria	\$41,200	\$52,000	\$106,000	\$129,000	24.4%	4.4%
Food Preparation Workers	\$32,700	\$41,000	\$84,000	\$102,000	5.6%	1.0%
Combined Food Preparation and Serving Workers, Including Fast Fc	\$31,700	\$40,000	\$81,000	\$99,000	7.2%	1.3%
Waiters and Waitresses	\$32,600	\$41,000	\$84,000	\$102,000	8.5%	1.5%
Food Servers, Nonrestaurant	\$37,300	\$47,000	\$96,000	\$116,000	34.5%	6.2%
Dining Room and Cafeteria Attendants and Bartender Helpers	\$31,700	\$40,000	\$81,000	\$99,000	4.0%	0.7%
Dishwashers	\$31,700	\$40,000	\$81,000	\$99,000	5.9%	1.1%
Other Food Preparation and Serving Related Occupations	<u>\$37,200</u>	<u>\$47,000</u>	<u>\$96,000</u>	<u>\$116,000</u>	<u>5.1%</u>	<u>0.9%</u>
Weighted Mean Annual Wage	\$37,200	\$47,000	\$96,000	\$116,000	100.0%	17.9%
<i>Building and Grounds Cleaning and Maintenance Occupations</i>						
First-Line Supervisors of Housekeeping and Janitorial Workers	\$52,900	\$57,000	\$109,000	\$124,000	4.7%	0.3%
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	\$38,500	\$49,000	\$99,000	\$120,000	10.7%	0.6%
Maids and Housekeeping Cleaners	\$37,400	\$47,000	\$96,000	\$117,000	81.4%	4.9%
Landscaping and Groundskeeping Workers	\$45,000	\$57,000	\$116,000	\$141,000	2.9%	0.2%
Other Building and Grounds Cleaning and Maintenance Occupations	<u>\$38,500</u>	<u>\$49,000</u>	<u>\$99,000</u>	<u>\$120,000</u>	<u>0.4%</u>	<u>0.0%</u>
Weighted Mean Annual Wage	\$38,500	\$48,000	\$98,000	\$118,000	100.0%	6.0%

APPENDIX C TABLE 16
 AVERAGE ANNUAL WORKER COMPENSATION AND ESTIMATED HOUSEHOLD INCOME, 2020
 RESIDENTIAL CARE WORKER OCCUPATIONS
 COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
 SAN JOSE, CA

Occupation ³	2020 Avg. Worker Compensation ¹	Household Income Estimate ⁴			% of Total Occupation Group ²	% of Total Res. Care Workers
		One Worker	Two Workers	Three+ Workers		
<i>Page 2 of 2</i>						
<i>Personal Care and Service Occupations</i>						
First-Line Supervisors of Personal Service Workers	\$46,200	\$58,000	\$119,000	\$144,000	4.1%	0.9%
Personal Care Aides	\$31,700	\$40,000	\$81,000	\$99,000	81.3%	18.6%
Recreation Workers	\$41,700	\$53,000	\$107,000	\$130,000	10.5%	2.4%
Other Personal Care and Service Occupations	\$33,400	\$42,000	\$86,000	\$104,000	4.1%	0.9%
Weighted Mean Annual Wage	\$33,400	\$42,000	\$85,000	\$104,000	100.0%	22.9%
<i>Office and Administrative Support Occupations</i>						
First-Line Supervisors of Office and Administrative Support Workers	\$71,800	\$78,000	\$149,000	\$168,000	8.1%	0.4%
Bookkeeping, Accounting, and Auditing Clerks	\$55,200	\$60,000	\$114,000	\$129,000	7.8%	0.4%
Customer Service Representatives	\$48,900	\$62,000	\$126,000	\$153,000	2.1%	0.1%
Receptionists and Information Clerks	\$39,200	\$50,000	\$101,000	\$122,000	36.1%	1.9%
Executive Secretaries and Executive Administrative Assistants	\$84,200	\$92,000	\$153,000	\$166,000	2.4%	0.1%
Medical Secretaries	\$55,600	\$60,000	\$115,000	\$130,000	3.7%	0.2%
Secretaries and Administrative Assistants, Except Legal, Medical, and Office Clerks, General	\$49,900	\$63,000	\$128,000	\$156,000	12.8%	0.7%
Office Clerks, General	\$47,800	\$60,000	\$123,000	\$149,000	17.0%	0.9%
Other Office and Administrative Support Occupations	\$48,800	\$62,000	\$125,000	\$152,000	10.0%	0.5%
Weighted Mean Annual Wage	\$48,800	\$59,000	\$118,000	\$140,000	100.0%	5.3%
<i>Installation, Maintenance, and Repair Occupations</i>						
First-Line Supervisors of Mechanics, Installers, and Repairers	\$96,300	\$105,000	\$175,000	\$189,000	9.9%	0.2%
Maintenance and Repair Workers, General	\$56,000	\$61,000	\$116,000	\$131,000	88.0%	2.2%
Other Installation, Maintenance, and Repair Occupations	\$60,100	\$65,000	\$124,000	\$141,000	2.1%	0.1%
Weighted Mean Annual Wage	\$60,100	\$65,000	\$122,000	\$137,000	100.0%	2.5%
						95.4%

¹ The methodology utilized by the California Employment Development Department (EDD) assumes hourly paid employees are employed full-time. EDD data is adjusted by KMA to reflect San Jose minimum wage. 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 2018 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on Occupational Employment Survey data applicable to Santa Clara County as of 2019 and are adjusted by EDD to the first quarter of 2020.

³ Including occupations representing 2% or more of the major occupation group.

⁴ Household income estimated based average worker compensation and ratios between employee income and household income identified in Table 3-6.

**APPENDIX C TABLE 17
INDUSTRIES REPRESENTED
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA**

<u>NAICS</u>	<u>Representative Industries</u>	<u>Percent of Employment</u>
Page 1 of 3		
<u>Office</u>		
541500	Computer Systems Design and Related Services	20.008%
5220A1	Credit Intermediation and Related Activities (5221 And 5223 only)	8.079%
541200	Accounting, Tax Preparation, Bookkeeping, and Payroll Services	7.646%
511200	Software Publishers	6.826%
551100	Management of Companies and Enterprises	6.119%
621200	Offices of Dentists	5.333%
541300	Architectural, Engineering, and Related Services	5.123%
621100	Offices of Physicians	4.909%
541600	Management, Scientific, and Technical Consulting Services	4.782%
541700	Scientific Research and Development Services	4.701%
541100	Legal Services	3.455%
518200	Data Processing, Hosting, and Related Services	3.130%
517000	Telecommunications	2.591%
621300	Offices of Other Health Practitioners	2.444%
524200	Agencies, Brokerages, and Other Insurance Related Activities	1.951%
519100	Other Information Services	1.749%
813400	Civic and Social Organizations	1.602%
541900	Other Professional, Scientific, and Technical Services	1.292%
813200	Grantmaking and Giving Services	1.214%
541800	Advertising and Related Services	1.146%
524100	Insurance Carriers	1.049%
561400	Business Support Services	1.035%
813900	Business, Professional, Labor, Political, and Similar Organizations	1.008%
561100	Office Administrative Services	0.783%
561900	Other Support Services	0.723%
522200	Nondepository Credit Intermediation	0.481%
813300	Social Advocacy Organizations	0.421%
541400	Specialized Design Services	0.397%
<u>Tech Office</u>		
511200	Software Publishers	15.057%
517000	Telecommunications	5.715%
541500	Computer Systems Design and Related Services	44.133%
541710	Research and Development in the Physical, Engineering, and Life Sciences	10.370%
518200	Data Processing, Hosting, and Related Services	6.905%
519100	Other Information Services	17.820%

**APPENDIX C TABLE 17
INDUSTRIES REPRESENTED
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA**

NAICS	Representative Industries	Percent of Employment
Page 2 of 3		
<u>Retail</u>		
441100	Automobile Dealers	4.033%
441200	Other Motor Vehicle Dealers	0.184%
441300	Auto Parts, Accessories, and Tire Stores	1.714%
442100	Furniture Stores	0.401%
442200	Home Furnishings Stores	1.057%
443100	Electronics and Appliance Stores	2.162%
444100	Building Material and Supplies Dealers	3.405%
444200	Lawn & Garden Equipment/Supplies Stores	0.176%
4450A1	Food and Beverage Stores (4451 and 4452 only)	10.057%
445300	Beer, Wine, and Liquor Stores	0.417%
446100	Health and Personal Care Stores	4.860%
447100	Gasoline Stations	1.535%
448100	Clothing Stores	5.168%
448200	Shoe Stores	2.558%
512130	Motion Picture and Video Exhibition	0.562%
448300	Jewelry, Luggage & Leather Goods Stores	0.491%
451100	Sporting Goods/Musical Instrument Stores	1.551%
451200	Book, Periodical, and Music Stores	0.462%
452000	General Merchandise Stores	0.956%
453100	Florists	0.202%
4530A1	Miscellaneous Store Retailers (4532 and 4533 only)	1.594%
453900	Other Miscellaneous Store Retailers	0.886%
532100	Automotive Equipment Rental and Leasing	0.936%
5320A1	Rental and Leasing Services (5322, 5323, and 5324 only)	0.761%
713940	Fitness and Recreational Sports Centers	2.557%
722300	Special Food Services	4.764%
722400	Drinking Places (Alcoholic Beverages)	1.250%
722500	Restaurant and Other Eating Places	39.655%
812100	Personal Care Services	3.678%
812200	Death Care Services	0.491%
812300	Drycleaning and Laundry Services	0.720%
812900	Other Personal Services	0.756%
<u>Hotel</u>		
721100	Traveler Accommodation (with Casino hotels removed)	100.00%

**APPENDIX C TABLE 17
INDUSTRIES REPRESENTED
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA**

<u>NAICS</u>	<u>Representative Industries</u>	<u>Percent of Employment</u>
Page 3 of 3		
<u>Industrial</u>		
311500	Dairy Product Manufacturing	0.128%
311800	Bakeries and Tortilla Manufacturing	2.773%
311900	Other Food Manufacturing	0.710%
312100	Beverage Manufacturing	1.908%
323100	Printing and Related Support Activities	2.783%
339100	Medical Equipment and Supplies Manufacturing	7.178%
325400	Pharmaceutical and Medicine Manufacturing	0.913%
3320A1	Fabricated Metal Product Manufacturing (3321, 3322, 3325, 3326, and 3329 on	2.446%
332700	Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing	7.973%
3330A1	Machinery Manufacturing (3331, 3332, 3334, and 3339 only)	6.492%
334200	Communications Equipment Manufacturing	3.400%
334500	Navigational, Measuring, Electromedical, and Control Instruments Manufacturin	19.103%
335900	Other Electrical Equipment and Component Manufacturing	2.535%
339100	Medical Equipment and Supplies Manufacturing	7.178%
541700	Scientific Research and Development Services	17.927%
339900	Other Miscellaneous Manufacturing	0.888%
811100	Automotive Repair and Maintenance	11.119%
811200	Electronic Equipment Repair/Maintenance	3.707%
811300	Commercial Machinery Repair/Maintenance	0.841%

Research and Development

541710	Research and Development in the Physical, Engineering, and Life Sciences	100.000%
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Warehouse

493100	Warehousing and Storage	100.000%
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Residential Care

623300	Continuing Care Retirement Communities and Assisted Living Facilities for the Elderly	100.000%
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(1) Employment by industry is weighted to reflect mix of industries in the City of San Jose using data from the Quarterly Census of Employment and Wages for 4th Q 2018.

NAICS = North American Industry Classification System

**APPENDIX C TABLE 18
IDENTIFICATION OF CITY USE CLASSIFICATIONS BY NEXUS STUDY BUILDING TYPE (1)
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA**

City Use Category	Nexus Study Building Type Categories								
	Office	Office, High-Tech	Retail	Hotel	Industrial	Research and Development	Warehouse	Residential Care	Not Addressed in Nexus Study
Social Services Agencies (2)	X								
Health and Veterinary Services	X								
Health Services	X								
Offices and Financial Services	X	X							
Television/radio studios	X								
Animal Boarding							X		
Recreation, commercial indoor			X						
Cannabis sales			X						
Poolroom/billiards, arcade, amusement games, card room			X						
Alcohol Sales			X						
Pawn shop/broker			X						
Bail Bond establishment			X						
Dining Facilities			X						
Drinking Establishment			X						
Drive-Through Uses			X						
Food Services			X						
Fuel Service Station			X						
General Retail			X						
General Services			X						
Health Recreation			X						
Public Eating Establishment			X						
Selling or leasing of vehicles			X						
Photo Processing, Printing and Publishing - in retail structures			X						
Photo Processing, Printing, Publishing - industrial facilities					X				
Hotel/Inn				X					
Recycling Uses					X (3)				
Cleaning Establishment					X				
Industry					X				
Installation or selling of vehicle accessories or services					X				
Manufacturing & Industrial Services					X				
R&D, Lab, Processing						X			
Stockyard, Warehouse, and Wholesale							X (3)		
Waste/ Hazardous material storage							X (3)		
Common Carrier Depot							X (3)		
Construction/corporation yard							X (3)		
Residential care/service facility for seven or more persons								X	

**APPENDIX C TABLE 18
IDENTIFICATION OF CITY USE CLASIFICATIONS BY NEXUS STUDY BUILDING TYPE (1)
COMMERCIAL LINKAGE FEE NEXUS ANALYSIS
SAN JOSE, CA**

City Use Category	Nexus Study Building Type Categories								
	Office	Office, High-Tech	Retail	Hotel	Industrial	Research and Development	Warehouse	Residential Care	Not Addressed in Nexus Study
Shelter/hotel supportive housing									X
Agriculture									X
Aqua culture, aquaponics, and hydroponics									X
Stadiums, arenas, performing arts venues and rehearsal space									X
Cemetery									X
Certified Farmer's Market and Neighborhood Agriculture									X
Church/religious assembly									X
Commercial Vehicle Storage									X
Data Center									X
Day Care									X
Education and Training									X
Energy generation facility									X
Mineral Extraction									X
Museum, Libraries, Parks, Playgrounds, Community Centers Public or Private									X
Outdoor Vending									X
Parking									X
Peaking Power Plant									X
Public, Quasi-Public and Assembly Uses									X
Stand-by/backup facilities									X
Public Storage / Mini-Storage									X
Utilities, Electrical Power Generation									X
Utilities, Power Generation									X
Utility Facilities									X
Wireless communications antenna									X

(1) This matrix is intended to serve as a general guide regarding how City use categories relate to Nexus Study building types; however, there may be instances of specific projects that, because of their unique character, another building type category would be more applicable. Buildings may house more than one use over their useful life and Nexus Study findings reflect a representative range of uses for the identified building types.

(2) Except governmental.

(3) With respect to industrial or warehouse/storage structures included within such facilities. Nexus Study does not address outdoor storage areas.



Housing and Community Development Commission

October 17, 2018

Mayor Sam Liccardo
Members of the City Council
200 East Santa Clara St., 18th Floor
San Jose, CA 95113

RE: Recommendation to the City Council to Study a Commercial Impact Fee

Dear Honorable Mayor Liccardo and City Council,

This letter is to convey to the Mayor and City Council the San José Housing and Community Development Commission's recommendation at its October 11, 2018, meeting that the City Council direct staff to engage a nexus study and feasibility study for a potential Commercial Impact Fee.

The purpose of the City's Housing and Community Development Commission (Commission) is to advise the City Council and the City's Housing Department on policies, programs, and the City's performance in housing and community development. This focus includes issues related to the City's mobilehome rent ordinance, apartment rent ordinance and other programs in Chapters 127.22 and 17.23 of the San José Municipal Code.

Given the Commission's responsibilities, its members are focused on a range of strategies and programs that can help San Jose's current housing crisis and shortage of affordable housing. To that end, Commissioners requested information on commercial impact fees and their studies.

At its October 11, 2018 meeting, Housing Department staff presented the Information Memo prepared in January 2018 entitled [Update on Regional Grand Nexus Studies for Commercial Impact Fees to Fund Affordable Housing](#). Staff also reviewed the City Council's actions regarding this topic since 2015.

The Commission's discussion focused on the need for affordable housing funding, that businesses create the need for housing, and that conducting a nexus study and feasibility study would give additional information as to whether businesses could afford such a fee in San José. At the meeting, the Commission recommended by a vote of 8-4 that the City Council **direct Housing Department staff to conduct and engage a nexus study and feasibility study for a potential Commercial Impact Fee.**

Hon. Mayor and City Council

RE: Housing and Community Development Commission's Recommendation to Study a Commercial Impact Fee

October 17, 2018

Page 2

Thank you for your consideration of this recommendation. If you have any questions, please feel free to contact me at (408) 391-2176 or HCDC6@sanjoseca.gov.

Sincerely,

/s/

Andrea Wheeler

Chair, San José Housing and Community Development Commission



Memorandum

TO: HOUSING & COMMUNITY
DEVELOPMENT COMMISSION

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: August 6, 2020

SUBJECT: CITYWIDE RESIDENTIAL ANTI-DISPLACEMENT STRATEGY

RECOMMENDATION

It is recommended that the Commission review the staff report, give feedback to staff, and take possible action to recommend a position to the City Council.

OUTCOME

The Citywide Residential Anti-Displacement Strategy responds to existing Council direction to develop anti-displacement strategies. Adoption of the Strategy will enable staff to develop new policies and programs to prevent, mitigate, and decrease residential displacement for low-income residents of San José.

EXECUTIVE SUMMARY

CASA, a blue ribbon task force of elected and civic leaders convened by the Association of Bay Area Governments (ABAG) and the Metropolitan Transportation Commission (MTC), developed a set of policy recommendations called the CASA Compact to address the regions housing crisis. CASA stated that the region faces a housing crisis because the Bay Area has failed to:

1. **Produce** enough housing for residents at all income levels;
2. **Preserve** the affordable housing that already exists, and
3. **Protect** current residents from displacement where neighborhoods are changing rapidly.

Known as the “three Ps,” CASA recommends they should be the focus of efforts to address displacement. This Citywide Residential Anti-Displacement Strategy (Strategy) provides 10 recommendations that the City should take action on to address core issues in all “three P” areas in San José. The Strategy is based on extensive community engagement, anti-displacement

practices across the nation, gaps in San José's current anti-displacement policies and programs, and ongoing housing policy developments at regional and State levels. While displacement is a complex community phenomenon, the City's taking a leadership role in its policies and funding priorities can help alleviate the problem. By focused attention on all "three Ps" at the same time, San José will improve its ability to grow sustainably while preserving its greatest asset – its existing residents.

BACKGROUND

On March 7, 2017, the City Council established Council Priority Item #13: Anti-Displacement Tenant Preference to set aside affordable housing units to prioritize residents being displaced that live in low-income neighborhoods undergoing displacement and/or gentrification. (This has since been renumbered to Priority #10.)

On June 12, 2018, the City Council prioritized the issue of displacement again within the Housing Crisis Response Workplan, Item #9: Develop Anti-Displacement Strategies.

On October 1, 2019, the City Council held a study session on the topic of Displacement in San José. The study session brought together academic, housing advocate, and real estate industry perspectives to provide a common understanding of the issue of residential displacement in San José. (Small business displacement was also part of the study session.)

Displacement has also become a significant and reoccurring topic in other City planning forums:

- **The new 2020-2025 Community Plan to End Homelessness** has emphasized protecting residents from evictions, displacement, and housing discrimination as ways to prevent homelessness.
- **The 2016 Analysis of Impediments to Fair Housing** cites displacement of low-income residents as an impediment to fair housing.
- **The VTA BART Phase II TOD Corridor Strategies and Access Planning Study** specifically analyzed neighborhood vulnerability to displacement at the planned BART station areas. The study found residents in neighborhoods surrounding the planned downtown and Five Wounds BART stations are more likely to be low-income renters and particularly vulnerable to displacement.
- **The Diridon Station Area Plan** community engagement process revealed Housing and Displacement as the top issue of concern by those who participated in the engagement process. The Affordable Housing Implementation Plan for the Diridon Station Area also intends to build upon this Citywide Residential Anti-Displacement Strategy.

San José joined the national PolicyLink Anti-Displacement Policy Network (ADPN)

In November 2018, San José applied for and was chosen to participate in the PolicyLink Anti-Displacement Policy Network (ADPN), a 14-month learning cohort of 10 U.S. cities working to address urban displacement. The ADPN team members from San José included the following: City Councilmember Magdalena Carrasco, Housing Director Jacky Morales-Ferrand, and Planning Building and Code Enforcement Director Rosalynn Hughey and staff; Working Partnerships' Dereka Mehrens, Jeffrey Buchanan, and Asn Ndiaye; Law Foundation's Nadia Aziz and Michael Trujillo; and Planning Commissioner Shiloh Ballard.

The ADPN team co-wrote a report titled “Ending Displacement in San José: Community Strategy Report” (Community Strategy Report) with the intention of centering the values, lived experiences, and solutions requested by the residents most impacted by displacement in San José. The local ADPN team assessed the gaps in San José’s current housing policies, studied new anti-displacement tools, and worked hard to facilitate meaningful listening sessions in the community with impacted households and in neighborhoods most impacted. The ADPN team also collaborated with community outreach partners SOMOS Mayfair and AV Consulting.

While City staff was part of the ADPN Team, the Community Strategy Report is not a City document. However, City staff were key contributors to the displacement analysis in the Report, and research, data, and recommendations from the Report are referenced in this memo.

Housing is Vital to COVID-19 Response and Recovery

Given the huge impact of the current health crisis on our community, the Strategy has included a COVID-19 recommendation to reflect the changed conditions the City is now encountering given the pandemic. The health crisis has caused nationwide disruptions across nearly every social and economic sector. Safe, stable, and healthy housing has been increasingly recognized as vital to ensuring a person’s health and for containing the COVID-19 pandemic. At the same time, the virus and the wave of unemployment and furloughs due to shelter-in-place doubled down on the existing housing and displacement crisis. Many households in San José have lost some to all income during this time, making it very difficult for these households to pay their rent or mortgages.

COVID-19 has caused a seismic disruption in the local economy. Pre-COVID-19, the unemployment rate was 2.7%. In June, the unemployment rate in the San José-Sunnyvale-Santa Clara area was 10.8%. This was a huge jump from Figures at the end of July 2020 show over 200,000 residents in the City of San José had filed for unemployment insurance since shelter-in-place came into effect.¹

In response, local, State, and national leaders established temporary emergency eviction and foreclosure moratoriums to keep residents housed. However, this temporary intervention has also

¹ Number of Weekly New UI and PUA Claims Combined Santa Clara County

created what some call an impending “rent cliff.” Many low-income households in San José were already housing cost burdened prior to COVID. The neighborhoods with the most cases of COVID-19 are in zip codes 95122, 95127, 95116, and 95148. These neighborhoods are primarily Latinx and Asian, experience more overcrowding and poverty than the Citywide average. Most neighborhoods in these four zip codes are at-risk of or are undergoing displacement. The UCLA Center for Neighborhood also developed a renter vulnerability index (RVI) for each neighborhood in Santa Clara County based on the proportion of renters, housing cost burden, exposure to job displacement, and exclusion from economic relief programs, which also closely aligns to these neighborhoods.

Many families in San José are now facing months of back rent and mortgage payments they are likely unable to afford as these moratoriums end. Without intervention, the end of the moratoriums could lead to a wave of displacement and homelessness. The federal eviction moratorium already ended on July 24, 2020. Governor Newsom’s Executive Order N-71-20 extends the Statewide eviction moratorium until September 30; however, on August 14, 2020, the Judicial Council of California may choose to lift Emergency Rule 1 to end the suspension of issuances of summonses and defaults in eviction cases. The City’s Eviction Moratorium ends on August 31, 2020, unless extended by the City Council before that date.

The federal and State governments are both pursuing stimulus packages this year that include funding for housing. While we do not know if those resources will be approved, the City’s focus on the Citywide Anti-Displacement Strategy is extremely timely. Approval of this multi-year Strategy and staff’s work on its recommendations could help to support our community’s short-term and long-term recovery from COVID-19.

ANALYSIS

It is helpful to first define the terms of displacement and gentrification as they are often used interchangeably, but have different meanings. At the same time, it is acknowledged that both gentrification and displacement often occur together.

Definitions

Displacement

Displacement is when a household must move out of their home for reasons outside of their control. For example, displacement can be physical (as building conditions deteriorate), or economic (as costs, including housing costs, rise). Residents may be expelled or excluded from housing, such as through formal evictions or landlord discrimination. Residents may also become displaced because of natural disasters, domestic violence, or other reasons. In San José, multiple types of displacement and exclusion can also overlap. For example, a household may be displaced due to an eviction and find themselves unable to remain in their current neighborhood due to the high cost of housing.

Gentrification

Gentrification is when a historically disinvested neighborhood changes through real estate investment and new higher-income residents move in, changing the demographic makeup and character of the overall neighborhood. Gentrification is often associated with displacement.

Gentrification is a more complicated phenomenon, involving both positive and negative consequences. Staff's focus has been on how best to prevent Displacement, which research shows is associated with negative outcomes especially for low-income residents. To the extent that residents can stay in their communities, they have the hope of benefitting from the positive aspects of investment that neighborhood change can bring.

San José Residents Are Concerned About Economic Displacement

While displacement occurs from different causes, the rising cost of housing was the most commonly expressed displacement concern staff heard from San José residents during outreach. The San José metro area's housing market is one of the most expensive in the world, with the median home price close to 10 times the median income of San José residents. Renters must earn \$54/hour (\$112,320/year) to afford the average rent for a 2-bedroom apartment (\$2,808/month) and homebuyers must earn \$110/hour (\$230,169/year) to afford a median priced single family home, while minimum wage in San José is just \$15 per hour.²

In fact, a 2019 poll conducted by the Silicon Valley Leadership Group revealed 83% of Silicon Valley residents believe "cost of housing is an extremely serious problem."³

City staff has heard many residents wish to stay in San José for valuable reasons. San José is where they work, where they were born and raised, where their friends and family live, or where their kids go to school. They said they are struggling with homelessness or making tough decisions to forgo necessities and living in poorer housing conditions to stay in San José. Or they were contemplating increasing their commutes to work or family, or severing ties from their community completely. Some single mothers reported they have had an especially hard time finding housing because they face discrimination due to having young children. One landlord in an outreach event shared that they explicitly do not rent to families with young children. A disabled resident also shared they have an especially difficult time affording their housing independently. A case manager shared that their physically disabled clients wait much longer than other clients for housing because of a limited supply of ground floor units.

Some say that residential displacement is occurring at a level that impacts more than just those who are moving away. Residents shared concerns with staff about the impact of displacement on local school closures, employee retention, the loss of nearby friends and family, and more.

² City of San Jose Housing Market Update, First Quarter 2020,
<https://www.sanjoseca.gov/home/showdocument?id=61698>

³ Silicon Valley Poll: 83% of Bay Area Voters Say Cost of Housing is an Extremely Serious Problem,
<https://www.svl.org/silicon-valley-poll-83-of-bay-area-voters-say-cost-of-housing-is-an-extremely-serious-problem/>

Although data does not exist to calculate the exact number of San José residents displaced in recent years, raw data used from the Turner Center’s report *Disparities in Departure*, indicates from 2010 to 2016, 1.5 million residents moved out of the Bay Area.⁴ To put this number into context, this is roughly equal to one in five residents living in the Bay Area today. The study also found that for every one high-income resident that moved out of the Bay Area, six low-income residents moved out.

The Turner Center report also highlights that Asian and White residents represent a larger share of the region’s higher-income out-movers, whereas Latinx and Black residents make up a disproportionately large share of low-income out-movers. The study found high-income out-movers tended to have access to a wide range of large cities across the nation. However, low-income out-movers, tended to move to other areas of California such as the Central Valley, with fewer options for employment, education, and access to health care compared to where they had previously lived. A recent report by the Urban Displacement Project called *Disruption in Silicon Valley*⁵ found 55% of displaced Santa Clara County renters surveyed moved out of their city of residence. Of that group, 34% moved to a new city within Santa Clara County, 16% left the county altogether, and 5% became homeless.

Much of the anxiety experienced by San José residents about their ability to stay in an increasingly expensive and changing market can potentially be explained in the income distribution of the City’s households. As the figures below show, a growing share of the City’s households are clustering in the lowest- and highest-income quintiles. This creates further pressure on housing costs as higher-income households are able to “bid up” prices. This chart also illustrates that 44% of the City’s population is considered low-income (at or below 80% AMI). The case for the City to focus on ways to keep such a large segment of San José’s population in our community is compelling.

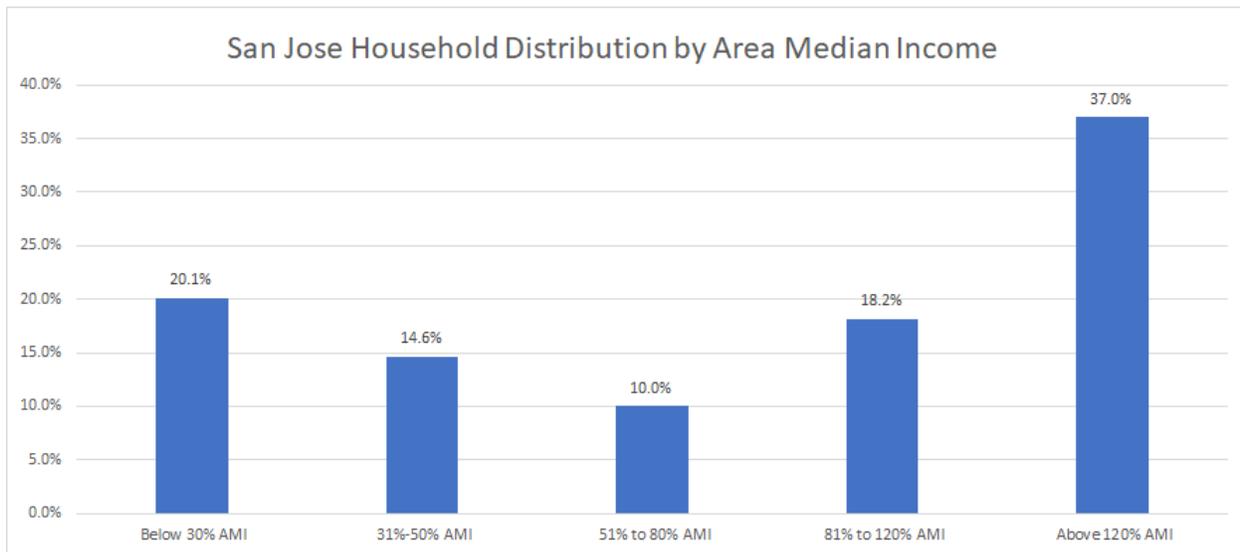
San José Household Distribution by Income and Area Median Income⁶			
Income Range	Approximate AMI	Number of San José Households	Percent of San José Households
Less than \$44,999	Below 30% AMI	66,050	20.1%
\$45,000 to \$74,999	31% to 50% AMI	47,993	14.6%
\$75,000 to \$99,999	51% to 80% AMI	32,855	10.0%
\$100,000 to \$149,999	81% to 120% AMI	59,611	18.2%
\$150,000 and above	Above 120% AMI	121,339	37.0%

Source: US Census 2018 1-Year ACS, City of San Jose 2020 HCD Income Limits

⁴ Romem, Issi; Kneebone, Elizabeth; Disparity in departure: who leaves the bay area and where do they go? <https://turnercenter.berkeley.edu/disparity-in-departure>

⁵ Marcus, Justine; Disruption in Silicon Valley – The Impacts of Displacement on Resident’ Lives; December 2018 <https://www.urbandisplacement.org/blog/displacement-impacts-santa-clara>

⁶ US Census Bureau American Communities Survey 2018 Household Income in the past 12 months (2018 inflation adjusted) <https://data.census.gov/>
 City of San Jose 2020 HCD Income Limits <https://www.sanjoseca.gov/home/showdocument?id=61061>



Which San José neighborhoods are vulnerable to displacement?

The Urban Displacement Project (UDP) is a research and action initiative of UC Berkeley and other universities which has been conducting research and producing reports on displacement in the Bay Area since 2009. In 2015, the Urban Displacement Project developed a methodology to identify areas undergoing gentrification/displacement and those that are at risk of gentrification/displacement. This was used to create a “displacement warning system” in collaboration with the Metropolitan Transportation Commission (MTC).

The UDP map below on page 12 of this memo shows the prevalence of gentrification and displacement across the Bay Area as of 2015 by census tract. This map shows the UDP map with San José Council Districts superimposed. The map shows areas in San José at different stages of gentrification, displacement, and exclusion. The dark and light purple areas are low-income areas that are undergoing gentrification/displacement or are at risk of gentrification/displacement.⁷ The light orange areas are moderate- and high-income areas that are at risk of exclusion or have ongoing exclusion. The dark orange areas represent advanced exclusion. Exclusion means rents and home prices are so high that it is very difficult for low-income residents to afford to live there.

According to UDP research⁸, 43% of all census tracts in San José are either at-risk of are experiencing ongoing displacement. While all City Council districts are experiencing some level

⁷ The Urban Displacement Project methodology for ongoing displacement (dark purple) areas: In 2000-2015, the census tract initially housed a higher percentage of low-income, nonwhite, renters, with less education than the region. Then by 2015, the neighborhood experienced a net loss of low-income households and had a hot market with a decrease in low-income residents moving in to the neighborhood. OR if there was not a net loss of low-income households, the neighborhood had less low-income residents move in to the neighborhood and went from income and education levels lower from the regional average to higher than the regional average.

⁸ City of San Jose, Housing Department, UCB Census Tracts by Council District

of displacement, Council Districts 3 and 5 have the highest number of census tracts with ongoing displacement or are at-risk of displacement. Latinx households are overrepresented in census tracts with ongoing displacement or are at-risk of displacement. 47% of all Latinx households and 45% of all Black households in San José live in ongoing displacement or at-risk of displacement areas.⁹

Racial Composition of Ongoing and At-risk of Gentrification/Displacement Areas	
All Ongoing Gentrification	33% White 27% Asian 32% Latinx Households; *Hispanics make up 40% of all households 80% or less of AMI
All Low-Income - At Risk of Gentrification	25% White 28% Asian 39% Latinx Households; *Hispanics make up 45% of all households 80% or less of AMI

Source: ¹ UCB Typologies Race Data June 2020, Race by Census Tract

Systemic Racism Underpins San José’s Displacement Problems

It is important to recognize how past policy decisions and the tradition of racial exclusion are root causes of San José’s current displacement issues. For many Black and Latinx communities, today’s wave of displacement is a continuation of a multi-generational housing crisis, intertwined with other problems created by systemic racism.¹⁰ A few notable events which are foundational for San José’s displacement problems are described below.

People of Color Were Excluded from the New Deal and Prohibited from Homeownership through Redlining

Homeownership can be a source of stability for residents in rapidly changing neighborhoods. Historically, homeownership has been the main vehicle for everyday residents to build generational wealth. In San José, Black households have a homeownership rate of 33%. The homeownership rate for Latinxs is 41%. In comparison, White households have the highest homeownership rate in the City at 66%.¹¹

⁹ UCB Typologies Race Data June 2020, Race by Census Tract

¹⁰ Levin, Matt; “Black Californians’ housing crisis, by the numbers,” 2020 <https://www.mercurynews.com/2020/06/23/black-californians-housing-crisis-by-the-numbers/>

¹¹ ACS 2018 5-Year data, B25003 - Tenure

Unequal access to homeownership and affordable housing is considered a top factor contributing to the growing racial wealth divide.¹² While it is often acknowledged that income and wealth contribute to a household's financial resiliency and ability to avoid displacement, for people of color, it is important to understand that a household's income and wealth is also influenced by enduring systemic barriers to safe and stable housing.

People of color have faced major barriers to obtaining homeownership. When the U.S. housing market collapsed in the Great Depression, the Federal government attempted to revive it through New Deal agencies, which included the Federal Housing Administration (FHA) and Home Owners Loan Corporation. At that time, restrictive covenants barring people of color from owning land in white neighborhoods were common and they remained legal until 1948.

Redlining, in particular, was a discriminatory practice from the 1930-1970's where loans and mortgages were withheld from specific geographic areas where non-white populations lived. The Homeowners Loan Corporation appraisal standards indicated these neighborhoods as "hazardous" areas (red) and "definitely declining areas (yellow). This lack of investment led to redlined neighborhoods underdevelopment and deterioration. Families of color living in redlined neighborhoods were also unable to access the same government loan benefits that allowed many others to purchase homes.

According to John A. Powell, Ph.D., Director of the Haas Institute for a Fair and Inclusive Society,¹³ the white middle class was largely built through the Marshall Plan for investment created in the Great Depression. He states people of color in the United States were excluded or not allowed to participate in what became the greatest tool for wealth creation of many people in the world. 87% of San José's historically redlined neighborhoods also align with today's at-risk and ongoing displacement areas, further impacting some of the same families who have been subject to this housing discrimination.¹⁴

Formerly Redlined Neighborhoods Became Locations for Speculative Investment Due to Relative Affordability

This history of segregation and uneven investment made some formerly redlined neighborhoods "blighted" and attractive for redevelopment by the San José Redevelopment Authority (SJRA) in the 1980s and '90s. During this time, the SJRA created the Strong Neighborhoods Initiative, intended to help improve conditions in these neighborhoods. Unfortunately, some redevelopment projects displaced people of color who had been forced to settle in these redlined areas.

For example, the primarily Latinx Guadalupe-Auzerais neighborhood was displaced to create the Children's Discovery Museum. Gen Fujioka, a Senior Legal Counsel and Policy Director who

¹² <https://calbudgetcenter.org/resources/the-racial-wealth-gap-what-california-can-do-about-a-long-standing-obstacle-to-shared-prosperity/>

¹³ Grossman, Sara; "The Other Wealth Gap: The Racial Wealth Rift No One is Talking About" <https://belonging.berkeley.edu/other-wealth-gap-racial-wealth-rift-no-one-talking-about>

¹⁴ Urban Displacement Project, Redlining and Gentrification. <https://www.urbandisplacement.org/redlining>

worked for the Guadalupe-Auzerais residents, described their displacement concerns in an interview in 1986. The situation he describes is very similar to the concerns facing San José residents today:

“This process of “gentrification” will, in turn, force out many existing residents and businesses. A retired cannery worker on a fixed income cannot compete on the rental market with an unmarried accounts manager with money to spare. Similarly, many neighborhood businesses will not be able to compete for commercial rentals with boutiques, espresso and fashion shops, and expensive restaurants. The irony here is that communities that have maintained the vitality of the downtown area through many lean years of marginal public and private services will now be pushed out of their historic neighborhoods exactly at a time when the area becomes, because of massive public investment, a “desirable” place in which to live and do business” (Fujioka, 1986).

People of Color Were Disproportionately Impacted in the Foreclosure Crisis through Subprime Mortgages

When redlining was effectively outlawed, the subprime mortgage product was created and marketed largely to non-white consumers. These loans had higher interest rates, fees, and penalties — regardless of the borrowers’ ability to repay. Subprime mortgages were a chief cause of the foreclosure crisis from 2007-2010. This had a disproportionate impact on Black and Latinx communities, who were also greatly impacted by unemployment during the recession. During this time, East San José was considered “Ground Zero for the Foreclosure Crisis.”¹⁵

According to research by Zillow,¹⁶ nationally, homes in Black and Latinx communities were 2 and 2.5 times as likely to experience foreclosure than homes in White communities from 2007 - 2015. Many renters who experience displacement pressures today may be former homeowners who lost their homes during the foreclosure crisis.

Racial Wealth Gap Contributes to Black and Latinx Communities Vulnerability to Displacement

The racial income gap and racial wealth gap in San José also demonstrates how the problem of housing unaffordability varies greatly when disaggregated by race. Prior to COVID, 65% percent of all Black households and 64% of all Latinx households were considered low-income, as compared to 43% percent of White non-Hispanic households and 40% of Asian households. The difference for women-headed households is even more pronounced, with 70% percent of women-headed households earning incomes below 80% of area median income (AMI).

¹⁵ “Cassidy: East San José neighborhood is ground zero for foreclosure crisis,” 2008
<https://www.mercurynews.com/2008/10/16/cassidy-east-san-jose-neighborhood-is-ground-zero-for-foreclosure-crisis/>

¹⁶ Mikhitarian, Sarah; “How the Housing Bust Widened the Wealth Gap for Communities of Color” Apr. 2019
<https://www.zillow.com/research/housing-bust-wealth-gap-race-23992/>

Percentage of San José Households Below 80% Area Median Income by Race						
	All Households	Asian Households	White Non-Hispanic Households	Black/African American Households	Hispanic/Latinx Households	Women Head of Household
Total Households	359,059	119,548	133,873	11,416	83,961	37,577
Number of Households < 80% AMI	170,724	47,451	57,070	7,407	53,830	26,153
Percentage of Households < 80% AMI	48%	40%	43%	65%	64%	70%

Source: American Community Survey 2014-2018 5-Year Data

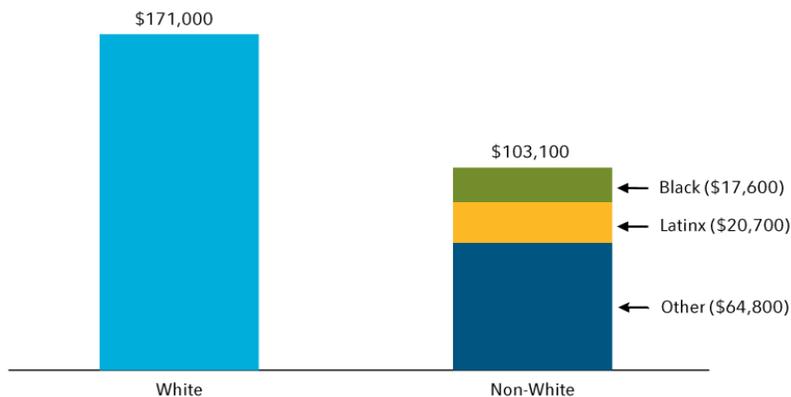
While income is often used to measure a household’s vulnerability to displacement, wealth can illustrate a more accurate picture of a household’s access to resources. When a household owns assets, regardless of income, they can use those resources to prevent or weather emergencies like an eviction or foreclosure. For example, a study out of U.C. Berkeley¹⁷ found that 77% percent of Black residents in the Bay Area reported a time when they did not have \$400 in savings, compared to just 18% of White residents.¹⁸

While there is not much data on wealth by race at the local level, there are studies that describe the racial wealth gap at the national level. The data shows that racial disparities by wealth is even more prominent than income. The table below shows that nationally, the median White family has a net worth equal to \$171,000, as compared to \$17,000 for Black families, and \$20,700 for Latinx families.

¹⁷ Othering and Belonging Institute at UC Berkeley, “Taking Count, a study on poverty in the Bay Area,” March 2020, <https://tippingpoint.org/wp-content/uploads/2020/05/Taking-Count-Executive-Summary-2020.pdf>

Nationally, White Families Are Significantly Wealthier Than All Other Racial and Ethnic Groups Combined

Household Median Net Worth by Race and Ethnicity, US, 2016



Note: "Other" category includes respondents identifying as Asian, American Indian, Alaska Native, Native Hawaiian, Pacific Islander, other race, and all respondents reporting more than one racial identification. Source: Lisa Detting et al., *Recent Trends in Wealth-Holding by Race and Ethnicity: Evidence From the Survey of Consumer Finances* (Board of Governors of the Federal Reserve System: September 27, 2017).



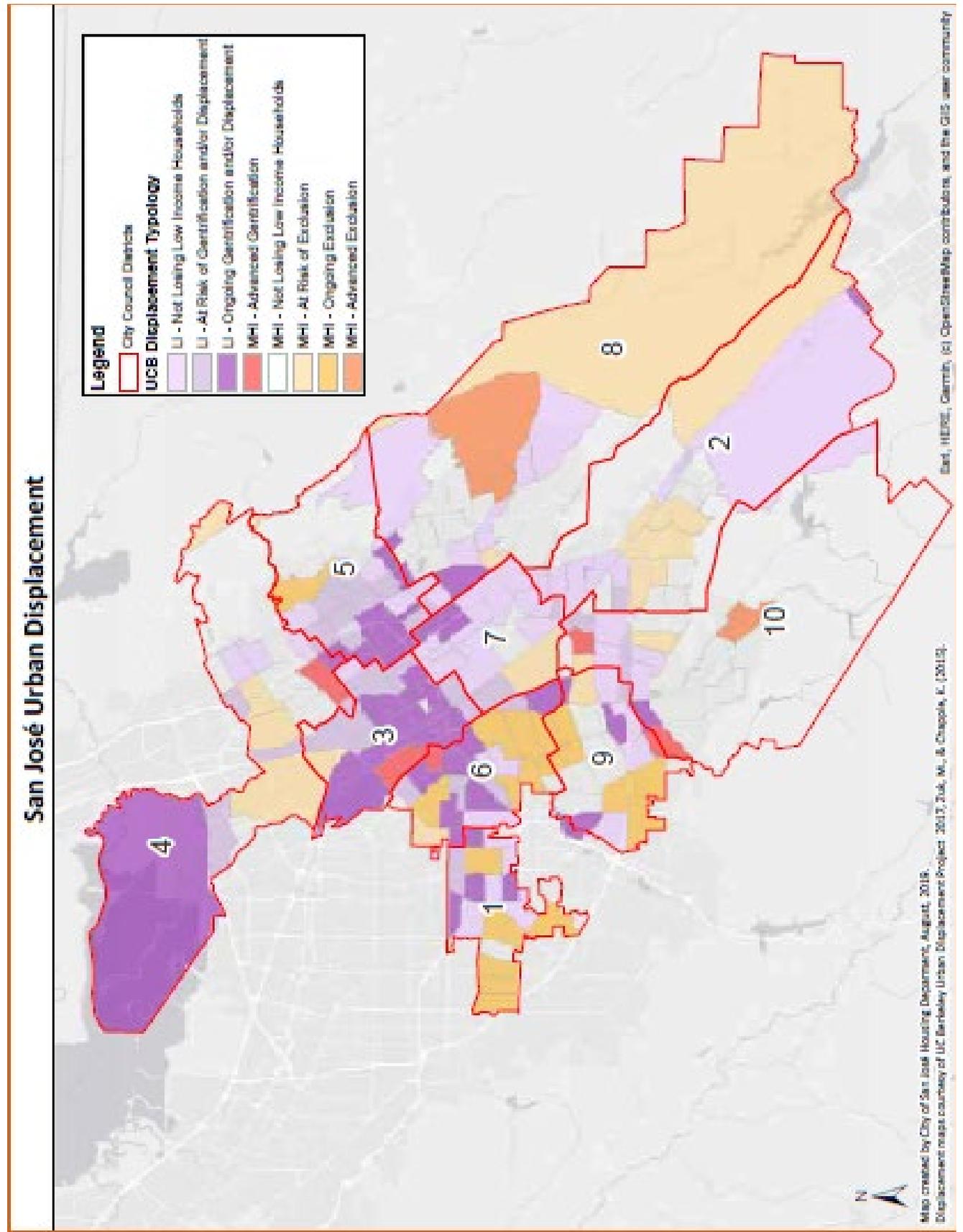
California Budget
& Policy Center
Independent Analysis. Shared Prosperity.

One of the aspects behind the racial wealth gap is tied to the value of assets owned by people of color. For example, according to Andre Perry, a researcher at the Brookings Institute, racism depletes wealth from black homeowners. While laws have changed since the days redlining was legal, the value of assets such as buildings, schools, leadership, and land are still linked to perceptions of Black people. A home in a Black majority part of the Bay Area is worth about \$164,000 less than the equivalent home in a neighborhood with few Black people, even when controlled for the quality of the local school district and access to amenities such as parks.¹⁹

Today, we see devastating outcomes from these systems. Black and Latinxs residents are overrepresented in San José's homeless counts,²⁰ Black and Latinxs residents experience higher housing cost burden, Latinxs residents experience higher levels of overcrowding and housing quality problems, and citizenship requirements for housing programs which could prevent displacement continue to exclude many Latinx, Asian, and Black San José residents. The contributing factors above describe why certain communities and neighborhoods suffer the most from housing instability and are especially vulnerable to displacement. Understanding this context can guide the City to adopt the most effective anti-displacement strategies and reduce further harm to San José's Black and Latinx communities.

¹⁹ Levin, Matt; "Black Californian Housing Crisis by the Numbers" <https://www.kqed.org/news/11825550/black-californians-housing-crisis-by-the-numbers>

²⁰ Silicon Valley Pain Index, White Supremacy and Income/Wealth Inequality in Santa Clara County; <https://www.documentcloud.org/documents/6955119-Silicon-Valley-Pain-Index.html?embed=true&responsive=false&sidebar=false>



The City of San José is Responding to Residential Displacement

The City Council has taken several actions in the past to address displacement by developing new anti-displacement policies and programs:

Production of new affordable housing:

- Adopted an Inclusionary Housing Ordinance with a 15% requirement for affordable housing
- Established a production goal of 10,000 new affordable homes goal in five years through the Housing Crisis Workplan

Preservation of existing affordable housing:

- Adopted underwriting guidelines that call for City or County land ownership and long-term ground leases for new affordable developments

Protection of residents in rapidly-changing neighborhoods:

- Updated the Apartment Rent Ordinance to lower the cap on rent increases from 8% to 5% per year
- Established just cause eviction protection for multifamily tenants through the Tenant Protection Ordinance
- Established relocation protections and affordability requirements for ARO tenants whose buildings are demolished through the Ellis Act Ordinance
- Prevented housing discrimination against Section 8 recipients by establishing the Housing Equality Payment Ordinance
- Provided grants for low-income tenants for legal education and eviction defense
- Established an eviction moratorium to prevent evictions of residents who have been impacted by COVID.

! The City Council recently directed staff to update the City's Inclusionary Housing Ordinance to increase the likelihood of on-site affordable housing production, and updated the Ellis Act Ordinance. The Council will also consider a Commercial Linkage Fee in August 2020, which will be used to help fund new affordable housing development.

Along with the work that the City has already accomplished, several other initiatives are currently underway to help to stem or mitigate displacement:

- *Increase and Expand Homelessness Prevention*
- *Establish Anti-displacement and Displaced Tenant Preferences for Affordable Housing*
- *Implement "No Net Loss" of Affordable Housing per SB 330 (2019)*
- *Conduct a Feasibility Study of Innovative Housing Solutions, Including Limited Equity Co-Ops and Community Land Trusts*
- *Create an Online Housing Opportunity Sites Tool for Developers (Tolemi)*
- *Conduct a Public Land Survey and partner with the State*

The City was also fortunate to receive an award of a two-year Partnership for the Bay’s Future Challenge Grant fellow. The fellow will work on Preservation and Protection anti-displacement policy and program development, and on systems change to ensure that the voices of those in the community most affected by displacement are part of the decision-making process.

The Value of the 3 Ps Framework

Building housing for our growing community

Some experts have argued that the most effective way to address the Housing Crisis is to produce new market-rate housing to induce “filtering,” where older market-rate housing becomes more affordable as new units are added to the market.

According to the UC Berkeley study “Housing Production, Filtering and Displacement: Untangling the Relationships,”²¹ it is important to acknowledge that new market-rate homes recently built in the Bay Area and in San José are typically affordable to households earning 110% of area median income, which is approximately \$144,540 a year for a household of four, and will likely never become deeply affordable. It states, “The filtering process can take generations, meaning that units may not filter at a rate that meets these needs at the market’s peak, and the property may deteriorate too much to be habitable.” The filtering process does not work well to meet the housing needs for extremely low, very low, and low-income residents in expensive markets like San José. New housing built near transit may even have an effect to decrease rents regionally, but not in the immediate area.

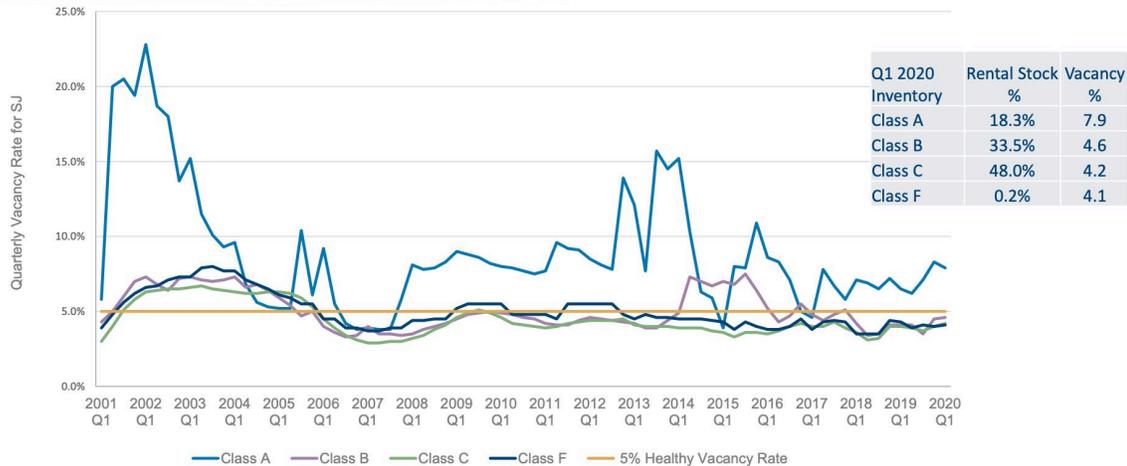
This perspective on filtering is also supported by planning expert Richard Florida, who writes that “the markets—and neighborhoods—for luxury and affordable housing are very different, and it is unlikely that any increases in high-end supply would trickle down to less advantaged groups.”²²

Residents with higher incomes also may not want to pay a lot for housing. As illustrated in the chart below, recent vacancy rates indicate a strong demand for lower-priced apartments and less demand for those at highest rent levels. According to CoStar data in early April 2020, Class A (highest rent) apartments had a 7.9% vacancy rate, while every other class had vacancy rates in the 4% range.

²¹ Zuk, Miriam; Chapple, Karen; Housing Production, Filtering and Displacement: Untangling the Relationships https://www.urbandisplacement.org/sites/default/files/images/udp_research_brief_052316.pdf

²²Florida, Richard; Does Upzoning Boost the Housing Supply and Lower Prices? Maybe Not. January 2019 <https://www.bloomberg.com/news/articles/2019-01-31/zoning-reform-isn-t-a-silver-bullet-for-u-s-housing>

Average Vacancy Lower for Older Buildings* (82% of total rental stock)



SOURCE: Costar April 6, 2020.
 * Note: Older buildings refer to Class B, C and F properties; Class A buildings are usually newly-constructed properties.

Higher income residents may seek lower cost housing in order to save to buy a house or to start a business. This steep competition is an issue for low-income renters, who must compete with higher income earners for lower cost housing because they cannot income-qualify for new market rate units and can't afford higher rents without impacting their ability to afford other necessities.

This research makes clear that without preservation of existing affordable housing and support for residents to stay in their current housing, the availability of housing affordable for low and lower income households will dwindle despite the housing stock growing over all.

Preserving Affordability where it already exists

At the same time, existing affordable, rent stabilized, and naturally affordable housing may be lost due to demolition, expired deed restrictions, expiration of bond regulatory agreements, vacancy decontrol, redevelopment, sale of units, withdrawals from the rental market, and/or conversion of apartments to condominiums. When these events occur, current residents can be displaced. According to a recent California Housing Partnership (CHPC) report, Santa Clara County has the largest preservation problem of the nine Bay Area Counties, being at risk of losing an additional 2,059 restricted affordable units in the next ten years. CHPC estimates of those units, over 1,000 at-risk restricted homes are in San José.²³

²³ California Housing Partnership; Affordable Homes at Risk | 2020 Report <https://chpc.net/resources/affordable-homes-at-risk-2020-report-california/>

This dynamic makes solutions to preserve existing affordable housing and protect residents in rapidly changing neighborhoods very important to ensure housing strategies also meet the needs of current low-income residents. Residents facing displacement today will not have the chance to benefit from solutions that may take generations.

San José's current housing efforts are oriented toward the production of affordable housing. While this helps alleviate the overall housing affordability crisis, housing preservation can provide immediate and permanent relief to existing tenants. Currently, San José has approximately 78,000 apartments under some form of affordability, either through the ARO or deed-restrictions. These apartments are at risk of losing their affordability due to vacancy decontrol, Ellis Act conversions, and expiring deed restrictions. Furthermore, many San José residents currently live in naturally-occurring affordable housing that provides unsubsidized lower-cost housing at or below 80% AMI. Preserving these homes allows the City to address displacement more efficiently and quickly, and maintain important family and community relationships. By catching affordability where it already exists, the City can shorten the affordable housing development timeframe and help preserve the city's cultural and economic diversity.

Citywide Residential Anti-Displacement Strategy

Focused on Lower-income Residents

The proposed Citywide strategy focuses on the displacement of extremely-low, very-low, and low-income renters earning between 0%-80 AMI. Displacement among homeowners is less of a concern based upon feedback of homeowners and some expressing that they experience benefits of increased housing costs as they see an appreciation in their home values. By contrast, renters in San José are twice as likely to experience a 'housing cost burden' than homeowners, defined as paying more than 30% of their gross income on housing plus a reasonable set of utility costs. Housing cost burden for the homeowner population has decreased in recent years, and foreclosure rates in San José are the lowest in the nation.²⁴ However, Census data indicates that some moderate-income residents are cost-burdened. Staff is in the process of developing a moderate-income housing strategy to serve this population; that group is outside the scope of this anti-displacement work, given their higher level of income.

Proposed Strategies to Address Displacement Are Interwoven and Prioritized by Timing

Below and attached in **Attachment A** is the list of recommendations and detailed descriptions of potential strategies to address displacement. More detailed proposals will be developed if the City Council directs staff to conduct further research or to work on an item.

²⁴ April 11, 2019, Silicon Valley Business Journal: Gripping about home prices? San José's foreclosure rates are nation's lowest <https://www.bizjournals.com/sanjose/news/2019/04/11/san-jose-silicon-valley-housing-prices-foreclosure.html>

The full list of recommendations is comprehensive and takes into consideration extensive community engagement, anti-displacement practices across the nation, gaps in San José's current anti-displacement policies and programs, as well as recommendations from the planning processes noted in the background section of this memo, and ongoing developments at regional and state levels. The 10 recommendations include all 3 Ps – Protection, Preservation and Production – as well as one general governance recommendation.

Staff selected the 10 recommendations in the Strategy after considering several dozen different ideas and examples. All ideas were screened with the concept of the optimal role for the City to play in helping this multi-dimensional issue.

Staff considered the following key criteria when determining the final recommendations for what the City could do to help displacement:

- **Responsiveness to needs surfaced** through the community engagement process;
- **Potential impact** to help stem or mitigate effects of displacement;
- **Effort** based on current staffing levels and capacity of potential service providers;
- **Resources** for staffing, outreach, organizational capacity, capital projects; and
- **Examples** of other implementing jurisdictions.

Many selected recommendations work best in conjunction with or are foundational to other recommended strategies. For example, recommendation 7. Preservation Report and Policy would provide data enabling City staff to identify how best to target resources gained by recommendation 10. New Sources of Funding to certain types of affordable housing, or to certain geographic neighborhoods, to have the greatest impact. Similarly, establishing a Community Opportunity to Purchase multifamily buildings works only in conjunction with a supply of funding that is suitably flexible so it can be used for preservation, which again would involve recommendation 10. New Sources of Funding. Working on the composition of Boards and Commissions is foundational in that it may change recommendations to the City Council, and doing that work now would build on the momentum of the current discussion of changes the Planning Commission.

The following are brief overviews of staff's recommendations on Protection, Preservation and Production programs and policies for the City to pursue. They are presented in order of suggested priority, with the most urgent to begin work on listed first. Longer descriptions with more details are contained in Attachment A.

Recommendations

1. Support COVID-19 Recovery Eviction Relief and Mitigation Measures for Renters and Homeowners

Many families in San José are now facing months of back rent and mortgage payments they are likely unable to afford at the end of the current COVID-19 eviction moratoriums. Without additional intervention, the end of the moratorium could lead to a

wave of displacement and homelessness. This recommendation is to support federal and state legislation and private sector action to support resources to help pay and restructure back owed rent and mortgages, including for excluded workers, and otherwise mitigate the impact on housing providers and tenants due to the economic impacts of COVID-19. The City should also coordinate with the County Superior Court and the State to help establish the Housing Collaborative Court currently under development and partially fund costs for legal services to respond to evictions related to COVID-19. This recommendation would also support long-term wellness and resiliency of highly-impacted communities by funding emergency planning and preparedness grants for community-based organizations to increase residents' ability to access resources during an emergency and to develop long-term disaster resiliency in vulnerable neighborhoods.

2. Create a Neighborhood-based Tenant Preference

This recommendation is for staff to explore development of a neighborhood-based tenant preference for new affordable apartments, consistent with State and federal fair housing law, IRS tax credit rules and other related law. This preference could give renters living close to new affordable apartments a greater chance at renting the new homes in their neighborhoods. Staff would coordinate with California HCD to ensure State funding could be used in these developments.

3. Explore a Community Opportunity to Purchase Program (First Right of Offer to Purchase)

A Community Opportunity to Purchase Act (COPA) program would provide advance notice of the sale of affordable and market-rate residential properties to nonprofit developers, tenants, or public agencies and provide them the first opportunity to purchase the property. More properties could become restricted affordable, to the extent public subsidies were available, and would stay affordable with these mission-oriented owners.

4. Increase Equitable Representation of Historically Underrepresented Communities on City Commissions

Several City Commissions evaluate and provide recommendations to the City Council on policies and programs that may impact renters. This recommendation is to conduct an analysis of appointments and composition of the Housing and Community Development Commission, the Neighborhoods Commission, and the Human Services Commission to track the representation of protected classes and historically underrepresented neighborhoods. This recommendation would also pilot requiring an equitable distribution of seats of historically underrepresented populations on these commissions, including low-income renters and homeless/formerly homeless residents.

5. Create Role for Local Government in State Tenant Protections

AB 1482 (Chiu) is a new State law that prevents rent spikes and requires just cause for eviction. AB 1482 covers more homes than the City's Apartment Rent Ordinance, but the only current enforcement mechanism is a lawsuit brought by a tenant or the State Attorney General's Office. This recommendation is for the City to sponsor state legislation for local education, reporting and enforcement to help increase understanding

and compliance with AB 1482 as well as the City's ordinances. At the same time, mobilehome evictions may be an issue, but the City is unable to study this as it lacks data. Amending the state's mobilehome residency law would allow the City to legally obtain this information.

6. Increase Housing Quality and Prevent Code Enforcement related Retaliatory Evictions

Retaliatory evictions sometimes occur in response to tenant-initiated code enforcement complaints. Proactive rental inspections help spur necessary maintenance of rental properties and remove some of the risk of retaliatory evictions, but the current housing inspection program only includes proactive inspections for multifamily rental units in building of 3 units or more. Landlords who have long-time residents also may not be able to do expensive rehabilitation without assistance. This recommendation would expand proactive code inspections to single-family, duplex, and condo rentals, and seek a source of funding for low-cost loans and grants for rental property improvements. Staff would also assess the City's current relocation ordinance concerning 'red-tagging' of buildings, use of the receivership process, and other situations, condo conversio

7. Preservation Report and Policy

This recommendation would create an annual Housing Balance Report that tracks the net gain and loss of all types of affordable housing to determine the City's progress toward increasing the availability of housing opportunities for its residents. It would also require staff to bring to the City Council for its consideration a Preservation Policy that establishes a goal of preserving existing affordable housing and helping to prevent displacement, to inform programs, resources, and development policy decisions.

8. Develop YIGBY Land Use – Yes in God's Backyard

This recommendation is to amend the General Plan and the zoning ordinance to allow deed restrictive affordable housing under the Public Quasi Public (PQP) General Plan land use designation and zoning district, when such residential uses are developed as a secondary use in conjunction with the primary use of the property as a places of worship.

9. Optimize Urban Villages for Affordable Housing Development and Anti-Displacement

Urban Villages are the primary growth areas in the City's General Plan. They have a goal of producing 25% affordable housing, but no way to require that much be built on individual sites, as 25% exceeds the 15% Inclusionary Housing site-specific requirement. This recommendation is to analyze the locations that would be most competitive for affordable housing funding sources in unplanned Urban Villages to help promote affordable developments to proceed before market-rate housing. It would ensure that housing can be built in those optimal areas for affordable housing, would identify the displacement risk for Urban Villages, and would capture all this information in Urban Village Plans. Finally, this recommendation also would track affordable production in Urban Villages and report annually, to focus attention on areas appropriate to focus more production.

10. Establish a New Source of Funding for Affordable Housing and Anti-Displacement

The need for involvement of all sectors to help meet the community's need for stable and affordable housing is particularly evident given the COVID-19 crisis, the City's current 10,000-unit affordable production goal, and its forthcoming much higher RHNA goals. In addition, some of the initiatives of this Citywide Anti-Displacement Strategy may require new resources to implement. This recommendation is for the City to explore additional sources of public funding, particularly to fund Preservation and Protection strategies, and to work with corporate and philanthropic partners to identify funds for property acquisition and long-term patient capital.

Possible Future Action Items

Among ideas that the community raised or that staff thought advisable to pursue as a second priority include the following:

- Create a Plan to Establish a Housing Resource Center and Anti-Displacement Hotline
- Develop Strategies to Increase Fair Access to Housing
- Expand ARO Disclosure Requirements
- Right to Legal Counsel Cost and Benefit Study
- Study Short-term Rentals

Anti-Displacement Working Group

Displacement is not just the City's responsibility to solve; it is a joint issue of community importance that will take involvement from many members of the community to make progress. Reportedly, having different types of community members engage in sustained conversations over the long-term has been important to foster understanding and make progress in developing anti-displacement strategies in other cities.

For these reasons, staff intends to convene an Anti-Displacement Working Group with a broad membership of relevant stakeholders and subject matter. Staff can use the Working Group as an important source of input to further develop the recommendations of this Strategy and its implementation plans. The Working Group will be self-selected and self-governing, and existing Housing Department staff would participate to work in partnership to develop program details and partnerships across sectors.

CONCLUSION

Residential displacement continues to be an urgent and ongoing issue for thousands of San José residents, which has become ever more urgent due to the COVID-19 pandemic. Housing stability is essential for personal well-being and for public health and well-being. Housing is an essential need. Every community relies on each other. When residents are displaced, those residents who are left also lose their support systems. When people who belong to this community can stay, the whole community benefits.

Adopting the above Citywide Residential Anti-Displacement Strategy will enable staff to develop new policies and programs to prevent, mitigate, and decrease residential displacement. While market forces and changes in the world are more powerful than what the City can do alone, this Strategy is a start of a comprehensive response to a difficult issue.

PUBLIC OUTREACH

Staff engaged an estimated number of 800-1,000 community members through a variety of events and activities over close to two years of work on this Strategy. Staff conducted outreach from early 2018 through early 2019 with a series of interviews and focus groups to learn directly from residents in neighborhoods experiencing ongoing displacement and those that had been displaced in the past. From summer 2019 to winter 2020, staff gathered feedback on potential anti-displacement solutions and received new ideas from a broad base of stakeholders. This input helped to generate the list of recommendations included in the Citywide Residential Anti-Displacement Strategy. Staff then did additional outreach to real estate professionals in early 2020 to get their perspectives. Please see **Attachment B** for a full list of community engagement activities.

FISCAL/POLICY ALIGNMENT

The Citywide Residential Anti-Displacement Strategy aligns with the following General Plan and Housing Element anti-displacement goals:

- **H-1.16:** Identify, assess, and implement potential tools, policies, or programs to prevent or to mitigate the displacement of existing low-income residents due to market forces or to infrastructure investment.
- **H-1.18:** Develop tools to assess and to identify neighborhoods and planning areas that are experiencing or that may experience gentrification in order to identify where anti-displacement and preservation resources should be directed.
- **H-2.1:** Support local, state and federal regulations that preserve “at-risk” subsidized and rental-stabilized units subject to potential conversion to market rate housing and that will encourage equitable and fair policies that protect tenant and owner rights

As the City works to achieve the planned growth and investment per our General Plan 2040, preventing and decreasing displacement will help ensure that long-time and low-income San José residents are able to stay to receive its benefits.

/s/
JACKY MORALES-FERRAND
Director, Department of Housing

August 10, 2020

Subject: Citywide Residential Anti-Displacement Strategy

Page 23

For questions, please contact Kristen Clements, Division Manager at (408) 585-8236.

Attachments:

Attachment A – Detailed Descriptions of Citywide Residential Anti-Displacement Strategy
Recommendations

Attachment B – Citywide Residential Anti-Displacement Strategy Community Engagement

HOUSING & COMMUNITY DEVELOPMENT COMMISSION

August 10, 2020

Subject: Citywide Residential Anti-Displacement Strategy

Page 24

ATTACHMENT A
DESCRIPTIONS OF RECOMMENDATIONS

ATTACHMENT B

Citywide Residential Anti-Displacement Strategy Community Engagement

Community Leader Interviews

November - December 2018 - 8 interviews from leaders in ongoing displacement neighborhoods in Council Districts 1, 3, 6, 7, and 8.

Events

November 16, 2018 - Anti-Displacement Policy lunch

May 9, 2019 - Affordable Housing Week Event

September 6, 2019 - Summer at the Flea

Renters Focus Groups

November 29, 2018

March 13, 2019

March 27, 2019

April 12, 2019

Community Forums

August 15, 2019, Seven Trees Community Center

August 24, 2019, Alma Senior Center

September 7, 2019, School of Arts and Culture

September 19, 2019, Camden Community Center

January 21, 2020, SCC Association of Realtors Office

January 24, 2020, MLK Library

January 27, 2020, MLK Library

February 5, 2020, School of Arts and Culture

February 27, 2020, Silicon Valley Organization Office

San José Resident Survey

July 2019 – October 2019

Attachment A – Citywide Residential Anti-displacement Strategy Detailed Descriptions

1. Support Equitable COVID-19 Recovery and Impact Mitigation Measures for Renters and Homeowners

- a. Support new Federal and State stimulus funding. Support new legislation focused on eviction and foreclosure prevention and housing recovery from COVID-19.
- b. Increase funding for housing mediation services to facilitate rent repayment plans. Track success of repayment plans to prevent eviction of renters from their current housing and displacement from the City of San Jose.
- c. Coordinate with the County Courts and the State to establish a Housing Collaborative Court and partially fund costs for legal services to respond to evictions related to COVID-19.
- d. Explore ways to remove barriers to COVID-19 relief funding and housing programs for immigrant families.
- e. Identify new funding for emergency planning and preparedness grants for community-based organizations to increase residents’ ability to access resources during an emergency and to develop long-term disaster resiliency in vulnerable neighborhoods.

Summary

Many families in San José impacted by the Shelter-In-Place order are seeking protection under San Jose’s COVID-19 Eviction Moratorium. Although sheltered, families have a financial obligation to pay months of back rent and mortgage payments. Families with financial constraints, are less likely to afford to live in San Jose and fulfill their repayment obligation at the end of the current COVID-19 eviction moratorium. Without intervention, this could lead to a wave of displacement and homelessness. This recommendation is to support federal and state legislation and private sector action to support the subsidy and payment of back owed rent and mortgage payments accumulated from excluded workers during the emergency, subsidy of mortgages, track the success of repayment plans, and other proposals to mitigate the impact on housing providers and tenants due to the economic impacts of COVID-19.

The City could also develop programs to support equitable recovery from the pandemic, equitable access to COVID-19 relief and housing programs, and the long-term wellness and resiliency of highly COVID-19 impacted communities.

Description

The COVID-19 pandemic has caused nationwide disruptions across nearly every social and economic sector. Safe, stable, and healthy housing has been increasingly recognized as vital to ensuring a person’s health and for containing the COVID-19 pandemic. At the same time, the virus and the wave of unemployment and furloughs due to shelter-in-place doubled down on the existing housing and displacement crisis.

In June 2020, the San Jose-Sunnyvale-Santa Clara MSA was 10.8 percent. Prior to the pandemic, the unemployment rate was 2.7%. Figures at the end of July 2020 show over 200,000 residents in the city of San Jose have filed for unemployment insurance since shelter-in-place came into effect.

In response, local, state, and national leaders established temporary eviction and foreclosure moratoriums to keep residents housed. However, this temporary intervention has also created what some call an impending “rent cliff.” More than half of San Jose’s renters were already housing cost-burdened prior to COVID-19, while Latinx and Black residents are more likely to be cost-burdened than other renters. The neighborhoods with the most cases of COVID-19 are in zip codes 95122, 95127, 95116, and 95148. These neighborhoods are primarily Latinx and Asian, and experience more overcrowding and poverty than the Citywide average. Three of the four zip codes are also in areas identified by the Urban Displacement

	<p>Project to be experiencing ongoing displacement as of 2017. Prior to COVID-19, residents in the 95122, 95127, and 95116 zip codes (Eastside PEACE area) also have been identified to experience more violence and trauma than elsewhere in Santa Clara County. The UCLA Center for Neighborhood also developed a renter vulnerability index (RVI) for each neighborhood in Santa Clara County based on the proportion of renters, housing cost burden, exposure to job displacement, and exclusion from economic relief programs. These indicators also closely align to these neighborhoods.</p> <p>This recommendation is for the City to continue to advocate for state, federal, and private sector resources to help mitigate the impact on housing providers and renters due to the negative economic impacts of COVID-19. Resources would be used to repay and/or subsidize renters' back rent and owners' mortgage payments, increase funding for the Santa Clara County mediation program to facilitate rent repayment plans, and track the success of repayment plans to prevent evictions and displacement.</p> <p>The City should also work closely with county to plan and execute an equitable recovery from COVID-19 that promotes the long-term wellness and resiliency of communities highly-impacted by COVID-19. The City should collaborate with resident groups and community-based organizations in highly-impacted neighborhoods to identify and adopt recovery strategies that would be most beneficial to them, starting with housing supports that help stabilize these highly-stressed residents.</p>
Problem it addresses	Homelessness due to eviction.
Potential Impact	Prior to the COVID-19 pandemic, over 7,000 households faced eviction every year in San José. In May 2020, new Unemployment Insurance claims for the San José area rose to 13,986, and 3,762 new claims for Pandemic Unemployment Assistance were filed. In the San José-Sunnyvale-Santa Clara metropolitan area alone, unemployment rose from 4% to 12%. There are many more thousands of households who have been impacted economically by COVID-19 who face the threat of eviction due to non-payment of rent.
Potential Cost	To be determined
Related Strategy(ies)	<p>Community Plan to End Homelessness 2020-2024 Strategies:</p> <ul style="list-style-type: none"> • Work with key stakeholders, including County agencies, school districts, and cities, to inventory existing prevention resources and identify regulatory, statutory, and policy changes necessary to close gaps in the safety net system. • Protect residents from evictions, displacement, and housing discrimination.
Recommendations/ Next Steps	<ol style="list-style-type: none"> a. Convene civic and private sector leaders, residents, community-based organizations to develop equitable short-term and long-term COVID-19 recovery strategies in highly COVID-19 impacted communities. b. Provide technical assistance and support federal and State legislation and budget proposals to forgive or subsidize back rent and mortgages, to help mitigate the economic impact of COVID-19 on housing providers and tenants. c. Develop a plan to facilitate the success of repayment plans of back rent with the goal of avoiding displacement. d. Explore ways to remove barriers to COVID-19 relief funding and housing programs for immigrant families. e. Identify funding eligible funding sources for emergency planning and preparedness grants for community-based organizations to increase residents' ability to access resources during an emergency and to develop long-term disaster resiliency in vulnerable neighborhoods.

2. Establish a Neighborhood Tenant Preference for Affordable Housing

- a. Develop a Neighborhood Tenant Preference that is broadly applicable to new restricted affordable apartments and is consistent with Fair Housing laws.
- b. Work with the State and/or federal elected representatives to support Neighborhood Tenant Preferences and maximize their ability to be used.

Type of Strategy	PROTECT Residents in Rapidly-changing Neighborhoods
Summary	The City should develop a Neighborhood Tenant Preference that is broadly applicable to new restricted-affordable apartments available to the general public, consistent with federal Fair Housing laws. To ensure that the new Tenant Preference can be used on apartments financed with State funds and federal tax credits and/or bonds, staff would work with the California Department of Housing and Community Development and may need to work on legislation with either the California Legislature or the U.S. Congress.
Description	<p>In San José, most affordable housing developments have long waitlists and it is hard for low-income San José residents to quickly find replacement housing when they are displaced from their current rental homes.</p> <p>Tenant preferences set-aside a percentage of affordable apartments in residential rental developments for people who meet certain criteria and who are income-eligible. Preferences can be geographic, meaning they can apply to neighborhoods where displacement is occurring, or they can apply to groups of people such as residents who live or work in a city.</p> <p>A “Neighborhood” Tenant Preference sets aside a portion of apartments for residents who already live in that neighborhood in which affordable homes are being built. The main advantage of a Neighborhood Tenant Preference is that it would enable residents to remain in their neighborhoods, keeping their social networks and support systems intact. Cities must carefully study demographic data and design tenant preference programs to make sure they would not favor people of certain racial or ethnic groups or people in protected classes under federal and State laws.</p>
Problem it addresses	New affordable housing in a neighborhood may not directly benefit existing low-income residents in the neighborhood.
Potential Impact	Given the City’s potential pipeline of affordable apartments available to the general populations, a Neighborhood Tenant Preference could apply to an estimated 16,000 households over the next decade.
Potential Cost	None
Related Strategy(ies)	<p>Community Plan to End Homelessness 2020-2024 Strategies:</p> <ul style="list-style-type: none"> • Provide rental assistance in a fair and equitable manner, especially to populations which are disproportionately vulnerable to societal and historical injustices. <p>City of San José Analysis of Impediments to Fair Housing 2016-2020:</p> <ul style="list-style-type: none"> • Explore the development of policy that will allow a set-aside in affordable housing developments that prioritizes residents who are being displaced that live in low-income neighborhoods undergoing displacement and/or gentrification.
Recommendations/ Next Steps	<ol style="list-style-type: none"> a. Develop a Neighborhood Tenant Preference that is broadly applicable to new restricted affordable apartments and is consistent with Fair Housing laws. b. Work with the State and with State and/or federal elected representatives to support Neighborhood Tenant Preferences and maximize their ability to be used.

3. Explore a Community Opportunity to Purchase Program (First Right of Offer to Purchase)

- a. Explore a Community Opportunity to Purchase Program (COPA) that would require advance notice and a right of first offer on the sale of multifamily residential properties to nonprofits, tenant organizations & public agencies to help keep properties affordable in perpetuity.
- b. Work with local philanthropy and other affordable housing funders to gauge interest in developing a Preservation Investment Fund for San José.
- c. Target the use of subsidy on existing apartment buildings of a defined minimum size in neighborhoods at high risk of displacement.
- d. Determine new affordable housing development partners to work on small building acquisition and rehabilitation projects in San José, and assess capacity and needs for existing San José community organizations to do preservation work and/or form local Community Development Corporations.

Type of Strategy	PRESERVE Existing Affordable Housing
<p>Summary</p>	<p>A Community Opportunity to Purchase Act (COPA) program would provide advance notice of the sale of affordable and market-rate residential properties to nonprofit developers, tenant organizations, and public agencies and provide them the first opportunity to purchase properties. More properties could become restricted affordable, to the extent public subsidies were available, owned by mission-oriented organizations that would keep them affordable in the long-term.</p> <p>This strategy recommends the City learn from those involved with San Francisco’s COPA program to assess the current applicability of a similar program in San José. This would include exploration of a funding source for preservation activities, and an assessment of nonprofit organizations with capacity that are interested in acquiring and rehabilitating existing, potentially smaller buildings in San José.</p>
<p>Description</p>	<p>When affordable housing properties deed-restrictions expire, the property converts to market-rate, and the current residents may face sharp rent increases and displacement. When naturally-affordable properties are sold, rent increases are also common. One of the most direct forms of displacement occurs when a property is purchased and “repositioned” by the new owner through redevelopment, increased rents, or renovations. Often, the properties are sold based not on current rents but on prospective market rents that can only be achieved through mass evictions. These purchases generally give tenants no recourse apart from relocation assistance under the Ellis Act, which in San Jose only applies to some tenants of buildings built before 1979.</p> <p>To help avoid these displacing situations, the City could explore a local Community Opportunity to Purchase Act (COPA) similar to those in cities such as San Francisco and Chicago. COPA would build on State law that requires owners of affordable housing to give advance notice and first right of purchase near the end of affordability periods. COPA would allow the community to have a chance to get involved earlier in the process of any multifamily building’s sale or transfer. This would increase the likelihood that properties are sold to organizations with the mission of perpetual affordability.</p> <p>COPA would require all multifamily housing owners intending to sell or transfer their properties to give advance notice to qualified “community” organizations. These would include tenants’ groups, public agencies, and nonprofit affordable housing developers who would be determined to be qualified by certain experience criteria. The qualified buyers would have the right to make a first offer on the property, which they would have to inform the buyer they intend to do within a defined number of days. They would then have a certain amount of time to make the offer. The seller would be free to accept or decline the offer. If the community organization makes an offer that is rejected, and another potential buyer</p>

	<p>makes a higher offer, the community organization would have the chance to match the higher offer. In addition, the program would require relocation assistance for residents displaced due to a property’s sale, to subsequent financial restructuring, or the cessation of project-based subsidies.</p> <p>Tenants of a building up for sale could by default always get the right of first refusal to purchase their own building. Generally, as tenants would often be unable to cover the cost of the property purchase, they would partner with an affordable housing developer, a philanthropic institution, or an investor who could lower return requirements to purchase the property at market price. This could allow the tenants to stay in the places they already call home, and could also provide a new pathway to homeownership in neighborhoods with few homeownership opportunities. If tenants were not able to or interested in exercising their rights, another community organization would then have the right to make an offer.</p> <p>Most buildings need some rehabilitation even 10 or 15 years after they are built, and more as they age. Developers who want to acquire and rehabilitate buildings with existing residents and turn them into restricted affordable apartments are far less common than those that want to do new development. These transactions are not easy, as they involve a lot of work, considerable financial risk, and limited profit – especially if buildings are relatively small. Finding mission-oriented nonprofit affordable housing developers interested in doing this work in San Jose is part of making a preservation strategy feasible.</p> <p>Another option would be to team existing community organizations that do not currently do development and teach them skills by trying to help them access technical assistance providers (like Enterprise Community Partners and LISC) and pairing them with development partners and consultants so they can gain expertise over time. Growing local capacity like this is a longer-term strategy that needs operating support (often from local philanthropy), but one that organizations in older east coast cities have employed for decades.</p> <p>Finally, financing is the necessary ingredient for buyers to exercise their right to purchase. Quick-close acquisition financing would enable short timelines to be met; however, for preservation transactions, the amount needed to be borrowed is often much higher than a traditional lender would lend based on restricted rents. In addition, the acquisition lender will underwrite to the amount of the long-term senior mortgage and the long-term low-interest (public) subsidy. Therefore, establishing a long-term Preservation Investment Fund for San José that provides the long-term subsidy – and possibly the senior mortgage as well – is critical for acquisition financing to be available.</p> <p>Once that funding is available, staff could determine its most effective use in targeting buildings in neighborhoods that are experiencing displacement and those that need more restricted affordable housing to balance their housing stock.</p>
Problem it Addresses	<ul style="list-style-type: none"> • Pathway to keep low-income residents in place with affordable rents after multifamily building sales • Lack of affordable homeownership opportunities
Potential Impact	<ul style="list-style-type: none"> • Encourages access by buyers who would keep buildings restricted affordable in the long-term. • Avoids displacement from rental building sales • Gives advance notice to tenants to allow them to plan ahead • Creates a potential pathway for existing tenants to acquire assets, form tenant co-ops, and purchase buildings
Potential Cost	TBD

	Silicon Valley Community Foundation and Council of Community Housing Organizations (CCHO) are supporting knowledge-building, helping to build a local public/nonprofit partnership, and encouraging a San Jose pilot preservation project involving acquisition and rehabilitation.
Related Strategy(ies)	<p>City of San José Analysis of Impediments to Fair Housing 2016-2020:</p> <ul style="list-style-type: none"> • Protect the affordability of rental homes and strengthen tenant protections <p>Community Plan to End Homelessness 2020-2024 Strategies:</p> <ul style="list-style-type: none"> • Protect residents from evictions, displacement, and housing discrimination. <p>VTA's BART Phase II TOD Corridor Strategies and Access Planning Study</p> <ul style="list-style-type: none"> • Ensure extension of affordability for expiring deed restricted projects • Develop acquisition strategy for naturally occurring affordable housing (citywide or in station areas) • Explore a dedicated funding source for housing affordability preservation
Recommendations/ Next Steps	<ol style="list-style-type: none"> Conduct research of existing programs in comparable cities to assess best practices and processes. Engage in co-creation process with specialized stakeholders to determine program parameters. Analyze potential sources of long-term funding need and other financing mechanisms to support program. Work with community partners to hold series of educational stakeholder forums and incorporate community feedback into policy.

4. Increase Equitable Representation of Historically Underrepresented Communities on City Commissions

- Conduct an analysis of appointments to the Housing and Community Development Commission, the Neighborhoods Commission, and the Human Services Commission to track the gender, race, and economic diversity of appointments to these organizations.
- Implement a pilot and require designating seats for low-income renters and homeless/formerly-homeless residents on the Housing and Community Development Commission, the Neighborhoods Commission, and the Human Services Commission.

Type of Strategy	Increase Renter Participation in Civic Processes
Summary	<p>City Commissions evaluate and provide recommendations to the City Council on policies and programs that impact San Jose residents, but commissions have historically not been broadly representative of the City's diverse communities. In particular, staff has heard there is a lack of representation of renter interests on City boards and commissions. Some of the commissions which are concerned with the issue of displacement that would benefit from diverse leadership include the Housing and Community Development Commission, Neighborhoods Commission, and Human Services Commission.</p> <p>This recommendation is to increase equitable representation on City boards and commissions by conducting an analysis of the current composition of the Housing and Community Development Commission, Neighborhoods Commission, and Human Services Commission and piloting an equitable distribution of seats to historically underrepresented communities. This would uplift often suppressed perspectives to be</p>

	considered in upcoming housing policies presented to the City Council.
Description	<p>City boards and commissions were established to advise the City Council and provide ongoing input into policies and issues affecting the future of the San José community. However, commissions may miss valuable information in their decision making when members from diverse backgrounds are not represented.</p> <p>For example, several City commissions advise on policies which impact renters, who make up over 40% of all San Jose residents. Although some commissions have membership requirements, none require representation of renters.</p> <p>One case is the Housing and Community Development Commission, which is composed of 13 members with the following requirements:</p> <ul style="list-style-type: none"> • 11 members appointed by the Mayor and City Council; • One (1) member shall be a person recommended by an organization of owners of San José mobilehome parks; several commission members should be lower income persons; • Five (5) members of the Commission must be Low- or Moderate-Income representatives meeting any one of these requirements: <ol style="list-style-type: none"> 1) Low- or moderate-income person as defined by HUD; 2) Elected member of a neighborhood organization in a low- or moderate-income neighborhood (51% of the neighborhood is at or below 80% of the area median income as defined by HUD); 3) Resident of one of the place-based neighborhoods identified as a target for HUD funds; or 4) Employed by an organization and its primary purpose is to serve the interests of low-income residents. <p>The City could analyze the current composition of City boards and commissions to ensure diverse perspectives can be included in upcoming policies presented to the City Council, especially those that impact housing and displacement. The analysis would include members’ gender, ethnicity, sexual orientation, disability status, and other relevant demographic qualities such as housing tenure, neighborhood, and level of income.</p> <p>The City could examine a pilot that requires an equitable distribution of seats for underrepresented communities, including renters and homeless/formerly homeless residents, on certain boards and commissions. Staff could assess whether requirements without designated seats can be regularly met, or whether designated seats are advised, and the City’s attorneys would advise how State and federal laws affect this issue.</p>
Problem it Addresses	Low participation by renters in City decision-making processes.
Potential Impact	<ul style="list-style-type: none"> • Increase in representation of protected classes and historically underrepresented neighborhoods in local policymaking
Potential Cost	None
Related Strategy(ies)	<p>Community Plan to End Homelessness 2020-2024 Strategies:</p> <ul style="list-style-type: none"> • Increase community engagement in supporting affordable and supportive housing development.
Recommendations/ Next Steps	<ol style="list-style-type: none"> a. Conduct a survey to collect demographic information of current and past members of the Housing and Community Development Commission, Neighborhoods Commission, and Human Services Commission. b. Using this information, conduct listening sessions to develop criteria to define underrepresented communities and approaches that would increase equitable representation on commissions.

5. Create Role for Local Government in State Tenant Protections

- a. Explore clean-up legislation for AB 1482 (Chiu 2019) that would allow local education & enforcement of this new Statewide anti-rent spike and just cause eviction law.
- b. Explore legislation to enable the City to receive copies of eviction notices provided to mobilehome owners and mobilehome renters.

Type of Strategy	PROTECT Residents in Rapidly-changing Neighborhoods
<p>Summary</p>	<p>AB 1482 (2019) is a new State law that prevents rent spikes and requires just causes for eviction. AB 1482 covers more homes than the City’s Apartment Rent Ordinance, but the only enforcement mechanism is suing under State law. This recommendation is for the City to sponsor state legislation for local education and enforcement to help increase understanding and compliance to AB 1482 as well as the City’s ordinances.</p> <p>At the same time, mobilehome evictions may be an issue, but the City is unable to study this issue as it lacks data. Amending State law is the legally best way to get this information. The law could also potentially provide local education & enforcement resources.</p>
<p>Description</p>	<p>The City of San José currently provides support for tenant and landlord education of their rights under the Apartment Rent Ordinance (ARO), Tenant Protection Ordinance (TPO), and Ellis Act Ordinance through its Rent Stabilization Program (RSP). The City also has local enforcement tools so that tenants who have experienced violations to these laws can submit a petition to the RSP for an administrative hearing.</p> <p>On January 1, 2020, AB 1482 the Tenant Protection Act went into effect. AB 1482 limits annual rent increases at 5% plus the rate of inflation on rental housing which is at least 15 years old. It also requires landlords to show a “just cause” to evict tenants in place for 12 months or more. Owners who share a home with their tenants, not REIT owners of single-family home rentals, and owner-occupied duplexes are exempt from the AB 1482. The City’s RSP Team estimates AB 1482 now covers over 31,100 apartments, condos, single family homes, and duplexes that were not previously protected under the City’s ARO or TPO.</p> <p>When AB 1482 was passed, the City’s RSP Team started to receive inquiries and complaints of illegal rent increases and no-cause evictions by tenants would be protected under AB 1482. However, the City does not have jurisdiction or resources to ensure compliance with the new law. The City has also received questions from local owners and renters who would like a local point of contact to help them understand how the State law interacts with the City’s programs.</p> <p>The City of San José also has a Mobilehome Rent Ordinance. However, most regulations governing mobilehomes are enforced at the State level. Unlike the Apartment Rent Ordinance and Tenant Protection Ordinance, the City does not receive copies of eviction notices from mobilehome parks. If the City can receive copies of mobilehome eviction notices, staff would be able to better track the impact of evictions on mobilehome park residents.</p> <p>This recommendation is for the City to sponsor State legislation for local education and enforcement of AB 1482 and to receive copies of mobilehome eviction notices.</p>
<p>Problem it Addresses</p>	<p>Enforcement of existing tenant protections is constrained by limited resources and lack of knowledge of rental rights.</p>
<p>Potential Impact</p>	<ul style="list-style-type: none"> • Over 31,100 apartments, condos, single family homes, and duplexes now covered by

	<p>AB 1482</p> <ul style="list-style-type: none"> Residents of nearly 11,000 mobilehomes
Potential Cost	None
Related Strategy(ies)	<p>City of San José Analysis of Impediments to Fair Housing 2016-2020:</p> <ul style="list-style-type: none"> Protect the affordability of rental homes and strengthen tenant protections <p>Community Plan to End Homelessness 2020-2024 Strategies:</p> <ul style="list-style-type: none"> Protect residents from evictions, displacement, and housing discrimination. Expedite the implementation of new state policies on rent control and discrimination in state and federal housing voucher programs.
Recommendations/ Next Steps	<ol style="list-style-type: none"> Initiate discussions with stakeholders to research their interests and suggestions in local education & enforcement of new statewide anti-rent gouging and just cause eviction law. Place these legislative ideas on the list of 2021 City of San Jose Legislative Priorities.

6. Increase Housing Quality and Prevent Code Enforcement-related Retaliatory Evictions

- a. Seek funding sources to assist landlords with low-cost loans and grants for property improvements to address blight or health and safety issues.
- b. Explore expanding proactive rental inspections / requirements for those rental units not covered by the City's existing inspections – rented single family homes, duplexes, condominiums, and other rentals in San José.
- c. Explore if receivership may be appropriate for properties that have become serious health and safety dangers to residents.
- d. Target Preservation funding to help community and nonprofit partners to acquire and maintain properties that have substantial rehabilitation needs, particularly in areas experiencing displacement.
- e. Conduct a review of the City's relocation policies, including relocation due to red tagging, to ensure they result in sufficient compensation, they are consistent under similar circumstances, and that relocation is required to be paid in all situations that could result in displacement.

Type of Strategy	PRESERVE Existing Affordable Housing
<p>Summary</p>	<p>Retaliatory evictions sometimes occur in response to ad hoc code enforcement complaints. Proactive rental inspections help spur necessary maintenance of rental properties and remove some of the risk of retaliatory evictions. Landlords who have long-time residents also may not be able to do expensive rehabilitation without assistance. Conditions to the loans and grants could require that existing tenants remain in place and a certain number of years of rental affordability or other community benefit be given.</p> <p>Some landlords may also avoid critical maintenance needs at their properties without desire to correct them, despite the safety impacts on the current tenants. Receivership was a useful tool during the foreclosure crisis and may be appropriate in these situations. The City could help fund voluntary purchases of these types of buildings. This could be a win-win-win for sellers, buyers, and tenants.</p>
<p>Description</p>	<p>For long-term tenants of naturally-occurring affordable housing, the prospect of a dramatic rent increase or general housing instability can create incentives to leave the City or region. As more than half of the City's renters already pay more than 30% of their gross salary on housing costs, rent increases can be quite destabilizing. At the same time, for some landlords, the need to raise funds to improve their properties or the incentive of market prices can run counter to their desire to keep their long-term tenants in place or to stay in the rental business altogether.</p> <p>Unlike most cities, San José has a proactive rental inspection program with a three-tier service delivery model which requires more frequent inspections and higher fees for properties with more health, safety, or other code violations. This program provides incentives for property owners to make efforts to move to a less-expensive tier through responsible property management as demonstrated by no violations or few minor violations promptly corrected. Code Enforcement has recently reassessed enrolled rental properties to move tiers as appropriate. Despite this innovative model, there are still many rental properties that carry chronic health and safety issues year after year. Code Enforcement currently is exploring the most accurate data indicators to determine buildings that would qualify as more serious, habitual violators worthy of additional attention and resources.</p> <p>Many property owners do not want to evict long-term tenants or to sell their properties to owners who will demolish or "reposition" their property. It is possible to create fee waivers</p>

or utilize existing sources of funding to help create incentives for small property owners of older buildings that have demonstrated good faith efforts to improve their properties to continue to invest in increasing the quality of the housing without displacement. This could include providing additional technical assistance with understanding City compliance issues, or seeking State funding to provide low-cost rehab loans or grants for work that addresses blight or fixes health and safety issues. These improvements could help property owners, help tenants, and increase the useful life of existing naturally-affordable housing.

If the City Council agrees that Preservation is an important policy objective, it could allocate eligible funds (such as Measure E, or other funds) towards establishing a Preservation Fund. Many cities in the Bay Area active in preservation started funds with initially small amounts. Staff could issue a Notice of Funding Availability for award of the funds and prioritize properties that in disrepair, particularly in areas experiencing displacement. In this way, some of those areas' existing apartments could be repaired and turned into long-term restricted affordable housing. This would give residents the chance to stay in those changing neighborhoods and benefit from potential opportunities while paying reasonable rents.

Finally, the City could further strengthen the use of receivership for those properties that are health and safety dangers and are owned by chronic repeat code violators. While the City is just starting to utilize the receivership process, there may be many properties in the City with multiple code violations and/or tenant harassment incidents in which this type of action could be considered appropriate.

The City can also conduct a review of the City's relocation policies to ensure they are sufficient to enable residents to stay in San Jose and find new housing in all appropriate situations that could result in displacement, including red tagging.

Successful programs in San Francisco and Salinas have demonstrated that small incentives and investments can lead to outsized impacts in housing stability. By reducing property ownership costs, proactively enforcing code violations, and providing opportunity for nonprofit partners to acquire substandard housing to preserve as affordable housing, San José can help protect some households from displacement.

Problem it Addresses	The City loss of existing deed-restricted and naturally-affordable housing stock.
Potential Impact	<ul style="list-style-type: none"> • Single-family home, condo, and duplex rentals not currently in the multi-housing inspection program • Turns previously neglected and hazardous properties into newly-rehabilitated and restricted-affordable housing while keeping tenants in place • 1,540 residents displaced from apartment fires from 2018 – June 2020
Potential Cost	To be determined, CDBG-eligible
Related Strategy(ies)	<p>VTA's BART Phase II TOD Corridor Strategies and Access Planning Study</p> <ul style="list-style-type: none"> • Develop acquisition strategy for naturally-occurring affordable housing (citywide or in station areas) <p>City of San José Analysis of Impediments to Fair Housing 2016-2020:</p> <ul style="list-style-type: none"> • Explore and establish other preservation policies, programs, funding, or tools as appropriate including acquisition <p>Community Plan to End Homelessness 2020-2024 Strategies:</p> <ul style="list-style-type: none"> • Preserve existing deeply affordable housing stock by investing resources to ensure deed restrictions are extended and naturally occurring affordable housing is

protected.

**Recommendations/
Next Steps**

- a. Identify funding sources and research the interest of landlords in a program to provide low-cost loans and grants for property improvements to address blight or health and safety issues.
- b. Work with code enforcement to explore expanding proactive rental inspections/ requirements for those rental units not covered by the City's existing inspections – rented single-family homes, duplexes, condominiums, and other rentals in San José.
- c. Work with code enforcement to review criteria for cases where receivership may be appropriate for properties which have become serious health and safety dangers to residents.
- d. Research the City's current relocation policies and best practices from other cities.

7. Preservation Report and Policy

- a. Create an annual Housing Balance Report that tracks the net gain and loss of all types of affordable housing to determine the City's progress toward increasing the availability of housing opportunities for its residents.
- b. Bring to the City Council for its consideration a Preservation Policy that establishes a goal of preserving existing affordable housing and helping to prevent displacement, to inform programs, resources, and development policy decisions.

Type of Strategy	PRESERVE Existing Affordable Housing
<p>Summary</p>	<p>The annual Housing Balance Report could monitor the City's net gain or loss of affordable housing. The Report would capture information on all housing that is reasonably priced, including deed-restricted affordable housing, rent-stabilized apartments, and naturally affordable market-rate (low-rent) housing. It could also reflect homes that are becoming investor owned and rented.</p> <p>The Housing Balance Report data could be paired with a Preservation Policy that the City should preserve its total amount of all types of affordable housing. This integrated, data-led strategy would allow the City to make better decisions about the allocation of its resources and the need for specific strategies.</p>
<p>Description</p>	<p>San José is regularly losing different types of reasonably-priced housing due to a range of causes: demolition; expired deed restrictions; tax-exempt bond payoffs; vacancy decontrol; redevelopment; withdrawals from the rental market; and/or condo conversions. At the same time, a significant amount of San José's homeownership housing is reportedly being purchased as investments and is, or has already been, converted into rental properties. Concern for the preservation of affordable housing, particularly rent-stabilized buildings that may be demolished under the Ellis Act, was one of the most commonly cited concerns from community members at recent community forums.</p> <p>The City has not yet set up an integrated report to quantify the gain and loss of all types of affordable housing so that it can track progress toward increasing the availability of affordable housing and homeownership opportunities for residents. While new State law (SB 330) requires the maintenance of the total housing stock, that law does not require the preservation of the total affordable housing stock.</p> <p>Other public entities report regularly on their affordable housing stock so that data-informed decisions can be made. The San Francisco Board of Supervisors adopted an ordinance on April 25, 2015, requiring its Planning Department to prepare a Housing Balance Report twice per year. The report documents how much affordable, naturally affordable, and rent-stabilized housing has been gained and lost. In 2018, this report revealed that from 2008-2018, San Francisco was losing 2 units of existing affordable housing for each 1 being built. This report proves objective information that is useful for their preservation programs.</p> <p>This recommendation is for staff to build upon its current affordable housing production and preservation report and annual Rent Stabilization report. The Housing Balance Report could pull together preservation data from the City's different sources, use market data to identify naturally-affordable apartment buildings built after 1979 that sell and raise rents, and include information on the homeownership housing stock to calculate the net gain or loss of affordable housing. The analysis could also be spatially presented, so that the supply and changes could be seen in different neighborhoods.</p>

	The results of the Report may suggest strategies on certain types of housing, or in certain areas of the City. It also could indicate the severity of any issues identified so as to better guide resource allocation decisions.
Problem it Addresses	The City's loss of existing affordable housing, and the lack of knowledge about the need for different types or locations of Preservation strategies.
Potential Impact	The number of NOAH units (defined as those built after 1979 with rents serving those at or below 80% AMI using a 30% payment standard): 798 units San José has 92 income-restricted apartments that are at-risk of expiring affordability restrictions in the next five years, and 16 rent-stabilized apartments that may be at risk of Ellis Act demolition.
Potential Cost	\$0 - can be integrated into existing workplans
Related Strategy(ies)	Community Plan to End Homelessness 2020-2024 Strategies: <ul style="list-style-type: none"> • Preserve existing deeply affordable housing stock by investing resources to ensure deed restrictions are extended and naturally occurring affordable housing is protected.
Recommendations/ Next Steps	<ol style="list-style-type: none"> a. Develop the format and data collection systems for the Housing Balance Report. b. Develop a Preservation Policy that would establish a goal of preserving existing affordable housing and helping to prevent displacement, to inform programs, resources, and development policy decisions.

8. Develop YIGBY Land Use – Yes in God’s Backyard

- a. Amend the City’s General Plan and zoning code to allow 100% deed-restricted affordable housing under the Public Quasi Public (PQP) General Plan land use designation and zoning district, when such residential uses are developed as a secondary use in conjunction with the primary use of the property as a place of worship.

Type of Strategy	PRODUCE New Affordable Housing
<p>Summary</p>	<p>Mission-oriented nonprofit organizations that own 100% restricted affordable housing tend to maintain affordability for the long-term. This prevents displacement that occurs when profit-motivated owners allow affordability restrictions to expire and raise rents. To encourage faith organizations to develop affordable housing on their properties, the City could amend its General Plan and the zoning code to allow these developments to proceed under the Public Quasi Public (PQP) General Plan land use designation and zoning district when such residential uses are developed as a secondary use in conjunction with the primary use of the property as a places of worship.</p>
<p>Description</p>	<p>Faith organizations are already important partners helping address the homelessness crisis by operating temporary shelters and safe parking programs. Provision of affordable housing is consistent with many of these faith organizations missions, and the City has received inquiries from several faith-based organizations about how to help get affordable housing developed on their parking lots. This could help speed land use entitlements, reduce cost of development, find some new sites, and promote housing ownership by mission-oriented organizations that would preserve affordability in the long-term. This recommendation would also have no impact on foregone property tax, as neither churches nor restricted affordable apartments controlled by nonprofits meeting certain conditions pay property tax under State law.</p> <p>San José has many faiths that worship in churches, temples, mosques, and other places of religious assembly throughout the City. Many of these places of worship exist on properties that are larger than needed to meet the current worship and other needs of their congregations. Underutilized portions of these larger properties present an opportunity for the development of deed restricted affordable housing, thereby providing housing for individuals and families who might otherwise get displaced by rising rents in the City.</p> <p>Properties with places of worship are typically designated in the General Plan with a Public/Quasi Public land use designation. This land use designation supports schools, colleges, corporation yards, homeless shelters, libraries, fire stations, auditoriums, museums, government offices and airports, and private assembly, such as religious assembly. While permanent supportive housing for formally homeless people is also allowed within the PQP land use designation, other types of housing, including affordable housing for very low- and low-income households, are not allowed.</p> <p>This recommendation proposes a General Plan text amendment be made to the PQP land use designation to allow affordable housing for very-low and low-income households in conjunction with religious assembly uses. To make the zoning code consistent with this text amendment, the PQP zoning district would also need to be amended to allow affordable housing in conjunction with religious assembly. Because many faiths are now having difficulty competing in the market place to find property for their place of worship, this recommendation is not advocating for the wholesale conversion of properties containing places of worship. Instead it is recommended that affordable housing only be allowed on a PQP designated property in conjunction with a mosque, temple, church, or other place of worship; allowing full conversion of religions assembly properties would further contribute to</p>

	<p>the shortage of PQP land that is sought after by many faiths.</p> <p>While it is not expected that this recommendation would lead to a large number of new affordable housing projects being built, it could result in the development of some affordable units that would help alleviate displacement in some communities.</p> <p>State Senate Bill 899 addresses this issue as well, but broadens the scope of this proposal. If this bill passes, staff will also need to make General Plan and zoning code amendments to conform to State law.</p> <p>Issues for staff to develop further if this strategy is pursued include:</p> <ul style="list-style-type: none"> • defining terms such as ‘religious assembly use,’ ‘primary use’ and ‘secondary use’ of the property; • defining minimum densities for PQP; • defining minimum restricted affordability criteria to qualify for this rule; • tailoring this rule for use with childcare spaces as part of the religious space or standalone; • identifying ways to discourage excessive street parking to preserve an adequate community supply of parking if housing is developed on surface parking lots; • defining a minimum period of time for an organization to own its property, to discourage abuse by developers that could purchase properties and either ‘convey’ in name only to faith organizations, or that could purchase properties and then file for some religious designation to take advantage of the rule; • researching any alternatives the City could pursue if the sponsoring church closes during the period of affordability; and, • whether land use entitlements could legally dictate that the site would need to be transferred to another nonprofit organization.
Problem it Addresses	Lack of sites for affordable housing.
Potential Impact	There are approximately 435 acres of “church” properties with a PQP land use designation, which could be utilized to produce a conservative estimate of 300-500 affordable apartments.
Potential Cost	Existing staff work.
Related Strategy(ies)	<p>Community Plan to End Homelessness 2020-2024 Strategies:</p> <ul style="list-style-type: none"> • Build 18,000 units of housing affordable to extremely low-income (with income from 0 to 30 percent of Area Median Income) and very low-income households (with income from 30 to 50 percent of Area Median Income)
Recommendations/ Next Steps	<p>a. Amend the General Plan and zoning ordinance to allow deed-restricted affordable housing under the Public Quasi Public (PQP) General Plan land use designation and zoning district, when such residential uses are developed as a secondary use in conjunction with the primary use of the property as a place of worship.</p>

9. Optimize Urban Villages for Affordable Housing Development and Anti-Displacement

- a. To encourage development of affordable housing in Urban Villages before market-rate housing is developed and help keep residents in place, analyze areas in pre-Plan Urban Villages that will score well for competitive affordable housing funding sources and make results available to developers.
- b. Target the City’s development subsidies to Urban Villages with high displacement risk, low overall affordable housing production, low proportion of units at certain income levels, and/or with the largest mismatches between housing supply and affordable housing need, to help encourage a sufficient affordable housing supply in key growth areas.
- c. Include Affordable Housing and Anti-Displacement chapters in all Urban Village Plans that include identified optimal areas for affordable housing development, compatible housing forms and densities, analysis of displacement risk, and anti-displacement principles and strategies appropriate for those villages.
- d. Report on affordable housing production and displacement status of all Urban Villages within staff’s General Plan annual performance report.

Type of Strategy	PRODUCE New Affordable Housing
<p>Summary</p>	<p>Urban Villages are one of four growth areas in the City’s General Plan. They have a goal of producing 25% restricted affordable housing, but have no way to require that much be built on individual sites, as 25% exceeds the 15% Inclusionary Housing site-specific requirement.</p> <p>This strategy proposes staff conduct advance analysis to inform affordable housing developers of early opportunities in areas that score well for competitive funding sources in Urban Villages, with a focus on pre-plan Urban Villages. The analysis would help to increase near-term production volume under General Plan Policy IP-5.12, which allows 100% restricted affordable housing to be built before market-rate housing in Urban Villages that do not yet have Plans. This policy keeps public subsidy levels low and helps mitigate displacement of low-income residents.</p> <p>Staff analysis could also inform the City’s prioritization of its public subsidies to Villages that have higher displacement potential, so that affordable housing can be built alongside market-rate housing and give residents a way to stay in San José as it develops. Analysis of how affordable production has proceeded or lagged in certain Urban Villages could also induce the City to focus its resources in certain areas to achieve a more balanced outcome.</p> <p>Urban Village Plans could incorporate chapters on affordable housing development and anti-displacement. Plans could capture the identified optimal areas for affordable housing production, and ensure that forms and densities in those areas are consistent with typical affordable housing developments. Plans also could identify risk of displacement in the area using a methodology such as the Urban Displacement Project’s framework and available map layers. Finally, Plans could identify community feedback on support for certain for types of anti-displacement strategies, augmented by staff’s opinions on those appropriate for that area and local development context.</p> <p>Finally, regular reporting on progress towards Urban Villages’ affordable goals and areas’ displacement risk levels could also help policy makers to make decisions regarding resources and the mitigation of potential displacement.</p>
<p>Description</p>	<p>The General Plan supports affordable housing creation in Urban Villages in several ways. Doing advance staff analysis to determine optimal areas for affordable housing development could strengthen the public’s use of General Plan Policy IP-5.12, which would result in more 100% affordable housing developments in Urban Villages. Analysis of such optimal areas could be to:</p>

	<ul style="list-style-type: none"> • Map and analyze existing building stock for affordability (market-rate, naturally affordable, rent-stabilized, mobilehome, and affordable) and areas at-risk of redevelopment. • Estimate income levels of existing residents in at-risk areas to inform the type of affordable housing that could directly offset local displacement following redevelopment. <p>Comparing housing stock to the potential housing need by resident income level would indicate the extent of the mismatch and need to target the City’s resources and attention.</p> <p>To identify areas within Urban Villages appropriate for affordable housing development, analysis could be to:</p> <ul style="list-style-type: none"> • Map publicly-owned sites, which can have a priority for affordable housing under State law if declared surplus property. • Map parcels where 100% affordable housing developments could be located to maximize competitiveness for federal, state, and regional subsidy sources. The GIS-based Opportunity Sites map developed by Tolemi that is currently being tested for release may be able to be used for this analysis. <p>This advance access to Urban Villages for affordable housing has maximizes affordable developers’ access to sites, minimizes the amount of public subsidy needed for a development, and helps to prevent displacement of local residents. If affordable housing is built before an area gets popular and market-rate housing is developed, residents from the area in danger of displacement due to rising rents and other neighborhood changes might have somewhere local and affordable to move if the affordable housing is built first.</p> <p>Finally, staff should include in the General Plan Annual Performance Review how many of the City’s affordable homes were produced in Urban Villages, and where they were produced. It could also report on how many Urban Villages are classified at different displacement risk levels. Using the Urban Displacement Project analysis framework by UC Berkeley and other universities would be a simple way to do this analysis.</p>
Problem it Addresses	Underuse of General Plan tools for affordable housing production, effort it takes individual developers to identify appropriate affordable housing sites, and on how to reach affordable housing production goals in prime areas close to transit and amenities throughout the City.
Potential Impact	<ul style="list-style-type: none"> • Improves proactive planning to produce affordable housing and to mitigate local displacement before new investment occurs.
Potential Cost	Yes
Related Strategy(ies)	<p>Community Plan to End Homelessness 2020-2024 Strategies:</p> <ul style="list-style-type: none"> • Increase community engagement in supporting affordable and supportive housing development. <p>City of San José Analysis of Impediments to Fair Housing 2016-2020:</p> <ul style="list-style-type: none"> • Strategies to locate affordable housing within growth areas that are experiencing or expect to experience displacement, such as urban villages. • Continue to explore efforts to locate affordable housing within reach of jobs, transit and Urban Village Areas.
Recommendations/ Next Steps	<ol style="list-style-type: none"> a. Identify sites in Urban Villages well-positioned to develop with affordable housing prior to adoption of urban village plans using General Plan Policy IP-5.1 to facilitate housing for residents who may be displaced. b. Integrate updates on affordable housing and displacement status into Urban Village annual reports.

10. Establish a New Source of Funding for Affordable Housing and Anti-Displacement

- a. Continue to explore and pursue ways to collect more funding for affordable housing and anti-displacement strategies.

Type of Strategy	PRODUCE New Affordable Housing PRESERVE Existing Affordable Housing PROTECT Tenants
Summary	<p>Pursue a combination of public, private, and philanthropic funding sources to create the financial tools necessary to fund affordable housing and anti-displacement strategies - the production of new affordable housing, preservation of existing affordable housing, and protection of the City's tenants. The need for involvement of all sectors is particularly evident given the COVID-19 crisis, the City's current production goals, and its forthcoming much higher RHNA goals.</p>
Description	<p>Following the dissolution of California's redevelopment agencies in 2012, San José lost its largest and most stable source of affordable housing funding. Since that time, the City's affordable housing production dropped sharply while rents increased dramatically. While some sources (Affordable Housing Impact Fee, Inclusionary Housing Ordinance, Santa Clara County's 2016 Measure A, San José's 2020 Measure E) have helped provide a portion of the funding needed in recent years, San José still has a significant affordable housing funding gap to meet its goals.</p> <p>In 2018, the Mayor and City Council adopted an ambitious 25,000-unit, five-year housing goal, with 10,000 of the homes to be affordable. As of September 2019, the City had met only 11% percent of its 10,000-affordable homes goal, with another 22% in the prospective pipeline. Further, within the current Regional Housing Needs Allocation cycle 2014-2023, the City is responsible for producing 20,849 affordable housing units, with 14,661 at or below 80% AMI. This averages out to 2,317 affordable units per year needed, with 1,629 at or below 80% AMI. However, in the past three years, the City has permitted an average of only 925 affordable homes per year. While this is an increase from preceding years, it is still well below both the Mayoral goal and the City's RHNA obligation.</p> <p>In March 2020, the City passed Measure E, a parcel transfer fee to be used for a range of affordable housing uses. The City expects to receive its first revenues from Measure E in fall 2020. While this new funding source will help the City's affordable housing production, it remains insufficient to meet the City Council's housing goal, or its RHNA goal. Additional resources and incentives are needed to reach higher.</p> <p>In the past six months, the City has also faced several challenges related to the COVID-19 crisis. From lower revenues to vastly increased resident needs, the COVID-19 crisis has resulted in a perfect storm of fiscal headwinds. In addition, a far larger RHNA goal for the next Housing Element cycle is anticipated, potentially doubling the City's affordable housing production goals. And, preservation and protection strategies need their own resources.</p> <p>To address the multiple needs and crisis that the City is currently facing, new and more creative forms of funding will be required. Our research into how anti-displacement programs and affordable housing is funded in other cities confirms that the most effective anti-displacement programs are supported by dedicated, recurring, and flexible sources of revenue.</p>

	<p>Public funding sources used for affordable housing in other cities come from consumption (sales and excise tax), employment (head tax, gross receipts tax), and/or development (commercial linkage fee, incentive-based development fees). In this current environment, the City could consider how these possible sources could support the production and preservation of affordable housing. The City may also consider how to restructure its current tax structure to best fit current conditions.</p> <p>It is also clear that the City will need investment and partnerships with private and philanthropic allies to address this historic crisis. Local foundations have shown interest in funding preservation pilots involving community-based acquisition and rehabilitation projects. Large local and regional employers have also pledged sizable commitments to affordable housing. Only by blending public, private, and philanthropic funds can the City’s affordable housing and anti-displacement challenges have a chance of being addressed.</p> <p>The City could take the lead in creating a low-return investment vehicle that could provide the required up-front capital for property acquisitions. Other cities such as Denver and San Francisco have created, or helped to create, acquisition and rehabilitation loan funds that have blended a variety of funding sources. Philanthropic partners have used both PRIs as well as investment capital to fund affordable real estate projects in different cities. Partnerships with private and philanthropic partners may spur creative new models for housing production and preservation.</p>
Problem it Addresses	Insufficient amount of subsidies available to meet the City’s affordable housing and anti-displacement needs
Potential Impact	Increase the available resources to fund the affordable housing gap and address Production, Preservation, and Protection needs.
Potential Cost	Yes
Related Strategy(ies)	<p>VTA’s BART Phase II TOD Corridor Strategies and Access Planning Study</p> <ul style="list-style-type: none"> • Explore a dedicated funding source for housing affordability preservation <p>City of San José Analysis of Impediments to Fair Housing 2016-2020:</p> <ul style="list-style-type: none"> • Explore and establish other preservation policies, programs, funding, or tools as appropriate including acquisition <p>City of San José Commercial Linkage Fee Study (coming to the City Council in August 2020)</p>
Recommendations/ Next Steps	<ol style="list-style-type: none"> a. Continue to explore and pursue ways to collect more funding for affordable housing and anti-displacement strategies.



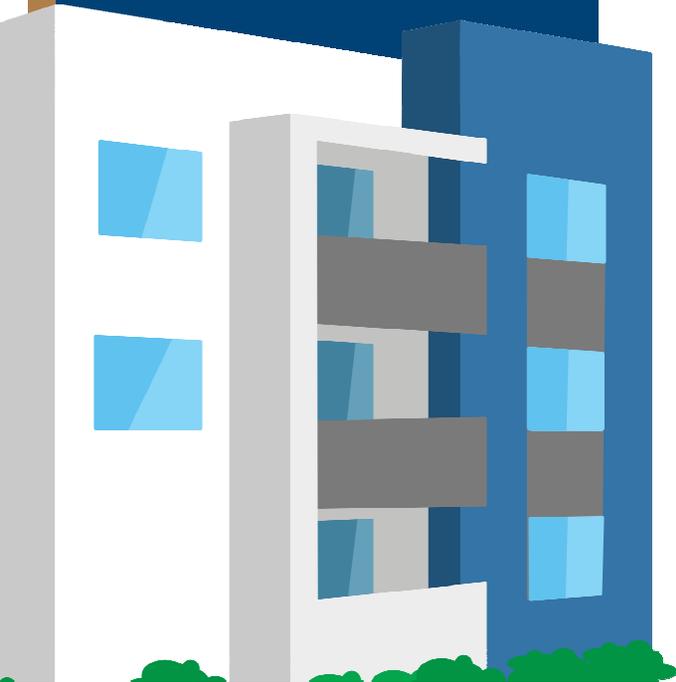
Housing

Commercial Linkage Fee

Nexus and Feasibility Study

August 13, 2020
HCDC Item VII-B

Rachel VanderVeen
Deputy Director





Housing

Project Background



BUILDING GREAT PLACES

INVESTING IN PEOPLE

PROVIDING HOUSING FOR ALL



Housing

San José Citywide Residential Anti-Displacement Strategy

Housing & Community
Development Commission

August 13, 2020
Item VII.C

Kristen Clements

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and Grants

Jacklyn Joanino

Development Officer, Housing Policy

Asn Ndiaye

Fellow, Partnership for the Bay's
Future

Community

- Nearly 1,000 engaged people
- 78 community organizations represented

PolicyLink ADPN Cities

- Austin
- Boston
- Buffalo
- Denver
- Minneapolis/
St. Paul
- Nashville
- Philadelphia
- Portland
- **San José**
- Santa Fe

City of San José

- Housing
- Planning,
Building, &
Code
Enforcement
- Office of
Economic
Development

Partner Organizations

Working Partnerships USA
Law Foundation of Silicon Valley
SV Bike Coalition
SOMOS Mayfair
Eastside PEACE AD Workgroup
Sacred Heart
School of Arts and Culture
SIREN
ICAN
PACT
Affordable Housing Network
SV@Home
Destination: Home
The Housing Trust of Silicon Valley
The Golden State Mobilehome Owners
League
Silicon Valley Organization
Santa Clara County Association of
Realtors
California Apartment Association

Today's Agenda

1. What is our Vision for San José?
2. How do we define displacement? Why is it a problem? Who does it impact the most?
3. Introduction of Citywide Residential Anti-displacement Strategy
 - a. "3 P's"
 - b. Existing Policies and Criteria
 - c. Summary of Recommendations
4. Next Steps



Our Vision: Equitable Development

Innovative Economy
San Jose's economy thrives on innovation, providing job opportunities for all and ample fiscal resources for a vibrant community.

Environmental Leadership
San Jose is a model of an environmentally sustainable and healthy city, a leader in green Technology and a vigilant steward of its resources for present and future generations.

Diversity and Social Equity
San Jose celebrates, embraces and involves a diverse blend of cultures and achieves social, cultural and economic equity.

Healthy Neighborhoods
San Jose's neighborhoods are attractive, affordable, and safe places to live with engaged community members.

San Jose embodies the energy and vitality of its unique human, natural and economic resources.

Interconnected City
The activities of daily life are in close proximity and easily accessible by walking, bicycling and public transit.

Quality Education and Services
San Jose residents and businesses receive a broad range of high quality services and enjoy excellent educational opportunities for all.

Vibrant Arts and Culture
Arts and culture in San José connect people, provide rich opportunities for participation, and foster creativity.

ENVISION SAN JOSE 2040



What is displacement? Who does it impact the most?



Definitions

Displacement is when a household must move out of their home for reasons outside of their control.

Gentrification is when a historically disinvested neighborhood changes through real estate investment & new higher-income residents move in, changing the demographic make-up and character of the overall neighborhood. Gentrification is often associated with displacement.



Displacement has negative impacts



Education



Commute



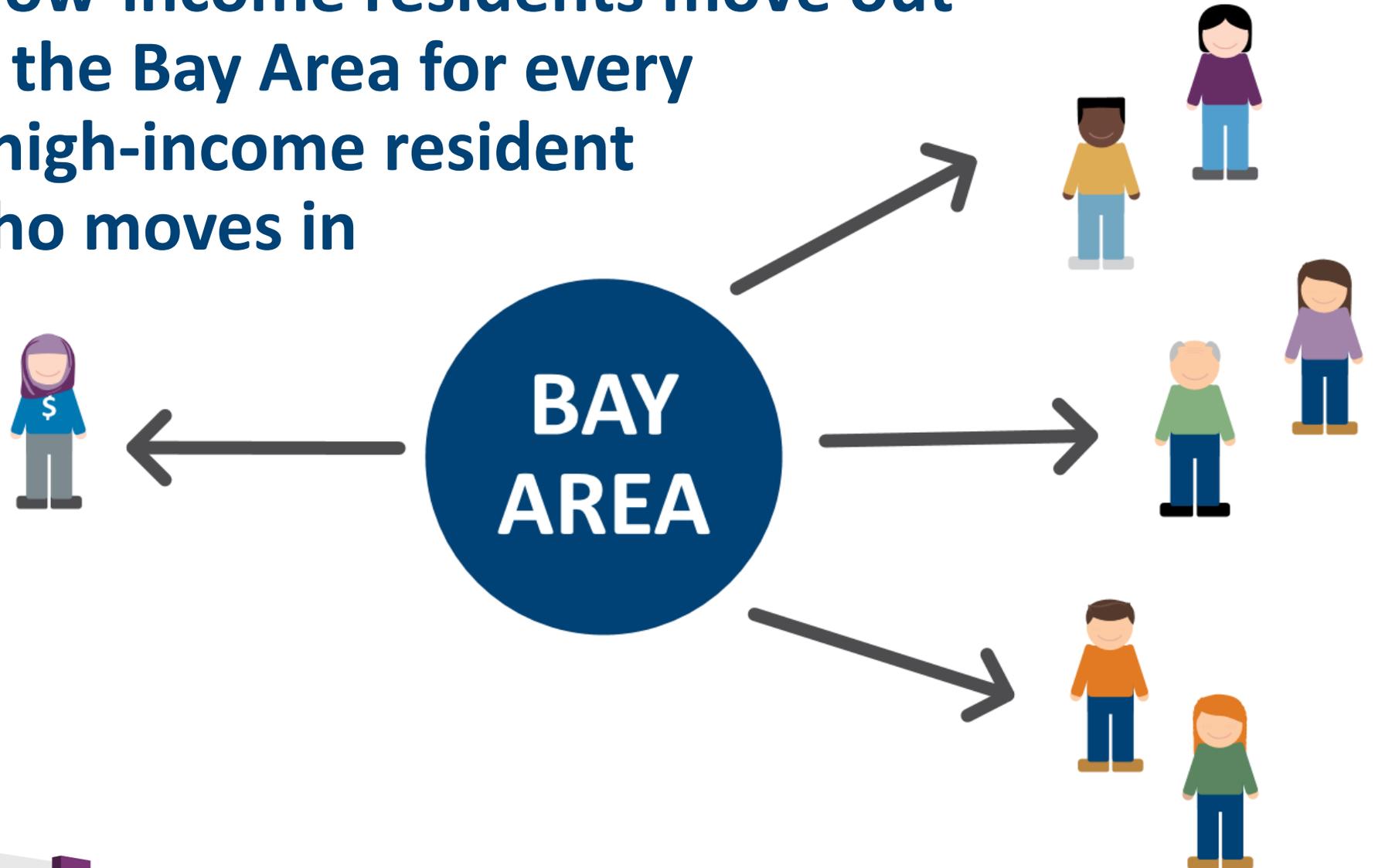
Mental Health



Access to opportunity



6 low-income residents move out of the Bay Area for every 1 high-income resident who moves in

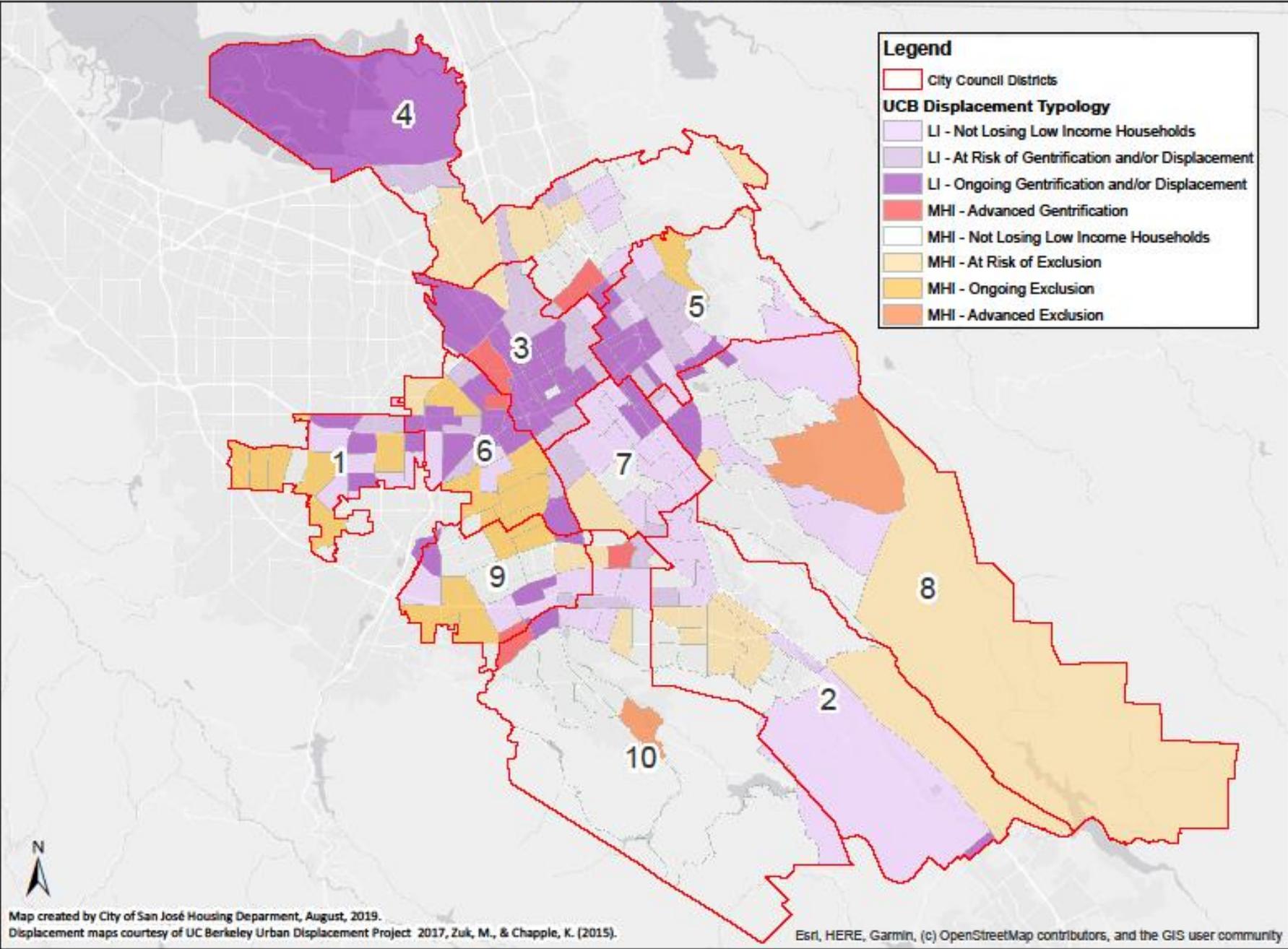


Focus Population

- **Extremely-low, very-low, and low-income renters earning 0% to 80% AMI.**
- Displacement among homeowners is less of a concern based upon feedback of homeowners benefiting from appreciation in their home values.
- Staff is in the process of developing a moderate-income housing strategy.



San José Urban Displacement



8/13/2020

Map created by City of San José Housing Department, August, 2019.
Displacement maps courtesy of UC Berkeley Urban Displacement Project 2017, Zuk, M., & Chapple, K. (2015).

Esri, HERE, Garmin, (c) OpenStreetMap contributors, and the GIS user community

Systemic Racism Underpins San José's Displacement Problems



Citywide Residential Anti-Displacement Strategy



3 P's: Production, Preservation, Protection

1. **Production** of new affordable homes
2. **Preservation** of existing affordable homes, and
3. **Protection** of residents in rapidly-changing neighborhoods.



Considerations

- ✓ What policies do we have in place?
- ✓ What work do we have in progress?
- What gaps remain?



Selection of Recommendations

- ▲ **Responsiveness to needs surfaced** through the community engagement process
- ▲ **Potential impact** to help stem or mitigate effects of displacement
- ▲ **Effort** based on current staffing levels and capacity of potential service providers



Selection of Recommendations

- ▲ **Resources** for staffing, outreach, organizational capacity, capital projects
- ▲ **Examples** of other implementing jurisdictions.



Protection

Problem: Homelessness and displacement due to eviction and foreclosure.

1. Support Equitable COVID-19 Recovery and Impact Mitigation Measures for Renters and Homeowners



Protection

Problem: New affordable housing in a neighborhood may not directly benefit existing residents in the neighborhood.

2. Establish a Neighborhood Tenant Preference for Affordable Housing



Preservation

Problem: Displacement due to multifamily building sales, Lack of affordable homeownership opportunities.

3. Explore a Community Opportunity to Purchase Program (COPA)



Equity

Problem: Those most impacted by displacement are not consistently involved in decision making.

4. Increase Equitable Representation of Historically Underrepresented Communities on City Commissions



Protection

Problem: Enforcement of existing tenant protections is limited due to insufficient resources and lack of knowledge of legal rights.

5. Create a Role for Local Government in State Tenant Protections



Protection Preservation

Problem: Displacement can sometimes happen because of housing becoming uninhabitable or because of retaliatory evictions.

6. Increase Housing Quality and Prevent Code Enforcement-related Displacement



Preservation

Problem: Loss of existing deed-restricted and naturally-affordable housing stock.

7. Create a Preservation Report and Policy



Production

Problem: Lack of Sites for Affordable Housing.

8. Develop YIGBY Land Use – Yes in God’s Backyard



Production

Problem: Underuse of General Plan tools for affordable housing production, including in transit areas.

9. Optimize Urban Villages for Affordable Housing Development and Anti-Displacement



Production Preservation Protection

Problem: Insufficient funding for affordable housing and anti-displacement needs

10. Establish a New Source of Funding for Affordable Housing and Anti-Displacement



Evaluating Impact



of ELI, VLI, LI long-time SJ residents in affordable homes



Net new affordable housing



of rental housing units with affordability preserved



Housing cost burden and severe housing cost burden



of evictions



Next Steps

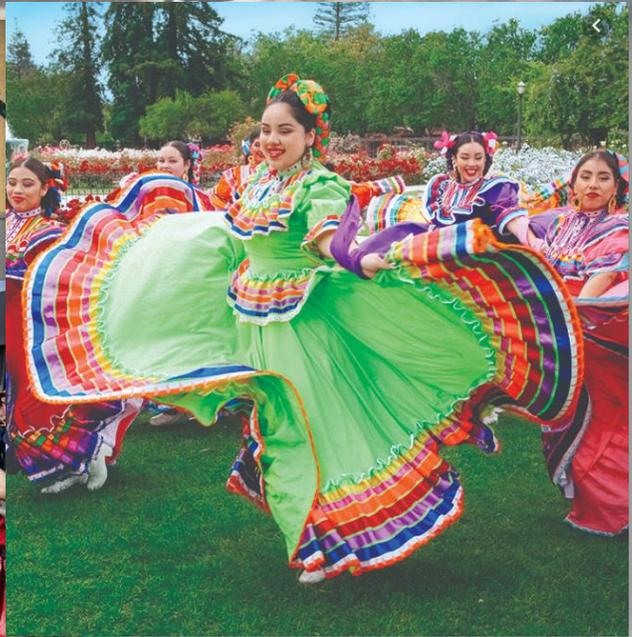
🏠 Present to City Council on September 1, 2020

Recommendation is to:

- a. Approve 10 recommendations of the Strategy;
- b. Accept workplans for the first 3 recommendations; and,
- c. Direct staff to return in 12 months with an update.

🏠 Convene an anti-displacement working group with a broad membership of relevant stakeholders and subject matter experts to develop strategies





Recommendation

It is recommended that the Commission review the staff report, give feedback to staff, and take possible action to recommend a position to the City Council.

