



# *City Council Agenda*

City of Campbell, 70 North First Street, Campbell, California

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## **CITY COUNCIL EXECUTIVE SESSION**

Tuesday, October 4, 2016 – 5:45 p.m.

Ralph Doetsch Conference Room - 70 N. First Street

- A. Personnel
- B. Litigation
- C. Real Property
- D. Labor Negotiations – Pursuant to G.S. Section 54957.6: Conference with Labor Negotiator – Agency Negotiator: Jill Lopez, Human Resources Manager. Employee Organization: Campbell Peace Officers Association (CPOA)

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## **REGULAR MEETING OF THE CAMPBELL CITY COUNCIL**

Tuesday, October 4, 2016 – 7:30 p.m.

Council Chamber – 70 N. First Street

### **CALL TO ORDER, ROLL CALL, PLEDGE OF ALLEGIANCE**

**Pledge:** Campbell Police Foundation

### **SPECIAL PRESENTATIONS AND PROCLAMATIONS**

### **COMMUNICATIONS AND PETITIONS**

### **ORAL REQUESTS**

**NOTE:** This portion of the meeting is reserved for persons wishing to address the City Council on any matter not on the agenda. Persons wishing to address the Council are requested, but not required to complete a Speaker's Card. Speakers are limited to two (2) minutes. The law generally prohibits the Council from discussion or taking action on such items. However, the Council may instruct staff accordingly regarding Oral Requests.

### **COUNCIL ANNOUNCEMENTS**

## **CONSENT CALENDAR**

**NOTE: All matters listed under consent calendar are considered by the City Council to be routine and will be enacted by one motion. There will be no separate discussion of these items unless a request is made by a member of City Council, City staff, or a member of the public. Any person wishing to speak on any item on the consent calendar should ask to have the item removed from the consent calendar prior to the time the Council votes to approve. If removed, the item will be discussed in the order in which it appears.**

1. **Minutes of Regular Meeting of September 20, 2016**  
Recommended Action: Approve the regular meeting minutes.
  
2. **Approving Bills and Claims**  
Recommended Action: Approve the bills and claims in the amount of \$783,377.84.
  
3. **Monthly Investment Report – August, 2016**  
Recommended Action: Note and file the monthly investment report for August 2016.
  
4. **Acceptance of Donation from the Campbell Police Foundation**  
Recommended Action: Accept donations in the aggregate amount of \$7,040.42 from the Campbell Police Foundation for equipment, supplies, and support for the Campbell Police Department.
  
5. **Authorize the Issuance of a Request for Qualifications (RFQ) for an Energy Efficiency Investment Grade Audit for City Building/Utilities Equipment (Resolution/Roll Call Vote)**  
Recommended Action: Adopt a resolution authorizing the Public Works Department to issue a Request for Qualifications (RFQ) for an Energy Efficiency Investment Grade Audit for City facilities and utilities.
  
6. **Approval of Third Amendment to Agreement Providing for Implementation of the Santa Clara Valley Urban Runoff Pollution Prevention Program (Resolution/Roll Call Vote)**  
Recommended Action: Adopt a resolution authorizing the Public Works Director to execute the Third Amendment to the Agreement Providing for Implementation of the Santa Clara Valley Urban Runoff Pollution Prevention Program.
  
7. **Approve Temporary Closure of East Campbell Avenue and Fee Waiver Request for the Downtown Campbell Business Association's Creepy Crawly Halloween Event (Resolution/Roll Call Vote)**  
Recommended Action: Adopt a resolution approving the temporary closure of East Campbell Avenue and fee waiver request for the Downtown Campbell Business Association's Creepy Crawly Halloween event.

## **PUBLIC HEARINGS AND INTRODUCTION OF ORDINANCES**

**NOTE:** Members of the public may be allotted up to two (2) minutes to comment on any public hearing item. Applicants/Appellants and their representatives may be allotted up to a total of five (5) minutes for opening statements and up to a total of three (3) minutes maximum for closing statements. Items requested/recommended for continuance are subject to Council's consent at the meeting.

8. **Public Hearing to Consider the Application of Jimmy Chang for Planned Development Permit (PLN2016-263) to Allow for the Conversion of Private Patio Areas to Common Open Space, Alterations to Existing Staircase, and Installation of New Lighting Fixtures Within Two Courtyards of an Existing Apartment Community and Tree Removal Permit (PLN2016-266) to Allow Removal of Protected Trees on Property Located at 225 Union Avenue. The Planning Commission is Recommending that this item be deemed Categorically Exempt Under CEQA. (Resolutions/Roll Call Vote)**

Recommended Action: Adopt resolutions approving a Planned Development Permit (PLN2016-263) to allow for the conversion of private patio areas to common open space, alterations to existing staircases, and installation of new lighting fixtures within two courtyards of an existing apartment community; and approving a Tree Removal Permit (PLN2016-266) to allow for the removal of protected trees.

9. **Public Hearing to Consider a City-initiated Text Amendment (PLN2015-365) to Reinsert Language Regarding Payday Lending Establishments that was Inadvertently Omitted When the Municipal Code was Updated on April 5, 2016 Concerning Massage Establishments (Resolutions/Ordinance/Roll Call Vote)**

Recommended Action: Adopt a resolution finding that the proposed Zoning Text Amendment (PLN2015-365) is exempt from CEQA; and take the first reading of an Ordinance approving a Text Amendment Amending Section 21.10.50 of the Campbell Municipal Zoning Code (C-2 General Commercial Zoning District).

## **NEW BUSINESS**

10. **Update on Harriet Avenue/McCoy Avenue/San Tomas Aquino Road Signalization Project and Harriet Avenue Traffic Calming Alternatives (Resolution/Roll Call Vote)**

Recommended Action: Direct Staff to suspend the Harriet Ave/McCoy Avenue/San Tomas Aquino Road Signalization Project; and develop a concept design for a Harriet Avenue traffic calming project for consideration in the development of the Fiscal Year 2018/22 Capital Improvement Plan.

11. **Housing Impact Fees Nexus Study (Resolution/Roll Call Vote)**

Recommended Action: Adopt a resolution accepting the methodology and findings of the Nexus Study; continue the meeting to November first; direct staff to prepare a resolution adopting the recommended residential and non-residential housing mitigation fees; and direct staff to prepare a Zoning text amendment, amending Chapter 21.24 to implement the necessary changes to

the provisions related to residential projects (rental and ownership), non-residential projects, in-lieu fees, and impact fees.

## **COUNCIL COMMITTEE REPORTS**

12. **City Councilmember Reports/Updates on Committee Assignments**  
Recommended Action: Report on committee assignments and general comments.

## **ADJOURN**

In compliance with the Americans with Disabilities Act, listening assistive devices are available for all meetings held in the City Council Chambers. If you require accommodation, please contact the City Clerk's Office, (408) 866-2117, at least one week in advance of the meeting.

# CITY COUNCIL MINUTES

City of Campbell, 70 North First Street, Campbell, California



## NOTICE AND AGENDA

The City Council Meeting will be teleconferenced pursuant to Government Code Section 54953(b)(3) with Councilmember Jeffrey Cristina from the location of 73896 Desert Bloom Trail, Palm Desert, California, 92260. The teleconference location shall be accessible to the public for the open session portion of the meeting pursuant to Government Code Section 54953(b)(3).

### CITY COUNCIL EXECUTIVE SESSION

Tuesday, September 20, 2016 – 5:30 p.m.

Ralph Doetsch Conference Room - 70 N. First Street

- A. Personnel – Pursuant to G.S. Section 54957 (b) (1): Public Employee Appointment – Title of Position: City Manager
- B. Litigation
- C. Real Property
- D. Labor Negotiations – Pursuant to G.S. Section 54957.6: Conference with Labor Negotiator – Agency Negotiator: Jill Lopez, Human Resources Manager. Employee Organization: Campbell Peace Officers Association (CPOA)

#### Roll Call:

Present: Councilmembers: Kotowski, Resnikoff, Cristina (teleconferenced), Gibbons, Baker

Absent: Councilmembers: None

Council met in Executive Session regarding items A and D. Executive session adjourned at 7:28 p.m.

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### REGULAR MEETING OF THE CAMPBELL CITY COUNCIL

Tuesday, September 20, 2016 – 7:30 p.m.

Council Chamber – 70 N. First Street

This City Council meeting was duly noticed pursuant to open meeting requirements of the Ralph M. Brown Act (G.C. Section 54956).

This meeting was recorded and can be viewed in its entirety at [www.cityofcampbell.com/agendacenter](http://www.cityofcampbell.com/agendacenter).

### **CALL TO ORDER, ROLL CALL, PLEDGE OF ALLEGIANCE**

The City Council of the City of Campbell convened this day in the regular meeting place, the Council Chamber of City Hall, 70 N. First Street, Campbell, California.

#### **Roll Call:**

Present: Councilmembers: Kotowski, Resnikoff, Gibbons, Baker

Absent: Councilmembers: Cristina

#### **Pledge:** Youth Commission

The Pledge of Allegiance was led by the Campbell Youth Commission. Mayor Baker thanked them and presented them with a certificate of appreciation for leading the pledge.

### **SPECIAL PRESENTATIONS AND PROCLAMATIONS**

#### **1. Introduction of the Campbell Youth Commission**

Recommended Action: Accept the presentation.

Recreation Specialist Bybee gave a brief introduction of the new Campbell Youth Commissioners.

Chairperson Ali Bell and Vice Chair Benjamin Nikitin spoke about the five goals and work plan items for the 2016/2017 Campbell Youth Commission.

### **COMMUNICATIONS AND PETITIONS**

There were no communications or petitions.

### **ORAL REQUESTS**

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Don Whitney, Campbell resident, spoke about ADA violations at the Farmers Market in intersections, as well as fire code violations.

Harry Greenwood, Campbell resident, stated that he is opposed to the signal light proposed at the Harriet and McCoy intersection and requested that when this item goes to council it be put on the agenda as early as possible to accommodate people with families wishing to speak.

Pam Anderson, spoke about the sidewalks being difficult to walk on with a walker and requested that leaf blowers be banned.

Doug Gillison, Campbell resident, submitted his comments for the record regarding the proposed installation of traffic signals at Harriet Avenue.

## **COUNCIL ANNOUNCEMENTS**

Please join me at my State of the City event this Thursday, September 22, at 5:30 p.m., in the Orchard City Banquet Hall at the Campbell Community Center. Refreshments will be provided. Please RSVP your attendance to the [www.MayorStateOfTheCity.com](http://www.MayorStateOfTheCity.com).

The public is invited to the Silicon Valley Neighborhood Development “Mini” Training Conference to be held this Saturday, September 24, from 1:00-5:00 p.m. at the Camden Community Center. Learn about the essential tools for neighborhood leaders and participate in networking opportunities. For more information about this free event, please visit [www.unscc.org](http://www.unscc.org).

If you have a skillset that you would like to put to good use, volunteering is a great opportunity to meet new people and help your community. The Campbell Museums are hosting a Volunteer Open House tomorrow Wednesday, September 21, from 6:00-8:00 p.m. at the Ainsley House.

On Friday, September 30, from 5:30-7:30 p.m. the Ainsley House will host an interfaith panel on Religion and Extremism from five major religions and how communities of faith are affected. To register for this event, please visit [www.campbellmuseums.com](http://www.campbellmuseums.com).

## **CONSENT CALENDAR**

**NOTE:** All matters listed under consent calendar are considered by the City Council to be routine and will be enacted by one motion. There will be no separate discussion of these items unless a request is made by a member of City Council, City staff, or a member of the public. Any person wishing to speak on any item on the consent calendar should ask to have the item removed from the consent calendar prior to the time the Council votes to approve. If removed, the item will be discussed in the order in which it appears.

Mayor Baker asked if any Councilmember or anyone in the audience wished to remove any item from the Consent Calendar.

Vice Mayor Gibbons asked to pull item nine.

The Consent calendar was considered as follows:

### **2. Minutes of Study Session of September 6, 2016**

**Recommended Action:** Approve the study session meeting minutes.

This action approves the minutes of the study session of September 6, 2016.

3. **Minutes of Regular Meeting of September 6, 2016**

Recommended Action: Approve the regular meeting minutes.

This action approves the minutes of the regular meeting of September 6, 2016.

4. **Approving Bills and Claims**

Recommended Action: Approve the bills and claims in the amount of \$2,599,409.72.

This action approves the payment of bills and claims in the amount of \$2,599,409.72 as follows: Payroll checks dated August 25, 2016 in the amount of \$260,976.85; bills and claims checks dated August 29, 2016; and bills and claims checks dated September 5, 2016.

5. **Second Reading of Ordinance 2207 Approving a Zoning Map Amendment (PLN2016-35) to Change the Zoning District Designation from R-1-6 (Single-Family Residential) to P-D (Planned Development) for the Project Located at 1323 Parsons Avenue (Ordinance Second Reading/Roll Call Vote)**

Recommended Action: Approve the second reading of Ordinance 2207 approving a Zoning Map Amendment (PLN2016-35) to change the Zoning district designation from R-1-6 (Single-Family Residential) to P-D (Planned Development).

This action approves the second reading of Ordinance 2207 approving a Zoning Map Amendment (PLN2016-35) to change the Zoning district designation from R-1-6 (Single-Family Residential) to P-D (Planned Development).

6. **Second Reading of Ordinance 2208 Amendment to Chapter 2.40 of the Campbell Municipal Code – Conflict of Interest Code (Ordinance Second Reading/Roll Call Vote)**

Recommended Action: Approve the second reading of Ordinance 2208 amending Chapter 2.40 of the Campbell Municipal Code – Conflict of Interest Exhibit A.

This action approves the second reading of Ordinance 2208 amending Chapter 2.40 of the Campbell Municipal Code – Conflict of Interest Exhibit A.

7. **Authorization to Submit Two Measure Q Urban Open Space Grant Applications for the Nido Neighborhood Reforestation Project and the Edith Morley Community Garden (Resolution/Roll Call Vote)**

Recommended Action: Adopt a resolution authorizing the Public Works Director to submit two Measure Q Urban Space Grant Applications to the Santa Clara Valley Open Space Authority for the Nido Neighborhood Reforestation Project and Edith Morley Garden Project.

Resolution 12045 authorizes the Public Works Director to submit two Measure Q Urban Space Grant Applications to the Santa Clara Valley Open Space Authority for the Nido Neighborhood Reforestation Project and Edith Morley Garden Project.

8. **Authorization to Issue a Request for Proposals and Enter into a Service Agreement for City Tree Care Services (Resolution/Roll Call Vote)**

Recommended Action: Adopt a resolution authorizing the Public Works Director to issue a Request for Proposals for Citywide Tree Services; and execute an agreement for the remainder of the current Fiscal Year (FY) with the option of extending the agreement for four (4) additional one-year periods upon mutual agreement between the City and the selected contractor.

Resolution 12046 authorizes the Public Works Director to issue a Request for Proposals for Citywide Tree Services; and execute an agreement for the remainder of the current Fiscal Year (FY) with the option of extending the agreement for four (4) additional one-year periods upon mutual agreement between the City and the selected contractor.

10. **Resolution Supporting Santa Clara County's Measure A on the Presidential General Election Ballot (Resolution/ Roll Call Vote)**

Recommended Action: Adopt a resolution supporting Santa Clara County's Measure A on the 2016 Presidential Election ballot.

Resolution 12048 approves supporting Santa Clara County's Measure A on the 2016 Presidential Election ballot.

**M/S: Gibbons/Kotowski - that the City Council approve the Consent Calendar with the exception of item nine. Motion was adopted by the following roll call vote:**

**AYES: Councilmembers: Kotowski, Resnikoff, Gibbons, Baker**

**NOES: Councilmembers: None**

**ABSENT: Councilmembers: Cristina**

**ITEMS CONSIDERED SEPARATE FROM THE CONSENT CALENDAR**

9. **Delegation of authority to the Recreation and Community Services Director to issue a request for proposals for professional services for an Aquatics Facility Audit and to award subsequent contract to the most qualified respondent. (Resolution/Roll Call Vote)**

Recommended Action: Adopt a resolution delegating authority to the Recreation and Community Services Director to issue a request for proposals for an Aquatic Facility Audit and to award subsequent contract to the most qualified respondent.

Vice Mayor Gibbons stated concerns with the RFP in regards to the preliminary scope of work and provided some general feedback.

After discussion, **M/S: Gibbons/Resnikoff** – that the **City Council adopt resolution 12047 delegating authority to the Recreation and Community Services Director to issue a request for proposals for an Aquatic Facility Audit and to award subsequent contract to the most qualified respondent. Motion was adopted by the following roll call vote:**

**AYES: Councilmembers: Kotowski, Resnikoff, Gibbons, Baker**

**NOES: Councilmembers: None**

**ABSENT: Councilmembers: Cristina**

### **PUBLIC HEARINGS AND INTRODUCTION OF ORDINANCES**

**NOTE:** Members of the public may be allotted up to two (2) minutes to comment on any public hearing item. Applicants/Appellants and their representatives may be allotted up to a total of five (5) minutes for opening statements and up to a total of three (3) minutes maximum for closing statements. Items requested/recommended for continuance are subject to Council's consent at the meeting.

11. **Public Hearing to Consider the Appeal of Sarbajit and Sanhita Ghosal of a Fence Exception approval by the Planning Commission for a Reduced Setback for a Six-Foot Tall Street Side Fence and a Relocated Three-And – One-Half Foot Tall Front Yard Fence (PLN2016-98), to Allow a Six-Foot Tall Street Side Fence With a Zero Setback at a Corner Lot Located at 1071 Lovell Avenue in the R-1-6 (Single-Family Residential) Zoning District Within the San Tomas Area Neighborhood (Resolution/Roll Call Vote)**  
Recommended Action: Adopt a resolution incorporating findings, denying the appeal and upholding the Planning Commission's approval of a Fence Exception for a reduced setback for six-foot tall street side fence and a relocated three-and-one half foot front tall front yard fence.

This is the time and place to consider the appeal of Sarbajit and Sanhita Ghosal of a Fence Exception approval by the Planning Commission for a reduced setback for a six-foot tall street side fence and a relocated three-and-one-half foot tall front yard fence (PLN2016-98), to allow a six-foot tall street side fence with a zero setback at a corner lot located at 1071 Lovell Avenue in the R-1-6 (Single-Family Residential) Zoning District Within the San Tomas Area Neighborhood.

Project Planner Pouya presented staff report dated September 20, 2016.

Mayor Baker declared the public hearing open and asked if there was anyone in the audience wishing to be heard.

Sarbajit Ghosal, Campbell resident and appellant, provided handouts for council and made statements supporting the appeal.

Audrey Kiehtreiber, Campbell resident and president of the San Tomas Area Community Coalition, spoke about the front fence and similar solid fences in the area.

Sarbajit Ghosal, Campbell resident and appellant, gave closing remarks.

There being no one else wishing to speak, Mayor Baker closed the public hearing.

After discussion, **M/S: Resnikoff/Kotowski – that the City Council adopt resolution 12049 incorporating findings, denying the appeal and upholding the Planning Commission’s approval of a Fence Exception for a reduced setback for six-foot tall street side fence with an amendment to allow the front fence to remain as is until such circumstances requires a change to the location subject to entering into a private improvement agreement with the Public Works Department. Motion was adopted by the following roll call vote:**

**AYES: Councilmembers: Kotowski, Resnikoff, Gibbons, Baker**

**NOES: Councilmembers: None**

**ABSENT: Councilmembers: Cristina**

## **NEW BUSINESS**

12. **Resolution Authorizing the City Manager to Enter into an Agreement with TriTech Software Systems to Provide a Shared Computer-Aided Dispatch and Mobile Data Computer Solution Hosted by the Milpitas Police Department and to Make FY17 Budget Adjustments Necessary for the Project (Resolution/Roll Call Vote)**

Recommended Action: Adopt a resolution authorizing the City Manager to enter into an agreement with TriTech Software Systems for the purchase of software, hardware, licensing, maintenance and professional services to add the City of Campbell to the City of Milpitas’ existing CAD/Mobile at a cost of \$418,110.74; and authorize budget adjustments in Information Technology and the Police Department’s FY17 budget to purchase equipment and services necessary to implement the shared CAD/MDC solution.

Information and Technology Manager Gershaneck presented staff report dated September 20, 2016.

Support Services Manager Thibodeau gave a brief explanation of the Computer-Aided Dispatch system.

After discussion, **M/S: Resnikoff/Kotowski** – that the City of Campbell adopt resolution 12050 authorizing the City Manager to enter into an agreement with TriTech Software Systems for the purchase of software, hardware, licensing, maintenance and professional services to add the City of Campbell to the City of Milpitas’ existing CAD/Mobile at a cost of \$418,110.74; and authorize budget adjustments in Information Technology and the Police Department’s FY17 budget to purchase equipment and services necessary to implement the shared CAD/MDC solution. Motion was adopted by the following roll call vote:

**AYES: Councilmembers: Kotowski, Resnikoff, Gibbons, Baker**

**NOES: Councilmembers: None**

**ABSENT: Councilmembers: Cristina**

13. **Authorize the City Manager to Execute a Contract with Urban Village Farmers Market Association for the Continuing Operation of the Downtown Campbell Farmers Market (Resolution/Roll Call Vote)**

Recommended Action: Adopt a resolution authorizing the City Manager to execute a contract with Urban Village Farmers Market Association for the continuing operation of the Downtown Campbell Farmers Market for an additional three (3) years through December 31, 2019.

Project Manager Principe presented staff report dated September 20, 2016.

**M/S: Gibbons/Kotowski** – that the City Council adopt resolution 12051 authorizing the City Manager to execute a contract with Urban Village Farmers Market Association for the continuing operation of the Downtown Campbell Farmers Market for an additional three (3) years through December 31, 2019. Motion was adopted by the following roll call vote:

**AYES: Councilmembers: Kotowski, Resnikoff, Gibbons, Baker**

**NOES: Councilmembers: None**

**ABSENT: Councilmembers: Cristina**

14. **Approve Parkland Dedication Fund Policy**

Recommended Action: Approve the Parkland Dedication Fund Policy as recommended by the Parks and Recreation Commission.

Recreation Services Manager Bissell presented staff report dated September 20, 2016.

After discussion, **M/S: Resnikoff/Gibbons** – that the City Council approve the Parkland Dedication Fund Policy as recommended by the Parks and Recreation Commission with amendments to bullet two, to add the

language "...which increase the level of diversity of service" and bullet four, to add the language "...which increase the level of diversity of service with a joint use agreement." Motion was adopted by the following roll call vote:

**AYES: Councilmembers: Kotowski, Resnikoff, Gibbons, Baker**

**NOES: Councilmembers: None**

**ABSENT: Councilmembers: Cristina**

15. **BMR Eligibility (Interim) Guidelines**

Recommended Action: Adopt a resolution approving the BMR Eligibility Guidelines as an interim measure prior to reviewing and adopting a more comprehensive BMR Guidelines.

Senior Planner McCormick presented staff report dated September 20, 2016.

Jo-Anne Fairbanks, Campbell resident, stated concerns with the AMI standards and would a standard that is related to Campbell resident's income; and she commented on the eligibility standards and occupancy standards. (Mayor Baker allowed this speaker to speak on this item out of order prior to item 11.)

Julius Nyanda, representative from HouseKeys, spoke about the timeline and steps for the creating the guidelines.

After discussion, **M/S: Gibbons/Kotowski – that the City Council adopt resolution 12052 approving the BMR Eligibility Guidelines as an interim measure prior to reviewing and adopting a more comprehensive BMR Guidelines. Motion was adopted by the following roll call vote:**

**AYES: Councilmembers: Kotowski, Resnikoff, Gibbons, Baker**

**NOES: Councilmembers: None**

**ABSENT: Councilmembers: Cristina**

**COUNCIL COMMITTEE REPORTS**

16. **City Councilmember Reports/Updates on Committee Assignments**

Recommended Action: Report on committee assignments and general comments.

-- Councilmember Kotowski attended the Friends of the Heritage Theatre meeting and the West Valley Sanitation District meeting.

-- Councilmember Resnikoff attended The Downtown Campbell Business Association meeting; Valley Transportation Authority policy action committee meeting; and the Silicon Valley Animal Control Authority meeting.

-- Vice Mayor Gibbons attended the Santa Clara Valley Water District County Water Commission meeting; Silicon Valley Clean Energy Authority Board of Directors meeting; and spoke about the upcoming outreach meeting sponsored by the League of Women Voters on November 14, 2016 at 7:00 p.m. in the Campbell Council Chambers to discuss the Silicon Valley Clean Energy Program.

-- Mayor Baker attended the West Valley Mayors and Managers meeting; chaired the Valley Transportation Authority Administration and Finance Committee meeting; attended a meeting with representatives from the Campbell Village Neighborhood Association; and attended a meeting with representatives that are circulating a petition for medical marijuana.

Vice Mayor Gibbons commented on issues with the recycling and donation drop off area in the Safeway parking lot on Budd Avenue.

After discussion, **M/S: Gibbons/Kotowski – that the City Council agenda a discussion on flag lots, zoning, and land cost pressures. Motion was adopted unanimously 4-0-1 (Councilmember Cristina was absent)**

Vice Mayor Gibbons requested clarification about the Dell Avenue Area that is agenda for a future meeting.

Vice Mayor Gibbons commented on a request for Council materials in an additional format.

## **ADJOURN**

Mayor Baker adjourned the meeting at 10:14 p.m.

APPROVED:

\_\_\_\_\_  
Jason T. Baker, Mayor

ATTEST:

\_\_\_\_\_  
Wendy Wood, City Clerk



# City Council Report

Item: 2.  
Category: Consent Calendar  
Meeting Date: October 4, 2016

**TITLE: Approving Payment of Bills and Claims**

## RECOMMENDATION

Approve the attached lists of bills and claims for payment in the amount of \$783,377.84.

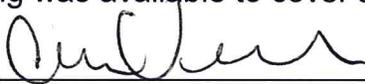
## DISCUSSION

Attached are the lists of bills and claims that have been audited and approved by staff for payments made as noted below:

<u>Type</u>	<u>Check Date</u>	<u>Amount</u>
Payroll	September 08, 2016	\$309,745.34
Bills & Claims	September 12, 2016	\$230,902.27
Bills & Claims	September 19, 2016	\$242,730.23
	<b>Total</b>	<b>\$783,377.84</b>

## FISCAL IMPACT

Adequate funding was available to cover all expenses as listed.

Prepared by:   
Carolina Vargas, Accounting Clerk II

Reviewed by:   
Sharif Etman, Finance Manager

Reviewed by:   
Jesse Takahashi, Finance Director

Approved by:   
Mark Linder, City Manager

**Attachments:**  
Attachment 1 – Bills & Claims Lists



# City Council Report

Item: 3.  
 Category: Consent Calendar  
 Meeting Date: October 4, 2016

**Title: Monthly Investment Report – August, 2016**

## RECOMMENDATION

That the attached Investment Report for August, 2016 be noted and filed.

## DISCUSSION

The City invests primarily in the State of California Local Agency Investment Fund (LAIF) and US Government Agency securities to preserve the safety of the City's surplus funds while achieving a reasonable return on its portfolio. The City's strategy is one of buy-and-hold in which a portion of the portfolio is invested in fixed income securities of varying maturities that will provide sufficient cash flow to meet the City's operational needs.

During the month of August, the City did not purchase any new investments, nor did any investments get called. The total portfolio decreased approximately \$3.3 million mainly due to the City refunding the 1997 Certificates of Participation (COPs), and a portion of the 2002 COPs and the Successor Agency refunding the 2002 and 2005 Tax Allocation Bonds (TABs). The transactions, which closed during the month, eliminated the cash bond reserve funds that previously existed for the TABs. The City withdrew \$1 million from LAIF to cover refinance payments and other operating expenditures.

All investments are made in accordance with the City's established Investment Policy or as authorized pursuant to bond covenants. Presented within this report are the following:

- Investment balance and earnings for August, 2016
- Summary of investments by types as of August, 2016
- List of investments by institution as of August, 2016
- Reconciliation of pooled cash as of August, 2016
- Investment transactions as of August, 2016
- Actual Receipts and Disbursements for August, 2016
- Cash flow projections for the month of November, 2016

<u>Investment Balance and Earnings - August, 2016</u>						
Bal. at Beg. of Month 08/01/16	Purchases/ Deposits	Maturities/ Withdrawals	Bal. at End of Month 08/31/16	Interest Earned this Month	Interest Earned YTD	% of Interest Earned YTD/Budget
\$ 43,680,399	\$ 35,489,434	\$ (38,776,156)	\$ 40,393,677	\$ 21,462	\$ 46,281	27.22%

<u>Summary of Investments by Type - August, 2016</u>						
<u>Description</u>	<u>Current Month</u> <u>08/31/16</u>	<u>% of Total</u> <u>Portfolio</u>	<u>Prior Month</u> <u>07/31/16</u>	<u>% of Total</u> <u>Portfolio</u>	<u>Prior Year</u> <u>8/31/15</u>	<u>% of Total</u> <u>Portfolio</u>
L.A.I.F.	\$ 32,844,404	81.31%	\$ 33,844,404	77.48%	\$ 30,113,822	84.42%
Agencies	5,500,000	13.62%	5,500,000	12.59%	3,500,005	9.81%
Corporate Notes	2,031,100	5.03%	2,031,100	4.65%	-	0.00%
Money Market (U.S. Bank)	6	0.00%	2,304,895	5.28%	2,057,050	5.77%
Money Market (BNY Mellon)	18,167	0.04%	-	-	-	-
<b>Total</b>	<u>\$ 40,393,677</u>	<u>100.00%</u>	<u>\$ 43,680,399</u>	<u>100.00%</u>	<u>\$ 35,670,877</u>	<u>100.00%</u>

**Cash Flow Projections**

The cash flow projection reflects there are sufficient funds available to meet the City of Campbell's anticipated expenditures for November, 2016 through April, 2017 (See Exhibit II).

<u>List of Investments by Institution - August, 2016</u>				
<u>Institution</u>	<u>Cost</u>	<u>% of Total</u> <u>Portfolio</u>	<u>Market</u> <u>Value</u>	<u>Diff. Bet. Cost</u> <u>&amp; Market</u>
L.A.I.F	\$ 32,844,404	81.31%	\$ 32,864,808	\$ 20,404
Federal National Mortgage Assn. (FNMA) *	2,000,000	4.95%	2,004,220	4,220
Federal Farm Credit Bank (FFCB)*	1,500,000	3.71%	1,500,195	195
Federal Home Loan Mortgage Corp (FHLMC) *	2,000,000	4.95%	1,999,540	(460)
Wells Fargo Bank *	2,031,100	5.03%	2,020,660	(10,440)
U.S. Bank--Money Market Fund **	6	0.00%	6	-
BNY Mellon--Money Market Fund **	18,167	0.04%	18,167	-
	<u>\$ 40,393,677</u>	<u>100.00%</u>	<u>\$ 40,407,596</u>	<u>\$ 13,919</u>

\* The City intends to hold treasury/agency securities to maturity or until they are called, as a result this is a paper gain and/or loss that will not be realized.

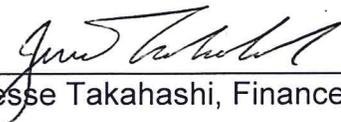
\*\* City and RDA COP and TAB bond proceeds held for program and reserve funds.

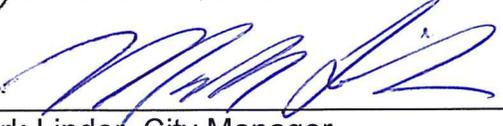
<u>Reconciliation of Pooled Cash per Ledgers to Investment Report</u>	
<u>August, 2016</u>	
Balance per ledger - August, 2016	\$ 42,680,399
August, 2016 interest to be Journalized - refinance of debts	<u>(2,286,722)</u>
Adjusted General Ledger Balance	<u>40,393,677</u>
Balance Per Investment Report	<u>40,393,677</u>

<u>Summary of Total Cash Invested</u>			
<u>Description</u>	<u>Current Month</u> <u>08/31/16</u>	<u>Prior Month</u> <u>07/31/16</u>	<u>Prior Year</u> <u>08/31/15</u>
Cash on Deposit	\$ 1,393,233	\$ 3,266,746	\$ 4,058,394
Investments	<u>40,393,677</u>	<u>43,680,399</u>	<u>35,670,877</u>
Total Cash and Investments	<u>\$ 41,786,910</u>	<u>\$ 46,947,145</u>	<u>\$ 39,729,271</u>
% of Total Cash Invested	<u>96.67%</u>	<u>93.04%</u>	<u>89.78%</u>

Prepared by:   
Sophie Kao, Accountant

Reviewed by:   
Sharif Etrnan, Finance Manager

Reviewed by:   
Jesse Takahashi, Finance Director

Approved by:   
Mark Linder, City Manager

- Attachment 1 - Monthly Schedule of Investments
- Attachment 2 - Cash Flow Projection
- Attachment 3 - Actual Receipts & Disbursements

**City of Campbell  
Monthly Schedule of Investments  
For the month ending August, 2016**

Attachment 1

	Beginning Balance	Purchases/ Deposits	Maturities/ Calls/ Withdrawals	Ending Balance	% of Type	% of Assets	Par Value	* Market Value	Maturity Date	Remain Days To Mat	Interest Rate (Annual)	Interest Earned To Maturity	# of Days In Month	Int.Recv. Beginning Balance	Interest Earned This Mo.	Interest Received This Mo.	Int.Recv. Ending Balance	Interest Received To Date	Interest Bal. to Maturity	
Local Agency Investment Fund (L.A.I.F.)	\$ 33,844,404.23		\$ (1,000,000.00)	\$ 32,844,404.23	100.00%	81.31%	\$ 32,844,404	\$ 32,864,808	N/A	N/A	0.614%	Q	N/A	31	\$ 16,901.80	\$ 17,127.68		\$ 34,029.48	\$ 46,701.31	N/A
<b>Cash &amp; Gov't Securities (Custodian-BNY Bank)</b>																				
Fed. Farm Credit Bank (FFCB) Fixed	1,500,000.00			1,500,000.00	27.27%	3.71%	1,500,000	1,500,195	11/30/18	821	1.340%	S	59,859	31	3,359.17	1,707.12		5,066.29	10,050.00	49,809
Fed. Nat'l Mtg. Assoc. (FNMA) Fixed	2,000,000.00			2,000,000.00	36.36%	4.95%	2,000,000	2,004,220	05/25/21	1,728	1.750%	S	175,096	31	8,821.91	2,972.60		11,794.51	-	175,096
Fed. Home Loan Mortgage (FHLMC)	2,000,000.00			2,000,000.00	36.36%	4.95%	2,000,000	1,999,540	03/30/18	576	1.000%	S	49,973	31	6,739.73	1,698.63		8,438.36	10,000.00	39,973
Subtotal-Gov't Securities	5,500,000.00	-	-	5,500,000.00	100.00%	13.62%	5,500,000	5,503,955			1.366%		284,928		18,920.81	6,378.35	-	25,299.16	20,050.00	264,878
<b>Corporate Notes</b>																				
Wells Fargo Bank	2,031,100.00			2,031,100.00	100.00%	5.03%	2,000,000	2,020,660	05/24/19	996	1.750%		100,110	31	1,534.25	(2,050.12)		(515.87)	-	-
Subtotal-Corporate Notes	2,031,100.00	-	-	2,031,100.00	100.00%	5.03%	2,000,000	2,020,660			2.150%		100,110		1,534.25	(2,050.12)	-	(515.87)	-	-
Investment Contract (Bayerische Landesbank)				-		0.00%	0	0			S	-		-	-	-	-	-	-	-
<b>Investments under the management of contracted parties:</b>																				
<b>Trustee: U.S. Bank</b>																				
<b>1997 COP</b>																				
Treasury Obligations - Lease Payment	-	12,565,000.00	(12,565,000.00)	-	0.00%	0.00%	0	0	N/A	N/A	0.000%	M	N/A	31	-	-	-	-	2,873.71	N/A
Treasury Obligations	-	265,090.72	(265,090.72)	-	0.00%	0.00%	0	0	N/A	N/A	0.000%	M	N/A	31	-	-	-	-	-	-
<b>2002 COP</b>																				
First American Treasury D - Lease Pmt	0.16	2,465,118.66	(2,465,118.66)	0.16	0.00%	0.00%	0	0	N/A	N/A	0.003%	M	N/A	31	-	-	-	-	4,760.72	N/A
First American Treasury D - Improvement	-	-	-	-	0.00%	0.00%	0	0	N/A	N/A	0.000%	M	N/A	31	-	-	-	-	152,311.90	N/A
<b>2002 RDA TABs</b>																				
First American Treasury D - Interest	0.70	201,604.87	(201,605.57)	-	0.00%	0.00%	0	0	N/A	N/A	0.003%	M	N/A	31	-	-	-	-	3,755.22	N/A
First American Treasury D - Reserve	1,150,657.68	5.64	(1,150,657.68)	5.64	0.03%	0.00%	6	6	N/A	N/A	0.006%	M	N/A	31	-	5.64	5.64	-	154,388.52	N/A
First American Treasury D - Principal	0.31	8,510,000.00	(8,510,000.31)	-	0.00%	0.00%	0	0	N/A	N/A	0.002%	M	N/A	31	-	-	-	-	2,616.89	N/A
First American Treasury D - Redevelop	-	-	-	-	0.00%	0.00%	0	0	N/A	N/A	0.000%	M	N/A	31	-	-	-	-	4,081.34	N/A
<b>2005 RDA TABs</b>																				
First American Treasury D - Interest	-	212,742.18	(212,742.18)	-	0.00%	0.00%	0	0	N/A	N/A	0.000%	M	N/A	31	-	-	-	-	2,226.96	N/A
First American Treasury D - Reserve	-	10,870,000.00	(10,870,000.00)	-	0.00%	0.00%	0	0	N/A	N/A	0.000%	M	N/A	31	-	-	-	-	623.73	N/A
First American Treasury D - Principal	-	-	-	-	0.00%	0.00%	0	0	N/A	N/A	0.001%	M	N/A	31	-	-	-	-	111,418.63	N/A
First American Treasury D - Reserve	1,154,236.29	-	(1,154,236.29)	-	0.00%	0.00%	0	0	N/A	N/A	0.000%	M	N/A	31	-	-	-	-	-	N/A
Trustee: BNY Mellon																				
2016 Lease Revenue COI	-	182,922.32	(177,591.50)	5,330.82	29.33%	0.01%	5,331	5,331	N/A	N/A	0.000%		N/A	31	-	-	-	-	-	N/A
2016 TAB Refunding COI	-	216,949.33	(204,113.00)	12,836.33	70.63%	0.03%	12,836	12,836	N/A	N/A	0.000%		N/A	31	-	-	-	-	-	N/A
Subtotal-Trust A/C	2,304,895.14	35,489,433.72	(37,776,155.91)	18,172.95	100.00%	0.04%	18,173	18,173			N/A	N/A	-		5.64	5.64	-	439,057.61	-	-
Total Portfolio	\$ 43,680,399.37	\$ 35,489,433.72	\$ (37,776,155.91)	\$ 40,393,677.18		100.00%	\$ 40,362,577	\$ 40,407,596			Wgt Avg**	0.745%	\$ 385,038		\$ 37,356.86	\$ 21,461.55	\$ 5.64	\$ 58,812.77	\$ 505,808.92	\$ 264,878

Investment Portfolio Increased / (Decreased) by: \$ (3,286,722.19)

Weighted Average to Maturity = 194.9 Days

Note:	Month	Portfolio Balance		% of Total Cash Invested		Month	Wgt Avg	Rate/Annual Yield		Actual Interest Earned		Actual Interest Received	
		FY 16-17	FY 15-16	FY 16-17	FY 15-16			FY 16-17	FY 15-16	FY 16-17	FY 15-16		
S - Semi-Annual	July	\$ 43,680,399	\$ 37,670,072	93.04%	95.78%	July	Wgt Avg	0.671%	0.415%	\$ 24,819	\$ 13,268	\$ 46,706	\$ 20,071
Q - Quarterly	August	40,393,677	35,670,878	96.67%	89.78%	August	Wgt Avg	0.745%	0.408%	21,462	12,516	6	10,318
M - Monthly	September		35,247,357		94.65%	September	Wgt Avg		0.341%		9,550		6,568
	October		33,195,877		93.33%	October	Wgt Avg		0.413%		11,634		24,996
	November		33,195,882		91.10%	November	Wgt Avg		0.426%		11,635		5
	December		33,195,890		93.30%	December	Wgt Avg		0.476%		12,721		8
	January		37,220,681		92.07%	January	Wgt Avg		0.517%		16,347		24,792
	February		38,220,687		94.67%	February	Wgt Avg		0.530%		15,909		5
	March		37,520,138		92.13%	March	Wgt Avg		0.467%		14,933		19,784
	April		40,254,803		90.31%	April	Wgt Avg		0.552%		18,274		34,114
	May		43,354,808		97.32%	May	Wgt Avg		0.629%		23,744		10,055
31-Aug-16	June		45,602,593		97.45%	June	Wgt Avg		0.642%		21,124		5
31	Average	\$ 42,037,038	\$ 37,537,472	Average 94.86%	Average 93.49%	Average		0.708%	0.485%	\$ 46,281	\$ 181,655	\$ 46,712	\$ 150,719

Per Governmental Code requirements, this schedule of Investments complies with the City of Campbell's Investment Policy, and there are adequate funds available to meet the budgeted expenditures for the next six months.

\* Market prices are obtained from the monthly investment statements of the various institutions or the City's third-party custodian, BNY Mellon Bank.

## Cash Flow Projection for the Month of November 2016

Date	Revenue Description	Receipt Amount	Date	Expenditure Description	Payment Amount
1	Community Center Leases/Rentals	\$ 200,000	1	Outstanding Checks	\$ 550,000
7	Environmental Services Fees	33,000	7	Bills & Claims	350,000
7	Franchise Fees	280,000	14	Bills & Claims	250,000
14	Property Taxes	1,100,000	21	Bills & Claims	950,000
14	Other Taxes	50,000	28	Bills & Claims	450,000
14	Licenses and Permits	150,000	3	Payroll	685,000
14	Fines/Forfeitures/Penalties	30,000	17	Payroll	675,000
21	Investment Interest	45,000	10	CalPers Health Insurance Payment	150,000
21	Motor Vehicle in Lieu	-	30	CalPers Retirement Funding	150,000
21	Highway Users Tax	-			
21	Intergovernmental	100,000			
21	Charges for Current Services	200,000			
28	Sales & Use Tax (incl. Meas.O)	1,000,000			
28	Park Dedication Fees	10,000			
31	Transient Occupancy Tax (monthly)	400,000			
31	Miscellaneous Receipts	20,000			
	<b>Sub-total (Receipts)</b>	<b>3,618,000</b>		<b>Sub-total (Expenditure)</b>	<b>4,210,000</b>
	<b>Amount expected to be withdrawn from Investments to cover this month's expenditures.</b>	<b>592,000</b>		<b>Amount of expected revenue available for investment.</b>	<b>-</b>
	<b>Total</b>	<b>\$ 4,210,000</b>		<b>Total</b>	<b>\$ 4,210,000</b>

**Note:**

The approximately \$32.8 million invested with the Local Agency Investment Fund (see Exhibit I) is highly liquid and available on any business day. It, therefore, can be reasonably estimated that sufficient funds are readily available to cover normal expenditures for the subsequent six-month period. More specifically, the monthly cash flow projection reflects that sufficient funds are available to meet the anticipated expenditures for the month.

## Actual Receipts &amp; Disbursements for the Month of August 2016

Fund / Account	Revenue Description	Receipt Amount	Date	Expenditure Description	Payment Amount
4810, 4819	Community Center/Dev. Leases/Rentals	\$ 228,418	1	Outstanding Checks as of 7/31/2016	\$ 531,385
F209, 4720, 21, 22, 24	Environmental Services Fees	36,489	1	Bills & Claims	320,788
4120-4125	Franchise Fees	108,073	8	Bills & Claims	96,559
40XX, 4153	Property Taxes	48,291	15	Bills & Claims	227,435
4151,4152,4155	Other Taxes	176,927	22	Bills & Claims	969,470
42XX	Licenses and Permits	624,681	29	Bills & Claims	197,976
43XX	Fines/Forfeitures/Penalties	22,182	31	Bills & Claims-manual & voided checks	298
4410,4431, 4450	Investment Interest	-	2	U S Bank Trust - debt refinance	1,378,618
4580	Motor Vehicle in Lieu	-	11	Bills & Claims-PR vendors' checks	258,109
4586	Highway Users Tax	-	25	Bills & Claims-PR vendors' checks	260,977
other 45XX	Intergovernmental--Other	769,227	11	Payroll	727,162
4510-4516	Intergovernmental--Gas Taxes	158,398	25	Payroll	693,417
4571, 4572	Intergovernmental--VTA Meas. B	-	9	Calpers Insurance Payment	152,148
4590,4591,4592 F333	Intergovernmental--Successor Agency	-	11	CalPers 2016 CERBT annual payment	455,000
46XX-47XX, excl 4725	Charges for Current Services	588,915	31	Calpers Pension Payment	150,917
4110-4115	Sales & Use Tax (incl. Meas.O)	1,311,911	31	Calpers GASB 68 fees	1,950
F295,4920	Park Dedication Fees	33,427			
4150	Transient Occupancy Tax (monthly)	534,274			
48XX-49XX, excl F798	Miscellaneous Receipts	13,884			
F366,368,4450,4966	Miscellaneous Receipts (from RDA)	-			
F207,236,367exc237,5XXX	Special Assessment	26			
	<b>Sub-total (Receipts)</b>	<b>4,655,123</b>		<b>Sub-total (Expenditure)</b>	<b>6,422,209</b>
	<b>Amount withdrew from Investments to cover this month's expenditures.</b>	<b>1,767,086</b>		<b>Amount of expected revenue available for investment.</b>	<b>-</b>
	<b>Total</b>	<b>\$ 6,422,209</b>		<b>Total</b>	<b>\$ 6,422,209</b>



# City Council Report

Item: 4.  
Category: Consent Calendar  
Meeting Date: October 4, 2016

**TITLE: Acceptance of Donations from the Campbell Police Foundation**

## RECOMMENDATION

It is recommended that the City Council accept donations in the aggregate amount of \$7,040.42 from the Campbell Police Foundation for equipment, supplies, and support for the Campbell Police Department.

## BACKGROUND

The Campbell Police Foundation is an independent 501(c)(3) non-profit organization led by a group of dedicated community members who have created a partnership with the Police Department. From essential equipment, to specialized training, and innovative programs that would otherwise be unfunded, the support provided by the Foundation directly improves public safety and supports the Police Department's mission.

## DISCUSSION

In FY 2015/16, the Campbell Police Foundation donated the following items to the Campbell Police Department:

Donation	Description	Cost
LIDAR Unit	Laser speed measurement device used for traffic enforcement.	\$2,842.06
Fatal Vision Alcohol/Marijuana Goggles	Alcohol and Marijuana simulation kits for demonstrating the impairment caused by the use of both substances.	\$1,491.38
Marketing Materials	Event tent, vinyl banner, and pad folios with Campbell PD branding.	\$1,506.98
Cop Cards	Custom Police Officer trading cards	\$1,200.00
	<b>TOTAL</b>	<b>\$7,040.42</b>

**FISCAL IMPACT**

There is no negative fiscal impact to the City.

Prepared by:

  
\_\_\_\_\_  
Dan Livingston, Sergeant

Reviewed by:

  
\_\_\_\_\_  
David Carmichael, Chief of Police

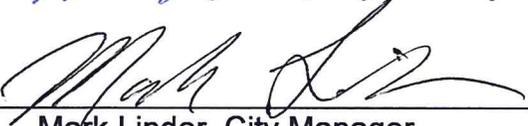
Reviewed by:

  
\_\_\_\_\_  
Jesse Takahashi, Finance Director

Reviewed by:

  
\_\_\_\_\_  
William Seligmann, City Attorney

Approved by:

  
\_\_\_\_\_  
Mark Linder, City Manager



# City Council Report

Item: 5.  
Category: Consent Calendar  
Meeting Date: October 4, 2016

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**TITLE:** Authorize Issuance of a Request for Qualifications (RFQ) for an Energy Efficiency Investment Grade Audit for City Buildings / Utilities and Equipment (Resolution/Roll Call Vote)

## RECOMMENDATION

That the City Council adopt the attached resolution:

1. Authorizing the Public Works Department to issue a Request for Qualifications (RFQ) for an Energy Efficiency Investment Grade Audit for City facilities and utilities.

## BACKGROUND

In 2009, the City received a block grant of \$163,700 from the American Recovery and Reinvestment Act. \$40,000 of the grant was used to perform an energy audit that identified opportunities to improve the City's energy use. As part of this audit, all of the City buildings and street lights, in addition to some solar projects, were identified as opportunities for energy savings. Since 2009, Public Works Maintenance has performed a limited number of energy saving projects, including upgrades to building lighting, LED street lighting, and HVAC upgrades. Projects related to lighting have used PG&E programs and incentives to help pay for the cost of the upgrades.

Additional energy saving projects can be identified through the process of an energy audit conducted by an Energy Service Company (ESCO). Over the past few years, Campbell's Public Works Department has been approached by several ESCO's who have examined the City's energy consumption associated with the operation of its facilities and utilities, and have identified potential projects that would provide energy conservation and savings. All of the ESCO's have proposed to perform an Investment Grade Audit (IGA), which provides a comprehensive analysis of the City's energy use, with a focus on energy efficiency improvements, funding sources, and the return on investment from the various projects.

With the information gathered through an IGA, an ESCO will develop the scope and design of relevant energy efficiency projects. The ESCO will also manage obtaining financing (if needed), bidding out to contractors, and installing the energy efficiency improvements for the City. The construction of the projects and the ESCO's project management services are both built into the total project costs and paid for by the savings accumulated from increased energy efficiency.

The IGA requires significant investment of ESCO resources and so it may require advance payment for the IGA by the City; depending on the individual ESCO's proposal. Some proposals may not require any advance payment by the City for the IGA, rather payment may be proposed to be financed by the savings gathered through

reductions in energy use, provided that the same ESCO that conducts the IGA manages the resultant energy projects.

If the projects do not provide returns on the investment, the ESCO can be held responsible to pay the difference (also referred to as an energy savings guarantee). These ESCO projects identified during an IGA typically have seven to twenty year payback periods.

## **DISCUSSION**

An IGA conducted by an ESCO for the City of Campbell is expected to identify energy efficiency projects that will lead to reductions in annual energy costs. By using the same ESCO for the IGA and the energy savings projects, the City may not have to pay for the IGA in advance. Instead, if the City of Campbell completes these energy efficiency projects using the ESCO that conducted the IGA, then the cost of the IGA may be added to the total project costs and funded by the savings accrued through reduced energy usage. It is estimated that an IGA may cost up to \$35,000 if payment is required prior to completion of any energy projects – depending on the accepted proposal. If advance payment is required by the accepted proposal, staff will return to Council for a Budget Appropriation action.

The hiring of an ESCO to perform an IGA will assist the City with:

- Completing a comprehensive energy audit and resultant energy savings recommendations.
- Evaluating a range of energy efficiency and solar installation options, financing alternatives, and projected cost savings on a detailed and objective basis.
- Obtaining the best path for financing and implementation of the projects.
- Determining how, when, and where we use energy and better ways to manage our energy use and costs.
- Reducing energy consumption.
- Evaluating solar energy installations for covered parking.
- Developing financing recommendations particularly as they relate to retrofits and replacements.

The proposed areas of interest include:

- Streetlight replacement.
- Replacement of an Energy Management System at the Community Center and City Hall.
- Solar parking structures at various City facilities.
- Upgrade of the aged HVAC equipment and lighting at various City Facilities.
- Water conservation.

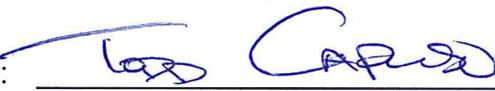
**FISCAL IMPACT**

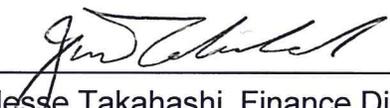
The fiscal impact of a professional services agreement with an ESCO for completion of an IGA will not exceed \$35,000. If advance payment is required prior to any project delivery, staff will request a budget appropriation from the CIPR. There is potential for the cost of this IGA to be incorporated into the total cost of the energy saving projects and financed by the savings accumulated through reductions in energy consumption if the City chooses the same ESCO to both conduct the IGA and implement the projects. However, if the City does not move forward with any of the identified energy savings projects or terminates the ESCO agreement prior to completing the related energy conservation work, the selected ESCO firm would need to be compensated for the work required to prepare the IGA.

**ALTERNATIVES**

1. Do not approve the request for issuance of the RFQ.
2. Change the focus of the RFQ.
3. Provide other direction to staff.

Reviewed by:   
Alex Mordwinow, Public Works Superintendent

Reviewed by:   
Todd Capurso, Public Works Director

Reviewed by:   
Jesse Takahashi, Finance Director

Approved by:   
Mark Linder, City Manager

Attachment: Resolution

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAMPBELL AUTHORIZING THE ISSUANCE OF A REQUEST FOR QUALIFICATIONS FOR AN INVESTMENT GRADE AUDIT FOR CITY FACILITIES AND UTILITIES**

**WHEREAS**, in 2009 the City received a block grant from the American Recovery and Reinvestment Act and used \$40,000 to perform an Energy study for ways to improve the City's energy use; and

**WHEREAS**, all of the City buildings, street lights and some solar projects were identified for improvement; and

**WHEREAS**, since 2009, Public Works Maintenance has performed a limited number of energy saving projects, including upgrades to building lighting, LED street lighting, and HVAC upgrades with projects related to lighting using PG&E programs and incentives to help pay for the cost of the upgrades; and

**WHEREAS**, greater funding can now be attained through the process of an Investment Grade Audit (IGA) conducted by an Energy Service Company (ESCO); and

**WHEREAS**, staff has prepared a Request for Qualifications to select a consultant to prepare an Investment Grade Audit for City facilities and utilities:

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Campbell authorizes the Public Works Department to issue a Request for Qualifications (RFQ) for an Energy Efficiency Investment Grade Audit for City Buildings/Utilities and Equipment.

**PASSED AND ADOPTED** this 4<sup>th</sup> day of October 2016, by the following roll call vote:

AYES: Councilmembers:

NOES: Councilmembers:

ABSENT: Councilmembers:

APPROVED:

\_\_\_\_\_  
Jason T. Baker, Mayor

ATTEST:

\_\_\_\_\_  
Wendy Wood, City Clerk



# *City Council Report*

Item: 6.  
Category: Consent Calendar  
Meeting Date: October 4, 2016

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**TITLE:** Approval of Third Amendment to Agreement Providing for Implementation of the Santa Clara Valley Urban Runoff Pollution Prevention Program (Resolution/Roll Call Vote)

## **RECOMMENDATION**

That the City Council adopt the attached resolution authorizing the Public Works Director to execute the Third Amendment to the Agreement Providing for Implementation of the Santa Clara Valley Urban Runoff Pollution Prevention Program.

## **BACKGROUND**

In May, 1990, the City of Campbell, twelve other cities in Santa Clara County, the County of Santa Clara, and the Santa Clara Valley Water District (District) entered into a Memorandum of Agreement (Agreement) to jointly apply for and implement National Pollutant Discharge Elimination System (NPDES) Storm Water Permits issued by the State of California Regional Water Quality Control Board (RWQCB). The Agreement outlined area-wide programs for cohesive program planning, water quality monitoring, public outreach and education. The term of the Agreement was five years with an automatic renewal provision upon approval of the co-permittees. In 1995, the co-permittees approved the renewal of the Agreement for another five years.

On December 7, 1999, the City Council authorized execution of a revised Agreement which joined the co-permittees under the program title of Santa Clara Valley Urban Runoff Pollution Prevention Program (SCVURPPP). The revised Agreement had a term of five years with an expiration date of March 10, 2005.

On December 7, 2004, the City Council authorized the Public Works Director to execute the First Amendment to the Agreement entered into in 1999. This amendment provided for another five year extension of the Agreement.

On January 17, 2006, the City Council authorized the Public Works Director to execute the Second Amendment to the Agreement entered into in 1999. This amendment provided for the extension of the Agreement until one year after the termination date of the next NPDES permit (approximately seven years) with the cost sharing allocations for the co-permittees to remain the same.

**DISCUSSION**

The co-permittees are now presenting a Third Amendment which will again extend the termination date of the Agreement until one year after the current NPDES permit (approximately five years) with the cost sharing allocations for the co-permittees to remain the same. There are no other changes to the Agreement.

The proposed Third Amendment to the MOA is attached for Council's reference. The attached resolution authorizes the Public Works Director to execute the Third Amendment for the continued implementation of the SCVURPPP.

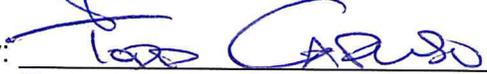
**FISCAL IMPACT**

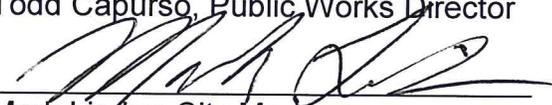
There are no increased costs associated with approval of the Third Amendment to the Agreement. Costs associated with the City of Campbell's share of Santa Clara Valley Urban Runoff Pollution Prevention Program activities are included in the Operating Budget.

**ALTERNATIVE**

Do not authorize approval of the Third Amendment to the Agreement. This action is not recommended because the City would have to carry out program activities independently and in a manner less cost effective than joining with the other co-permittees.

Prepared by:   
Bill Helms, Executive Project Manager

Reviewed by:   
Todd Capurso, Public Works Director

Approved by:   
Mark Linder, City Manager

- Attachments: 1. Resolution  
2. Third Amendment to MOA

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAMPBELL  
AUTHORIZING THE PUBLIC WORKS DIRECTOR TO EXECUTE THE THIRD  
AMENDMENT TO THE AGREEMENT FOR THE CONTINUED IMPLEMENTATION  
OF THE SANTA CLARA VALLEY URBAN RUNOFF  
POLLUTION PREVENTION PROGRAM**

**WHEREAS**, in 1990, the San Francisco Bay Regional Water Quality Control Board (RWQCB) issued a National Pollutant Discharge Elimination System (NPDES) storm water permit (CASO29718), Order No. 95-180 for the municipalities in Santa Clara County and the Santa Clara Valley Water District as co-permittees that discharge storm water to San Francisco Bay; and

**WHEREAS**, the aforesaid NPDES permit has been reissued to the co-permittees at approximate five-year intervals since; and

**WHEREAS**, in 1999, the City Council authorized the Public Works Director to execute an Agreement providing for the implementation of the Santa Clara Valley Urban Runoff Pollution Prevention Program (SCVURPPP) to provide for the orderly and systematic compliance with the area-wide provisions of the NPDES storm water permit; and

**WHEREAS**, in 2004, the City Council authorized the Public Works Director to execute a First Amendment to the Agreement providing for a five-year extension of the agreement; and

**WHEREAS**, in 2006, the City Council authorized the Public Works Director to execute a Second Amendment to the Agreement providing for another extension of the Agreement for approximately seven years, terminating one year after expiration of the active NPDES permit; and

**WHEREAS**, a Third Amendment to the Agreement has been prepared in cooperation with all parties involved; and

**WHEREAS**, the co-permittees have agreed to continue using the same funding scheme with a revised renewal date for the Agreement defined as one year from the termination date of the next NPDES Permit, generally reissued every five years.

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Campbell authorizes the Public Works Director to execute the Third Amendment to the Agreement providing for the continued implementation of the Santa Clara Valley Urban Runoff Pollution Prevention Program and extending the term of the Agreement to one year after the termination date of the next NPDES permit or until such time that any one of the co-permittees decides to terminate their participation in the Agreement and provides a 30 day notice to the other co-permittees.

**PASSED AND ADOPTED** this 4<sup>th</sup> day of October, 2016, by the following roll call vote:

AYES:           COUNCILMEMBERS:  
NOES:           COUNCILMEMBERS:  
ABSENT:        COUNCILMEMBERS:

APPROVED:

\_\_\_\_\_  
Jason T. Baker, Mayor

ATTEST:

\_\_\_\_\_  
Wendy Wood, City Clerk

**THIRD AMENDMENT TO AGREEMENT  
PROVIDING FOR IMPLEMENTATION OF  
THE SANTA CLARA VALLEY URBAN RUNOFF  
POLLUTION PREVENTION PROGRAM**

THIS THIRD AMENDMENT TO AGREEMENT PROVIDING FOR IMPLEMENTATION OF THE SANTA CLARA VALLEY URBAN RUNOFF POLLUTION PREVENTION PROGRAM (the "Amendment") is entered into by and between the SANTA CLARA VALLEY WATER DISTRICT, a local public agency of the State of California ("District"); CITY OF CAMPBELL, a municipal corporation of the State of California; CITY OF CUPERTINO, a municipal corporation of the State of California; CITY OF LOS ALTOS, a municipal corporation of the State of California; TOWN OF LOS ALTOS HILLS, a municipal corporation of the State of California; TOWN OF LOS GATOS, a municipal corporation of the State of California; CITY OF MILPITAS, a municipal corporation of the State of California; CITY OF MONTE SERENO, a municipal corporation of the State of California; CITY OF MOUNTAIN VIEW, a municipal corporation of the State of California; CITY OF PALO ALTO, a municipal corporation of the State of California; CITY OF SAN JOSE, a municipal corporation of the State of California; CITY OF SANTA CLARA, a municipal corporation of the State of California; CITY OF SARATOGA, a municipal corporation of the State of California; CITY OF SUNNYVALE, a municipal corporation of the State of California; and COUNTY OF SANTA CLARA, a political subdivision of the State of California.

All of the above-mentioned entities are hereinafter collectively referred to as "Parties" or individually as "Party."

**RECITALS**

A. The Parties previously entered into that certain Agreement Providing For Implementation of the Santa Clara Valley Urban Runoff Pollution Prevention Program (the "Agreement" or "MOA") pursuant to which the Parties established certain terms and conditions relating to the implementation and oversight of the Santa Clara Valley Urban Runoff Pollution Prevention Program (the "Program"), including a cost sharing allocation, which was appended thereto as Exhibit A. A copy of the Agreement, including Exhibit A, is attached hereto as Appendix 1. Unless otherwise set forth herein, all terms shall have the meaning set forth in the Agreement;

B. The Agreement originally provided for a five-year term, which, based on its execution, was set to conclude on or about March 10, 2005. However, on or about February 20, 2005, the Parties unanimously entered into a First Amendment to the Agreement (attached hereto as Appendix 2), which extended the term of the Agreement by one additional year;

C. The Parties thereafter unanimously entered into a Second Amendment to the Agreement (attached hereto as Appendix 3), which extended the term of the amended

Agreement by “one fiscal year beyond the termination date of the (then) next NPDES Permit issued to the Parties, including any administrative extension of the (then) next NPDES Permit’s term which occurred pursuant to the NPDES regulations.” The next NPDES permit applicable to the Parties (and others) was subsequently adopted the California Regional Water Quality Control Board, San Francisco Bay Region (“RWQCB SFBR”) on October 14, 2009 and was known as the Municipal Regional Permit (“MRP”) because it covered numerous public agencies in the San Francisco Bay Region in addition to the Parties;

D. The MRP was then administratively extended until a new NPDES Permit applicable to the Parties (and the other public entities in the San Francisco Bay Region) was adopted by the California Regional Water Quality Control Board, San Francisco Bay Region, on November 19, 2015 (“MRP 2.0”). MRP 2.0 became effective on January 1, 2016 and, unless subject to an administrative extension, is scheduled to terminate on December 31, 2020;

E. The Parties expect to utilize the Program to continue to represent their interests relative to MRP 2.0 (including with respect to an administrative appeal of its adoption that is currently pending before the State Water Resources Control Board), to help them effectuate certain aspects of compliance with MRP 2.0, and, beyond that, in negotiating the terms of a further renewed NPDES Permit when MRP 2.0 nears the end of its anticipated five-year term and any administrative extension provided thereto;

F. The Parties also expect to continue to utilize the Program’s preferred approach of achieving consensus to resolve issues and reach decisions, and to rely on the Majority Vote mechanism set forth in Section 2.08 of the Agreement at the Management Committee level only when consensus-based resolutions appear or become elusive;

G. The Parties now desire to update the amended Agreement and further extend the term of the MOA as set forth below;

H. Section 7.02 of the MOA provides that it may be amended by the unanimous written agreement of the Parties and that all Parties agree to bring any proposed amendments to their Council or Board, as applicable, within three (3) months following acceptance by the Management Committee; and

I. The Program’s Management Committee accepted this Amendment for referral to the Parties’ Councils and/or Boards at its meeting on August 18, 2016.

**NOW, THEREFORE, THE PARTIES HERETO FURTHER AGREE AS FOLLOWS:**

1. Recognition of Current Permit. Recital F of the Agreement, as previously amended, is hereby further amended by the addition of the following subsections:

6. Order No. R2-2009-0074 (the Municipal Regional Permit, NPDES Permit CAS612008); adopted, October 14, 2009 and amended by the RWQCB SFBR on November 28, 2011;

7. Order No. R2-2015-0049 (MRP 2.0, NPDES Permit CAS612008); adopted by the RWQCB SFBR on November 19, 2015.

2. Extension of Term of Agreement. Sections 6.02 and 6.02.01 of the Agreement, as previously amended, are hereby replaced as follows:

This Agreement shall have a term extending one fiscal year beyond the date of termination of MRP 2.0; such termination date shall, however, be deemed to include any administrative extension of MRP 2.0 which occurs or arises pursuant to the NPDES regulations or any modification of the MRP 2.0 termination date that arises from an NPDES permitting action undertaken by the RWQCB SFBR or California State Water Resources Control Board.

3. Superseding Effect. This Third Amendment of the Agreement shall supplement the Second Amendment of the Agreement and supersede any conflicting provisions of the Second Amendment of the Agreement.

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THIRD AMENDMENT TO AGREEMENT  
PROVIDING FOR IMPLEMENTATION OF  
THE SANTA CLARA VALLEY URBAN RUNOFF  
POLLUTION PREVENTION PROGRAM

**IN WITNESS WHEREOF**, the Parties have executed this Third Amendment effective as of the last date indicated below or December 19, 2016, whichever arises earlier.

***Santa Clara Valley Water District:*** By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

***County of Santa Clara:*** By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**City of     Campbell    :** By: \_\_\_\_\_  
Name: Todd Capurso  
Title: Director of Public Works  
Date: \_\_\_\_\_

## **Appendix 1**

Agreement Providing For Implementation  
of the Santa Clara Valley Urban Runoff  
Pollution Prevention Program  
as fully executed as of March 10, 2000

THIRD AMENDMENT TO AGREEMENT  
PROVIDING FOR IMPLEMENTATION OF  
THE SANTA CLARA VALLEY URBAN RUNOFF  
POLLUTION PREVENTION PROGRAM

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# City Council Report

Item: 7.  
Category: Consent Calendar  
Meeting Date: October 4, 2016

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**TITLE: Approve Temporary Closure of East Campbell Avenue and Fee Waiver Request for the Downtown Campbell Business Association's Creepy Crawly Halloween Event (Resolution/Roll Call Vote)**

## **RECOMMENDATION**

It is recommended that the City Council approve the temporary closure of East Campbell Avenue and fee waiver request for the Downtown Campbell Business Association's Creepy Crawly Halloween event.

## **BACKGROUND**

For the past several years, the Downtown Campbell Business Association (DCBA) has offered Creepy Crawly, a family-friendly trick-or-treating opportunity on the Friday evening prior to Halloween. This event has grown in popularity and for the past several years the DCBA has provided event security to assist specifically with pedestrian safety. Despite the efforts of the event organizer to address safety concerns, both the DCBA and City staff have determined that a street closure of East Campbell Avenue from Third Street to Railway Avenue is necessary during the Creepy Crawly Halloween event.

## **DISCUSSION**

In order not to impact the Downtown with an additional street closure, the DCBA has moved the date of the Creepy Crawly Halloween event to Sunday, October 30, 2016 so that the street closure already in place for the Farmers Market can be utilized. The Creepy Crawly Halloween event will be held from 4:00 p.m. to 7:00 p.m. The street closure would continue after the Farmers Market concludes at approximately 2:00 p.m. and the streets would reopen at 8:00 p.m.

City Council has previously recognized the significance of providing assistance and other City support for downtown special events, parades, and celebrations that benefit the broader Campbell community. The Creepy Crawly Halloween event is similar in nature to the Bunnies and Bonnets Parade as it is a free event run by volunteers which builds community comradery.

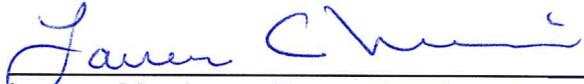
The DCBA is requesting that the fees associated with the proposed street closure be waived. Per the Special Event Fee Waiver Policy, community spirit (non-fundraising) events are eligible for a fee waiver of 100% of the City fees and 100% of staff costs. The Creepy Crawly Halloween event would fall into the community spirit category.

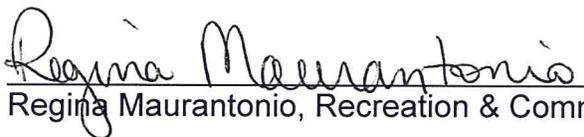
**FISCAL IMPACT**

Should Council approve a fee waiver for the event, the City would not collect approximately \$2,435. This amount includes \$1,439 in staffing costs for Police and Public Works and \$996 in special event fees.

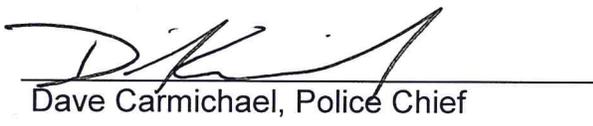
**ALTERNATIVES**

1. Deny the street closure and fee waiver requests.
2. Provide different direction to staff.

Prepared by:   
Lauren Merriman, Recreation Supervisor

Reviewed by:   
Regina Maurantonio, Recreation & Community Services Director

Reviewed by:   
Jesse Takahashi, Finance Director

Reviewed by:   
Dave Carmichael, Police Chief

Reviewed by:   
Todd Capurso, Public Works Director

Approved by:   
Mark Linder, City Manager

- Attachments:**
- 1 – Resolution
  - 2 – Letter from Downtown Campbell Business Association
  - 3 -- Event Application

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAMPBELL  
TO APPROVE THE TEMPORARY CLOSURE OF EAST CAMPBELL AVENUE AND  
FEE WAIVER REQUEST FOR THE DOWNTOWN CAMPBELL BUSINESS  
ASSOCIATION’S CREEP CRAWLY HALLOWEEN EVENT**

WHEREAS, for the past several years the Downtown Campbell Business Association (DCBA) has hosted a family-friendly trick-or-treating event called Creepy Crawly; and

WHEREAS, due to the event’s increase in popularity pedestrian safety has become more challenging necessitating a street closure for safety; and

WHEREAS, the DCBA has moved the event date and time to coordinate with the street closure for the Farmers Market; and

WHEREAS, the City of Campbell supports downtown special events, parades and celebrations that benefit the broader community; and

WHEREAS, the City of Campbell’s Special Event Fee Waiver Policy allows that community spirit non-fundraising events are eligible for fee waivers for City fees and staff costs;

NOW, THEREFORE, BE IT RESOLVED that the City Council approves the temporary closure of East Campbell Avenue and fee waiver request for the DCBA’s Creepy Crawly Halloween Event.

PASSED AND ADOPTED this 4<sup>th</sup> day of October, 2016 by the following roll call vote:

AYES: Councilmembers:

NOES: Councilmembers:

ABSENT: Councilmembers:

APPROVED:

\_\_\_\_\_  
Jason T. Baker, Mayor

ATTEST:

\_\_\_\_\_  
Wendy Wood, City Clerk

City Council  
City of Campbell  
70 N First Street  
Campbell, CA 95008

Downtown Campbell Business Association  
PO Box 673  
Campbell, CA 95009

September 14, 2016

Re: Special Events Fee Waiver for Creepy Crawly

To Honorable Mayor and Campbell City Council Members:

The Downtown Campbell Business Association (DCBA) requests a Fee Waiver for the 2016 Creepy Crawly event to be held on Sunday, October 30, 2016 from 4:00 PM to 7:00 PM, closing the streets in the Campbell Downtown District.

The DCBA is a non-profit organization comprised of volunteers from the Downtown Campbell Business District, whose goal is to enhance the local business, residential and social community.

One manner in which we enhance our community is through events, like Creepy Crawly. The DCBA has been organizing Creepy Crawly for many years now with the help from volunteers from organizations, like Home Church, The Campbell Rotary, Delphi Academy and the Campbell Recreation and Parks Program among others. The purpose of this event is to help families connect with our Downtown with the help of the Downtown businesses offering candy to trick-or-treaters.

The popularity of Creepy Crawly has grown year after year. So much so, that a street closure is required for public safety. The event is made possible solely by community volunteers; there is no financial revenue from sales of products or services during this event. A Fee Waiver will ensure that the local and greater community can safely celebrate Halloween and our community in Downtown Campbell. Thank you for your consideration for a fee waiver.

Sincerely,



Chris Yamashita  
Vice President  
Downtown Campbell Business Association

City of Campbell  
Special Events Application

Attachment 3

Event Title: Creepy Crawly

Type of Event:  Festival  Run  Walk  Athletic Event  Other (Specify Below)

Specify: Trick-or-Treating

Event Date/Times:

Setup Start Day/Date Sunday, Oct. 30, 2016 Start Time 2:00 AM/PM PM

Event Start Day/Date Sunday, Oct. 30, 2016 Start Time 4:00 AM/PM PM

Event End Day/Date Sunday, Oct. 30, 2016 End Time 7:00 AM/PM PM

Cleanup End Day/Date Sunday, Oct. 30, 2016 End Time 8:00 AM/PM PM

Estimated Attendance 2,000 Admission Charged?  Yes  No

Alcoholic Beverages Served?  Yes  No If Yes List the Types: \_\_\_\_\_

Facility Requested/Event Location: (Please list a specific facility or street names where the event will be held)

East Campbell Ave., Central Ave., 1<sup>st</sup> St., 2<sup>nd</sup> Street, 3<sup>rd</sup> St., between  
Richard City Dr and Civic Center Dr.

Organizer Contact Information: (This information will be used by City staff to contact you.)

ORGANIZATION NAME Downtown Campbell Business Association NON PROFIT ID# 77-0565111

CONTACT PERSON Chris Yamashita DAY PHONE # \_\_\_\_\_

MAILING ADDRESS PO Box 677 EVE. PHONE # \_\_\_\_\_

CITY/STATE/ZIP Campbell, CA 95009 EMAIL dcba-board@gmail.com

ALTERNATE CONTACT Andrea Parks DAY PHONE # \_\_\_\_\_

EVE. PHONE # \_\_\_\_\_

Public Contact Information: (This will be the information posted for the public to obtain event information.)

PHONE # \_\_\_\_\_ EMAIL dcba-board@gmail.com

WEBSITE ADDRESS www.downtowncampbell.com

LIABILITY RELEASE

NOTICE: THIS IS A LEGAL DOCUMENT WHICH LIMITS OUR LIABILITY. PLEASE READ CAREFULLY! BY SIGNING THIS DOCUMENT YOU STATE THAT: 1) YOU ASSUME ALL RISK OF INJURIES FROM PARTICIPATION IN THIS ACTIVITY; AND 2) YOU RELEASE THE CITY OF CAMPBELL, ITS OFFICERS, EMPLOYEES, AND AGENTS FROM ALL LIABILITY ARISING OUT OF PARTICIPATION IN THIS ACTIVITY.

I. ASSUMPTION OF RISK: As representative of the organization indicated above, we expressly assume the risk of all liability for accidents, injury, loss and/or damage to persons or property that may arise from the use of the above named facility. We agree that the City of Campbell does not guarantee the construction, condition, or safety of the facilities or equipment, nor the supervision of the activity by its officers, employees, and agents.

II. RELEASE OF LIABILITY: In consideration for the opportunity to make use of this facility and the service provided by the City of Campbell, we (on behalf of ourselves, our heirs, assigns and legal representatives) release the City of Campbell, the Campbell Redevelopment Agency, their officers, employees, and agents from any liability whatsoever arising out of our participation in or presence at the above described activity. We expressly absolve the City of Campbell, the Campbell Redevelopment Agency, their officers, employees and agents of liability for any negligence on their part, unless they are the sole negligent parties.

Signature of Applicant

Date

Approval Signature

Date

[Signature] 9/14/16

# City of Campbell Special Event Application

(back page)

### REQUIRED CITY SERVICES AND PERMITS

Check the box for the service or permit requested or required. Follow the corresponding instructions.

<u>SERVICE/PERMIT</u>	<u>INSTRUCTIONS</u>	<u>SEE PAGE</u>
<input type="checkbox"/> Alcohol	Obtain letter from Police Dept. & permit from State ABC Office	7
<input type="checkbox"/> Police/security	To be determined at pre-event meeting	7
<input type="checkbox"/> Sales vendors	Obtain permit from State Board of Eq.	7
<input type="checkbox"/> Insurance	Submit certificate of insurance to R&CS <b>(Required for all special events)</b>	8, 9
<input checked="" type="checkbox"/> Street closure	Submit diagram of all streets to be closed	9
<input type="checkbox"/> Food sales/service	Obtain permit/inspection from County Health Services	10
<input type="checkbox"/> Electrical power	Submit electrical worksheets to R&CS	12, 13
<input type="checkbox"/> Safety inspection	Review Santa Clara County Fire Department requirements <b>(Required for food booths, cooking, generators, tents, emopies)</b>	11, 12

### MANDATORY ATTACHMENTS

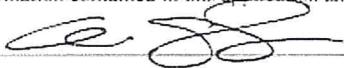
**Required for all special events.** Prepare as described. Applications without necessary attachments will not be accepted.

<input type="checkbox"/> <b>SITE DIAGRAM or ROUTE MAP</b> A detailed drawing depicting the proposed activity's layout, including the number and location of any booths, tables, stages, fences, waste receptacles, signage, portable toilets and all other event equipment. For parades, runs, walks, and races: a detailed map showing the proposed activity's complete route, staging area, start and finish points, direction of movement and proposed street closures. For street closures, indicate the specific lane(s) requiring closure.
<input type="checkbox"/> <b>EVENT DESCRIPTION</b> Two separate descriptions should be submitted with application. 1) A <b>brief event description</b> , of 50 words or less should be submitted for possible use in brochures, websites, or other publications. 2) A <b>detailed event description</b> should be submitted describing all aspects of the event including: logistics, schedule of events, changes from previous years events, and any other relevant information.
<input type="checkbox"/> <b>EVENT FINANCIAL REPORT</b> This should include an expense and revenue report from the previous year's event. If the event is a fundraiser also identify what the revenue is going towards. If this is the first year for the event include an estimate of expenses and revenue to be generated by the event.

### DECLARATION

**AS AN AUTHORIZED REPRESENTATIVE OF THE ORGANIZATION CONDUCTING THIS EVENT, I HEREBY DECLARE THAT:**

1. I have received the Special Event Application & Information Packet;
2. I have included all the mandatory attachments with this application;
3. The information contained in this application and attachment(s) is true and correct to the best of my knowledge.

Signature  Date 9/14/16

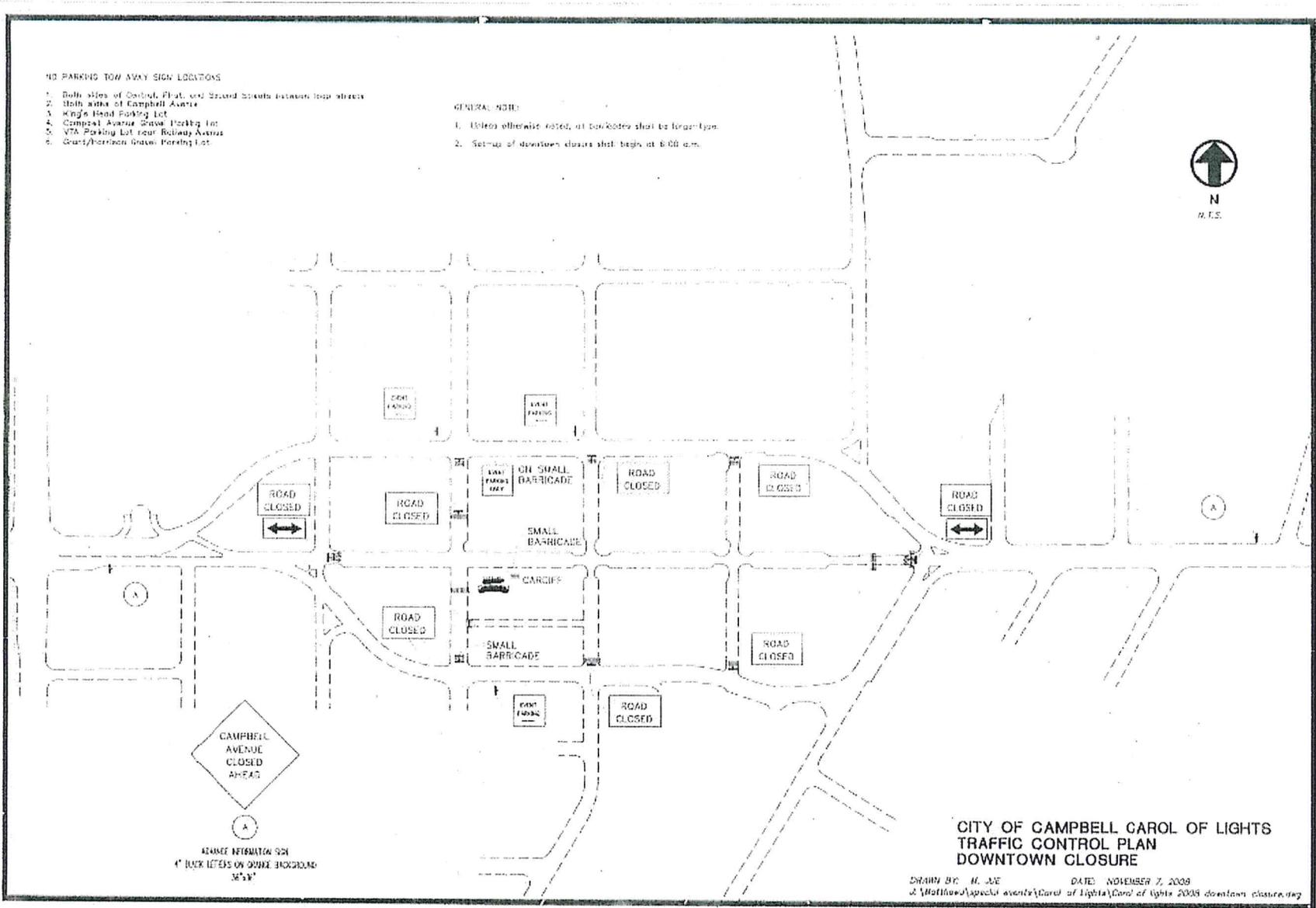
Print Name CHRIS YAMASHITA

**NO PARKING TOW AWAY SIGN LOCATIONS**

1. Both sides of Central, Flat, and Second Streets between main streets
2. Both sides of Campbell Avenue
3. King's Head Parking Lot
4. Campbell Avenue Drive Parking Lot
5. VTA Parking Lot near Railway Avenue
6. Grant/Harrison Drive Parking Lot

**GENERAL NOTE:**

1. Unless otherwise noted, all barricades shall be four (4) ft high.
2. Setup of downtown closure shall begin at 8:00 am.



CAMPBELL AVENUE CLOSED AHEAD  
A  
ADVANCE INFORMATION SIGN  
4" BLACK LETTERS ON ORANGE BACKGROUND  
3'x5'

**CITY OF CAMPBELL CAROL OF LIGHTS  
TRAFFIC CONTROL PLAN  
DOWNTOWN CLOSURE**

DRAWN BY: M. JEE DATE: NOVEMBER 7, 2008  
J:\Moffatt\Special events\Carol of Lights\Carol of Lights 2008 downtown closure.dwg

## **Event Description**

Creepy Crawly is a non-profit event hosted by the Downtown Campbell Business Association (DCBA). Downtown businesses are encouraged to pass out candy to trick-or-treaters. This event gives the local and greater community an opportunity to come to Downtown Campbell to spend money at the local businesses and see what products and services are offered in the Downtown Campbell District. Furthermore, families and friends are able to gather as a community in celebration of Halloween.

## **Creepy Crawly Financial Report**

Creepy Crawly is a non-profit event organized by the Downtown Campbell Business Association (DCBA), a non-profit organization dedicated to enriching the Downtown Campbell Community. The event is made possible by community volunteers. There are no sales of merchandise or services, and no revenue to report.



# City Council Report

Item: 8.  
Category: Public Hearing  
Date: October 4, 2016

**TITLE** Public Hearing to consider the application of Jimmy Chang for a Planned Development Permit (PLN2016-263) to allow for the conversion of private patio areas to common open space, alterations to existing staircase, and installation of new lighting fixtures within two courtyards of an existing apartment community and Tree Removal Permit (PLN2016-266) to allow removal of protected trees on property located at 225 Union Avenue. The Planning Commission is recommending that this item be deemed Categorically Exempt under CEQA. (Resolution/Roll Call Vote)

## RECOMMENDATION

The Planning Commission recommends that the City Council take the following actions:

1. **Adopt a Resolution**, approving a Planned Development Permit (PLN2016-263) to allow for the conversion of private patio areas to common open space, alterations to existing staircases, and installation of new lighting fixtures within two courtyards of an existing apartment community; and
2. **Adopt a Resolution**, approving a Tree Removal Permit (PLN2016-266) to allow for the removal of protected trees.

## ENVIRONMENTAL DETERMINATION

The Planning Commission recommends that the City Council find that this project is Categorically Exempt under Section 15301 Class 1 of the California Environmental Quality Act (CEQA) pertaining to minor alterations to an existing private structure, involving negligible or no expansion of use.

## PROJECT DATA

Zoning Designation: P-D (Planned Development)  
General Plan Designation: High-Density Residential (21-27 units/gr. acre)

<u>Project Overview</u>	<u>Existing</u>	<u>Proposed</u>
Floor Area Ratio (FAR):	39%	No Change
Building (Lot) Coverage:	27.5%	27.2% <sup>1</sup>

<sup>1</sup> Nominal reduction in building lot coverage resulting from the loss of ten staircases (combined from Building A & B). Staircases estimated to be 92 sq. ft. each.

Project Site: The project site is located on the west side of Union Avenue, east of Highway 17, south of E. Campbell Avenue, and north of Valley Drive in the P-D (Planned Development) Zoning District (reference **Attachment 3** – Location Map). As a developed site, the property has four distinct apartment building ‘clusters’ (identified as Building 1 through 4 on the project plans), a combination of covered carports and garports, and a recreation building/leasing office and pool that is located at the rear of the site.

## DISCUSSION

Background: Over the course of the past year, the property owners vacated Buildings 2 & 4 in anticipation of tenant and architectural improvements being approved for the units. While a building permit was able to be issued for interior work (kitchen, bathroom remodels etc.), the proposed exterior alterations to the courtyards were withheld pending review and approval of the subject permit. While a more comprehensive redevelopment of the property is in the works, the applicant has submitted the subject permit, with a narrow focus, in the hopes of combining the ongoing interior tenant improvements with exterior improvements to Buildings 2 & 4, while the units are still vacant.

Planning Commission Review: At its meeting of September 13, 2016, the Planning Commission held a public hearing on the applicant’s request. During the public comment period, the Commission took comment from the project applicant, Jimmy Chang, noting that the project would comply with SARC recommendations and the Conditions of Approval. After due consideration, the Planning Commission voted unanimously<sup>2</sup> to recommend the City Council approve the item as presented.

Applicant’s Proposal: The applicant is seeking approval of a Planned Development Permit (PLN2016-263) to allow for the conversion of private patio areas to common open space, alterations to existing staircases, and installation of new lighting fixtures within two courtyards of an existing apartment community (d.b.a. The Parc at Pruneyard) (reference **Attachment 4** – Project Plans). The applicant’s proposal also includes a request for a Tree Removal Permit (PLN2016-266), to allow the removal of protected trees.

As the existing apartment community is regulated by the previous “S” 97-19 (Site Approval) the subject permit would also serve to supersede this previous entitlement, establishing the subject Planned Development Permit, in compliance with the P-D Zoning Ordinance, as the foundation for future land use entitlements and modifications.

## ALTERNATIVES

1. Approve the proposed project subject to additional and/or modified Conditions of Approval.
2. Continue for further review.
3. Deny the proposed project.

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<sup>2</sup> Six votes recommending approval with Commissioner Rich absent.

Prepared by:

  
\_\_\_\_\_  
Stephen Rose, Associate Planner

Reviewed by:

  
\_\_\_\_\_  
Paul Kermoyan, Community Development Director

Approved by:

  
\_\_\_\_\_  
Mark Linder, City Manager

Attachments:

1. Draft City Council Resolution (Planned Development Permit)
2. Draft City Council Resolution (Tree Removal Permit)
3. Location Map
4. Project Plans
5. Lighting & Furniture Details
6. Applicant's Written Narrative
7. Planning Commission Staff Report – September 13, 2016
8. SARC Memo – August 23, 2016

**RESOLUTION NO.**

BEING A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAMPBELL APPROVING OF A PLANNED DEVELOPMENT PERMIT (PLN2016-263) TO ALLOW FOR THE CONVERSION OF PRIVATE PATIO AREAS TO COMMON OPEN SPACE, ALTERATIONS TO EXISTING STAIRCASES, AND INSTALLATION OF NEW LIGHTING FIXTURES WITHIN TWO COURTYARDS OF AN EXISTING APARTMENT COMMUNITY LOCATED AT **225 UNION AVENUE**.

After notification and public hearing, as specified by law and after presentation by the Community Development Director, proponents and opponents, the hearing was closed.

The City Council finds as follows with regard to the approval of Planned Development Permit (PLN2016-263):

Environmental Finding

1. The project is Categorically Exempt under Section 15301 Class 1 of the California Environmental Quality Act (CEQA) pertaining to minor alterations to an existing private structure, involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination.

Evidentiary Findings

2. The proposed project ("project") includes a Planned Development Permit (PLN2016-263) to allow for the conversion of private patio areas to common open space, alterations to existing staircase, and installation of new lighting fixtures within two courtyards of an existing apartment community and Tree Removal Permit (PLN2016-266) to allow removal of protected trees.
3. The project site consists of a single parcel (approximately 380,278 sq. ft. net) located on the west side of Union Avenue, east of Highway 17, south of E. Campbell Avenue, and north of Valley Drive.
4. The subject property is zoned P-D (Planned Development) and has a General Plan Land Use Designation of High-Density Residential (21-27 units/gr. acre).
5. As a developed site, the property has four distinct apartment building 'clusters' (identified as Building 1 through 4 on the project plans), a combination of covered carports and garports, and a recreation building/leasing office and pool that is located at the rear of the site. The property further has 252 rental units and 408 onsite parking spaces.
6. The project, as conditioned, would be consistent with the following General Plan policies and strategies:

Policy LUT-3.1:

Variety of Residential Densities: Provide land use categories for and maintenance of a variety of residential densities to offer existing and future

- residents of all income levels, age groups and special needs sufficient opportunities and choices for locating in Campbell.
- Strategy LUT-5.2a: Neighborhood Compatibility: Promote new residential development and substantial additions that are designed to maintain and support the existing character and development pattern of the surrounding neighborhood, especially in historic neighborhoods and neighborhoods with consistent design characteristics.
- Strategy LUT-9.3e: Building Materials: Encourage the use of long-lasting, high quality building materials on all buildings to ensure the long-term quality of the built environment.
- Goal OPS-3: Ensure that new development provides and/or contributes toward additional open space, parks and recreational facilities.
- Policy OPS-3.1: Standards for Residential Projects: Ensure the provision of private open space or recreational facilities in residential projects.
- Policy OPS-3.4c: Retention of Existing Private Open Space and Recreation Facilities: Explore incentives to encourage the retention of existing private open space and recreation facilities.

Based upon the foregoing findings of fact, the City Council further finds and concludes that:

7. The proposed development will clearly result in a more desirable environment and use of the land than would be possible under any other zoning district classification.
8. The proposed development will be compatible with the General Plan of the City and will aid in the harmonious development of the immediate area.
9. The proposed development will not result in allowing more residential units than would be allowed by other residential zoning districts, which are consistent with the General Plan designation of the property.
10. The proposed development will not be detrimental to the health, safety or welfare of the neighborhood or the City as a whole.
11. There is a reasonable relationship and a rough proportionality between the Conditions of Approval and the impacts of the project.
12. There is a reasonable relationship between the use of the fees imposed upon the project and the type of development project.
13. No substantial evidence has been presented from which a reasonable argument could be made that shows that the project, as currently presented and subject to the required conditions of approval, will have a significant adverse impact on the environment.

THEREFORE, BE IT RESOLVED that the City Council adopts a Resolution approving a Planned Development Permit (PLN2016-266) to allow for the conversion of private patio areas to common open space, alterations to existing staircases, and installation of new

lighting fixtures within two courtyards of an existing apartment community, subject to the attached Conditions of Approval (attached Exhibit "A").

PASSED AND ADOPTED this 4th day of October, 2016, by the following roll call vote:

AYES:           COUNCILMEMBERS:  
NOES:           COUNCILMEMBERS:  
ABSENT:        COUNCILMEMBERS:  
ABSTAIN:       COUNCILMEMBERS:

APPROVED: \_\_\_\_\_  
Jason T. Baker, Mayor

ATTEST: \_\_\_\_\_  
Wendy Wood, City Clerk

**CONDITIONS OF APPROVAL**  
**Planned Development Permit (PLN2016-263)**

Where approval by the Director of Community Development, City Engineer, Public Works Director, City Attorney or Fire Department is required, that review shall be for compliance with all applicable conditions of approval, adopted policies and guidelines, ordinances, laws and regulations and accepted engineering practices for the item under review. Additionally, the applicant is hereby notified that he/she is required to comply with all applicable Codes or Ordinances of the City of Campbell and the State of California that pertain to this development and are not herein specified.

**COMMUNITY DEVELOPMENT DEPARTMENT**

**Planning Division:**

1. Approved Project: Approval is granted for a Planned Development Permit allowing the conversion of private patio areas to common open space, alterations to existing staircase, and installation of new lighting fixtures within two courtyards of an existing apartment community in conjunction with and subject to a Tree Removal Permit (PLN2016-266) to allow removal of protected trees on property located at 225 Union Avenue. The project shall substantially conform to the Project Plans dated August 17, 2016 except as may be modified by the Conditions of Approval herein.
2. Planning Final Required: Planning Division clearance is required prior to Building Permit final.
3. Plan Revisions: Prior to building permit submittal, the project plans shall be revised to incorporate the following revisions:
  - a. Patio Tables: Provide patio tables for dining in the new open space areas of Building 2 and Building 4.
  - b. Bicycle Parking and Barbeque Area: As part of the building permit, or as part of a separate permit, the applicant shall submit plans which provide additional bicycle parking onsite and a barbeque area for residents. The flexibility to submit as part of a separate building permit is with the intent of providing flexibility for the design of these amenities to be approved separately, as part the more comprehensive redevelopment of the site, but must be submitted no later than six months from building final of the rest of the subject permit, and completed no later than one year from building final.
  - c. Trash Enclosures: The existing trash enclosures shall be enlarged to accommodate existing bins on site. Where enlarging the existing enclosures is not feasible due to site constraints, more frequent trash pickups shall be scheduled such that smaller and/or fewer bins may be used to ensure that all trash is contained within the existing enclosures.
4. Permit Expiration: The Planned Development Permit is valid for a period of two years from the date of final City Council approval. A building permit must be obtained within this two-year period or the Planned Development Permit shall be void.

5. Supersede: The subject permit serves to supersede all previous land use entitlements on the property. These entitlements, including but not limited to "S" 97-19 (Site Approval) are herein incorporated by reference, and shall remain operative in their conveyance of a right to reconstruct buildings of a certain size, height, and placement upon involuntary destruction by cause of natural calamity, or act of God or the public enemy. Further all vested rights are herein transferred and assigned to the subject Planned Development Permit except as may otherwise be approved and governed by the Planned Development Permit approved herein.
6. Indemnity: If determined necessary by the Community Development Director, the applicant shall enter into an agreement satisfactory to the City Attorney to indemnify and defend the City of Campbell, its officers, officials, employees, and agents from any and all actions, liabilities, losses, and torts, including attorney's fees arising out of or connected unto any challenge to the decision of the City Council on this application. Such agreement shall be executed within the 30 days of the Community Development Director's decision to require it.
7. Utility Boxes and Back-Flow Preventers: No new utility boxes or back-flow preventers shall be installed without prior written authorization by the Community Development Director.

### **Building Division**

8. Permits Required: A building permit application shall be required for each proposed new dwelling structure. The building permit shall include Electrical/Plumbing/Mechanical fees when such work is part of the permit.
9. Plan Preparation: This project requires plans prepared under the direction and oversight of a California licensed Engineer or Architect. Plans submitted for building permits shall be "wet stamped" and signed by the qualifying professional person.
10. Construction Plans: The Conditions of Approval shall be stated in full on the cover sheet of construction plans submitted for building permit.
11. Size of Plans: The minimum size of construction plans submitted for building permits shall be 24 inches by 36 inches.
12. Site Plan: Application for building permit shall include a competent site plan that identifies property and proposed structures with dimensions and elevations as appropriate. Site plan shall also include site drainage details. Elevation bench marks shall be called out at all locations that are identified as "natural grade" and those that are "finished grade" and intended for use to determine the height of proposed improvements.
13. Special Inspections: When a special inspection is required by C.B.C. Chapter 17, the architect or engineer of record shall prepare an inspection program that shall be submitted to the Building Official for approval prior to issuance of the building permits, in

accordance with C.B.C Appendix 1, Section 106. Please obtain City of Campbell Special Inspection forms from the Building Inspection Division Counter.

14. Non-Point Source Pollution Control: The City of Campbell standard Santa Clara Valley Non-point Source Pollution Control Program specification sheet shall be part of plan submittal. The specification sheet (size 24" X 36") is available at the Building Division service counter.
15. Approvals Required: The project requires the following agency approval prior to issuance of the building permit:
  - a. Santa Clara County Fire Department (378-4010)
  - b. San Jose Water Company (408) 279-7900 (Customer Service)
  - c. Bay Area Air Quality Management District (Demolitions Only)
16. Construction Fencing: This project shall be properly enclosed with construction fencing to prevent unauthorized access to the site during construction. The construction site shall be secured to prevent vandalism and/or theft during hours when no work is being done. All protected trees shall be fenced to prevent damage to root systems.
17. Storm Water Requirements: Storm water run-off from impervious surface created by this permitted project shall be directed to vegetated areas on the project parcel. Storm water shall not drain onto neighboring parcels.

**RESOLUTION NO.**

BEING A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAMPBELL APPROVING A TREE REMOVAL PERMIT (PLN2016-266) TO ALLOW FOR THE REMOVAL OF PROTECTED TREES WITHIN TWO COURTYARDS OF AN EXISTING APARTMENT COMMUNITY LOCATED AT **225 UNION AVENUE**.

After notification and public hearing, as specified by law and after presentation by the Community Development Director, proponents and opponents, the hearing was closed.

The City Council finds as follows with regard to the approval of Tree Removal Permit (PLN2016-266):

Environmental Finding

1. The project is Categorically Exempt under Section 15301 Class 1 of the California Environmental Quality Act (CEQA) pertaining to minor alterations to an existing private structure, involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination.

Evidentiary Findings

1. The proposed project ("project") includes a Planned Development Permit (PLN2016-263) to allow for the conversion of private patio areas to common open space, alterations to existing staircase, and installation of new lighting fixtures within two courtyards of an existing apartment community and Tree Removal Permit (PLN2016-266) to allow removal of protected trees.
2. The project site consists of a single parcel (approximately 380,278 sq. ft. net) located on the west side of Union Avenue, east of Highway 17, south of E. Campbell Avenue, and north of Valley Drive.
3. The subject property is zoned P-D (Planned Development) and has a General Plan Land Use Designation of High-Density Residential (21-27 units/gr. acre).
4. As a developed site, the property has four distinct apartment building 'clusters' (identified as Building 1 through 4 on the project plans), a combination of covered carports and garports, and a recreation building/leasing office and pool that is located at the rear of the site. The property further has 252 rental units and 408 onsite parking spaces.
5. The project, as conditioned, would be consistent with the following General Plan policies and strategies:

Policy LUT-3.1:

Variety of Residential Densities: Provide land use categories for and maintenance of a variety of residential densities to offer existing and future residents of all income levels, age groups and special needs sufficient opportunities and choices for locating in Campbell.

Strategy LUT-5.2a:	<u>Neighborhood Compatibility</u> : Promote new residential development and substantial additions that are designed to maintain and support the existing character and development pattern of the surrounding neighborhood, especially in historic neighborhoods and neighborhoods with consistent design characteristics.
Strategy LUT-9.3e:	<u>Building Materials</u> : Encourage the use of long-lasting, high quality building materials on all buildings to ensure the long-term quality of the built environment.
Goal OPS-3:	Ensure that new development provides and/or contributes toward additional open space, parks and recreational facilities.
Policy OPS-3.1:	<u>Standards for Residential Projects</u> : Ensure the provision of private open space or recreational facilities in residential projects.
Policy OPS-3.4c:	<u>Retention of Existing Private Open Space and Recreation Facilities</u> : Explore incentives to encourage the retention of existing private open space and recreation facilities.

6. The project includes improvements to the interior courtyard areas such that the retention of the existing trees would not be feasible or practical. As a result, the removal of all cypress trees is necessary to accommodate the proposed onsite improvements.
7. Nine protected trees (cypress trees included as part of an approved landscape plan) are proposed for removal and will be replaced in compliance with the City's Tree Preservation Ordinance.
8. Removal of trees greater than 12-inches in diameter requires a Tree Removal Permit under the City's Tree Protection requirements (CMC 21.32).
9. The proposed replacement trees will be a sufficient replacement for the trees to be removed and will continue the diversity of tree species found in the community.

Based upon the foregoing findings of fact, the City Council further finds and concludes that:

10. The retention of the trees restricts the economic enjoyment of the property and creates an unusual hardship for the property owner by severely limiting the use of the property in a manner not typically experienced by owners of similarly zoned and situated properties, and the applicant has demonstrated that there are no reasonable alternatives to preserve the trees due to the site constraints and conflicts with proposed improvements.
11. No substantial evidence has been presented from which a reasonable argument could be made that shows that the project, as currently presented and subject to the required conditions of approval, will have a significant adverse impact on the environment.

THEREFORE, BE IT RESOLVED that the City Council adopts a Resolution approving a Tree Removal Permit (PLN2016-266) to allow for the removal of protected trees within two

courtyards of an existing apartment community, subject to the attached Conditions of Approval (attached Exhibit "A").

PASSED AND ADOPTED this \_\_\_\_\_ day of \_\_\_\_\_, 2016, by the following roll call vote:

AYES:	COUNCILMEMBERS:
NOES:	COUNCILMEMBERS:
ABSENT:	COUNCILMEMBERS:
ABSTAIN:	COUNCILMEMBERS:

APPROVED: \_\_\_\_\_  
Jason T. Baker, Mayor

ATTEST: \_\_\_\_\_  
Wendy Wood, City Clerk

**CONDITIONS OF APPROVAL  
Tree Removal Permit (PLN2016-266)**

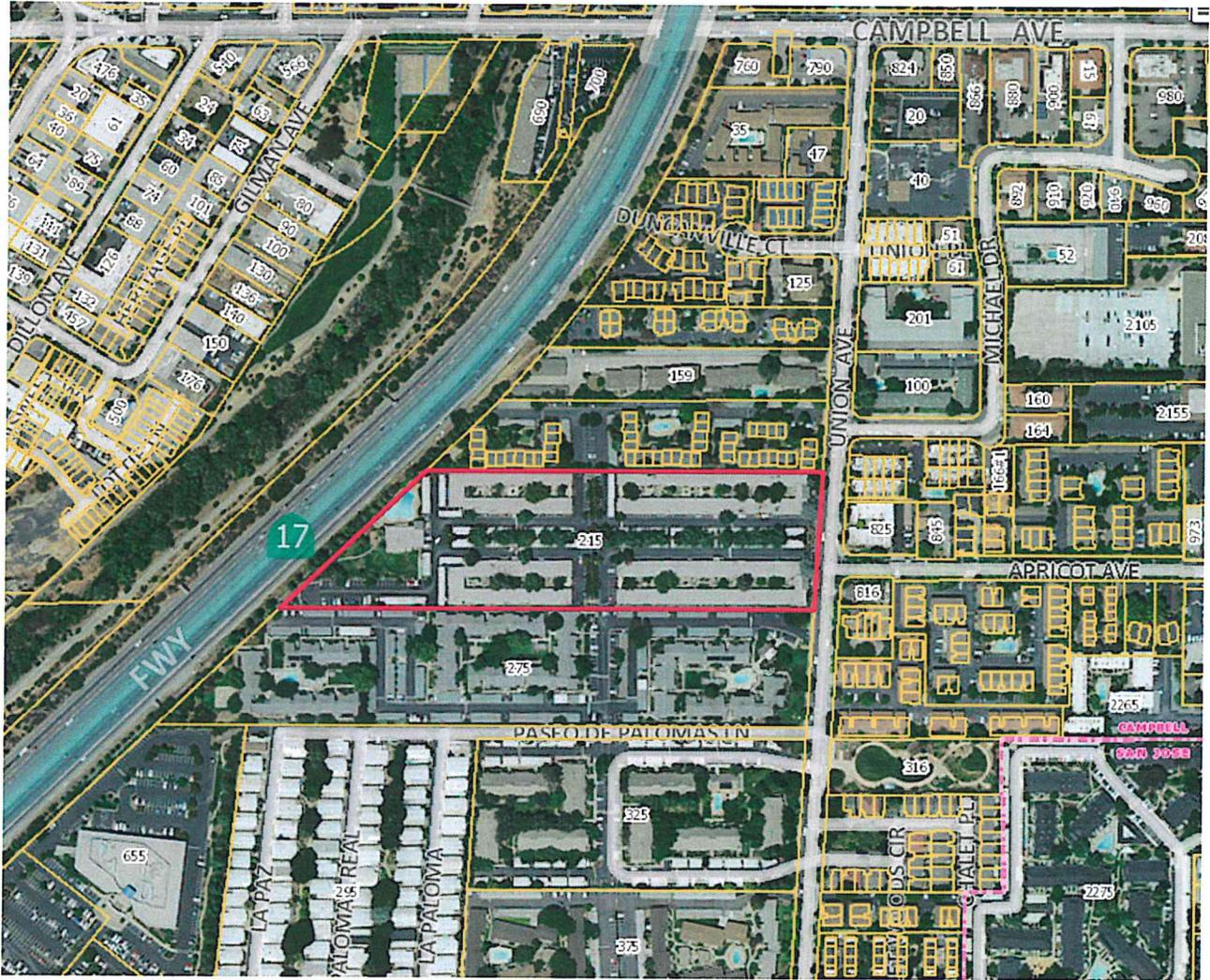
Where approval by the Director of Community Development, City Engineer, Public Works Director, City Attorney or Fire Department is required, that review shall be for compliance with all applicable conditions of approval, adopted policies and guidelines, ordinances, laws and regulations and accepted engineering practices for the item under review. Additionally, the applicant is hereby notified that he/she is required to comply with all applicable Codes or Ordinances of the City of Campbell and the State of California that pertain to this development and are not herein specified.

**COMMUNITY DEVELOPMENT DEPARTMENT**

**Planning Division:**

1. Approved Permit: Approval is granted for a Tree Removal Permit (PLN2015-310) to allow the removal of twelve (12) on-site trees, as provided on page L1 of the project plans. This permit shall be valid only in conjunction with, and subject to the approved Planned Development Permit (PLN2016-263).
2. Time of Removal: The trees may only be removed in conjunction with demolition of existing on-site structures, subject to the conditions of approval for the Planned Development Permit.
3. Replacement Trees: All protected tree(s) shall be replaced at a minimum of a one-to-one ratio in accordance with CMC 21.32.100, Table 3-5 (Replacement Tree Requirements) to be noted with the project's "final" landscaping plan. The trees species selected shall not be a "fruit tree" or "eucalyptus tree" as defined in the Campbell Municipal Code. Further, the applicant is encouraged to plant several eastern redbud trees in the central courtyards of Building 2 and 4 unless such selection would be incompatible with the proposed landscaping. Such determination shall be provided in writing by the project landscape architect, subject to review and approval by the Director of Community Development. In the event the services of a third-party arborist is required to assist in rendering a decision, the applicant shall be required to pay a \$500.00 deposit to cover the cost of such services.
4. Tree Removal Permit Required: The removal of any tree, irrespective of species or size, which is shown on the approved project plans or final landscaping plan, shall require review and approval through a Tree Removal Permit.

# Location Map







COURTYARD IMPROVEMENTS AT:  
**PARC AT PRUNEYARD**  
 225 UNION AVE  
 CAMPBELL, CA 95008

REVISIONS	
SITE PLAN	

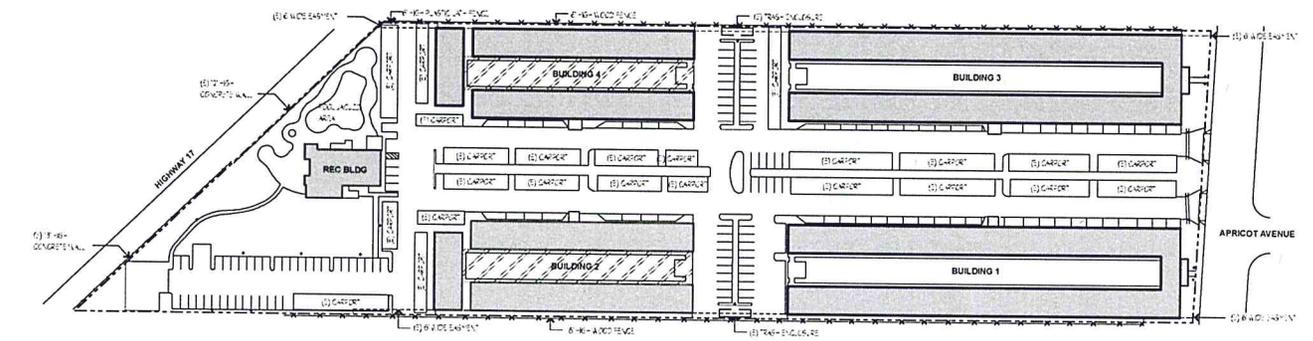
JOB 1551	DRAWN KW
N SHEET NO <b>A1.0</b>	

SITE PLAN LEGEND	
	EXISTING BUILDING
	WORK AREA
	PROPERTY LINE

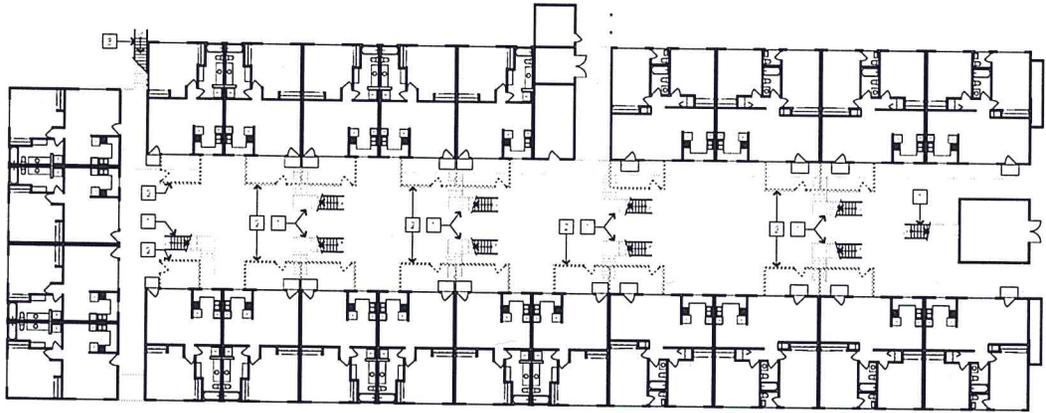
**SITE PLAN NOTES**

THIS PLAN IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TO BE USED FOR ANY OTHER PURPOSE. THE PROJECT OWNER SHALL BE RESPONSIBLE FOR OBTAINING ALL NECESSARY PERMITS AND APPROVALS FROM THE LOCAL AGENCIES AND FOR THE CONSTRUCTION OF ANY BUILDING OR SITE IMPROVEMENTS.

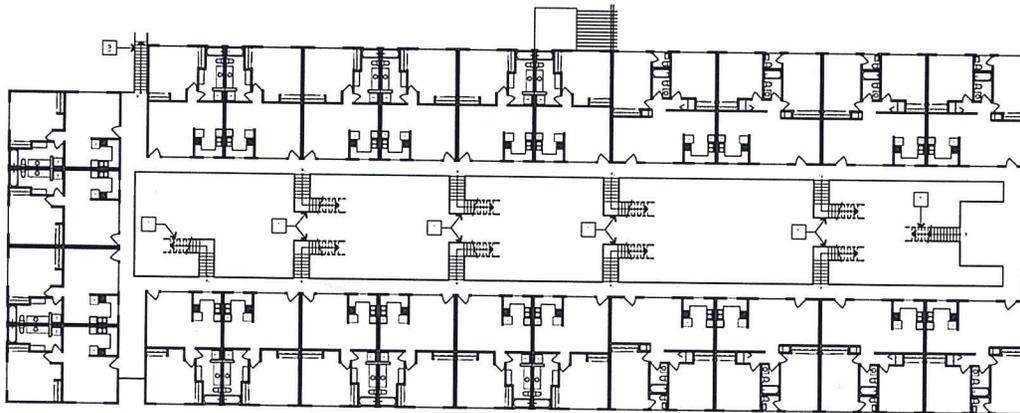
THE ENGINEER HAS CONDUCTED A VISUAL GENERAL ASSESSMENT OF THE PROJECT SITE AND HAS FOUND THAT THE PROPOSED IMPROVEMENTS ARE IN ACCORDANCE WITH THE LOCAL ORDINANCES AND ALL APPLICABLE REGULATIONS. THE ENGINEER HAS CONDUCTED A VISUAL GENERAL ASSESSMENT OF THE PROJECT SITE AND HAS FOUND THAT THE PROPOSED IMPROVEMENTS ARE IN ACCORDANCE WITH THE LOCAL ORDINANCES AND ALL APPLICABLE REGULATIONS.



**1 SITE PLAN**  
 SCALE: 1/8" = 1'-0"



1 BUILDING 2 EXISTING FIRST FLOOR PLAN  
SCALE 1/8" = 1'-0"



2 BUILDING 2 EXISTING SECOND FLOOR PLAN  
SCALE 1/8" = 1'-0"

PLAN KEYNOTES

- 1 EXISTING STAIRS TO BE REMOVED
- 2 EXISTING RAMP STAIRS TO BE REMOVED
- 3 EXISTING STAIR TO REMAIN
- 4 NEW METAL FRAME STAIRS



COURTYARD IMPROVEMENTS AT:

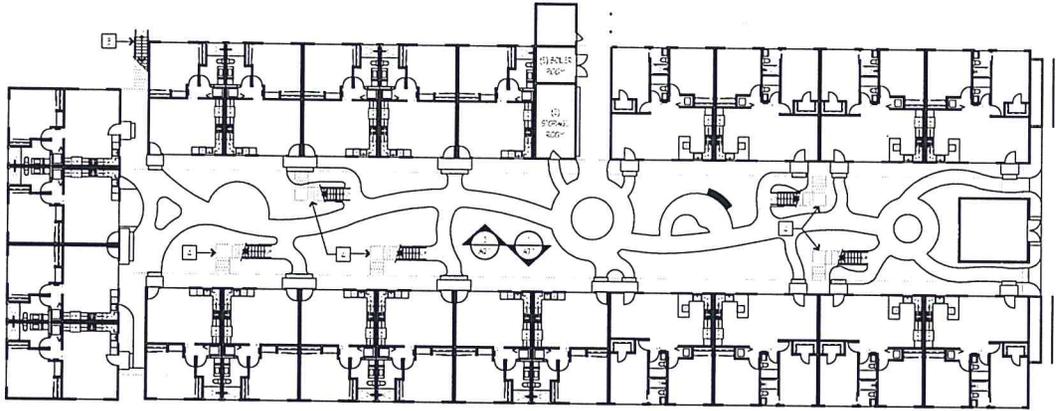
**PARC AT PRUNEYARD**

225 UNION AVE  
CAMPBELL, CA 95008

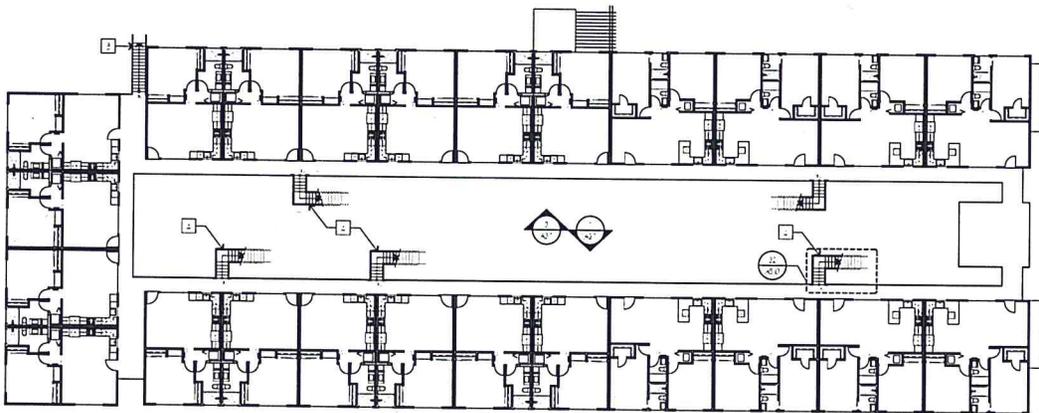
NO.	REVISIONS

BUILDING 2 EXISTING PLANS

JOB 1551	DRAWN KR
SHEET NO	
<b>A2.0</b>	



1 BUILDING 2 PROPOSED FIRST FLOOR PLAN  
SCALE: 1/16" = 1'-0"



2 BUILDING 2 PROPOSED SECOND FLOOR PLAN  
SCALE: 1/16" = 1'-0"

PLAN KEYNOTES

- 1 EXISTING STAIRS TO BE REMOVED
- 2 EXISTING RAILROAD TRACKS TO BE REMOVED
- 3 EXISTING STAIR TO REMAIN
- 4 NEW STAIR TO REMAIN



COURTYARD IMPROVEMENTS AT:  
**PARC AT PRUNEYARD**  
225 UNION AVE  
CAMPBELL, CA 95008

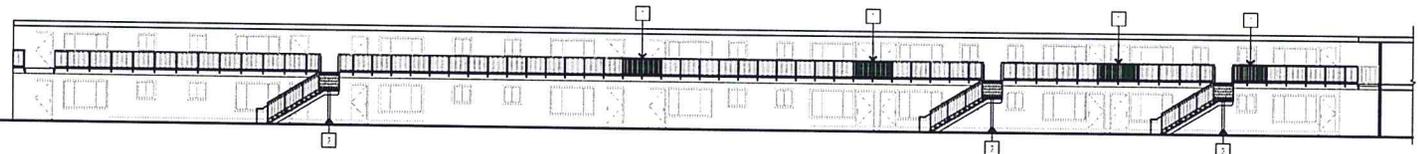
REVISIONS


BUILDING 2 PROPOSED PLANS

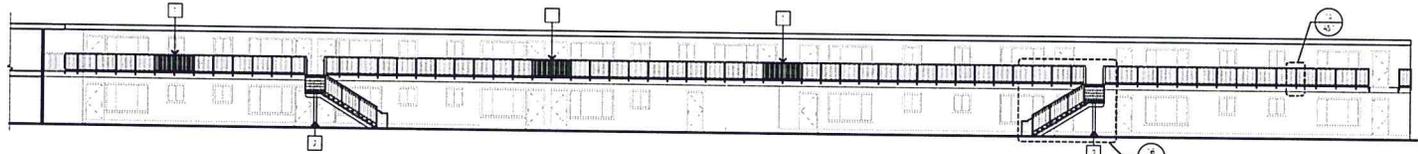
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SHEET NO.	
<b>A2.1</b>	

**ELEVATION KEYNOTES**

- NEW PLATFORM TO MATCH EXISTING CURB AT LOCATIONS WHERE THE EXISTING STAIRWELL WAS REMOVED
- NEW METAL FRAME STAIRWELL - PRECAST CONCRETE STEPS



**1 BUILDING 2 INTERIOR COURTYARD ELEVATION 1**  
SCALE: 3/32" = 1'-0"



**2 BUILDING 2 INTERIOR COURTYARD ELEVATION 2**  
SCALE: 3/32" = 1'-0"

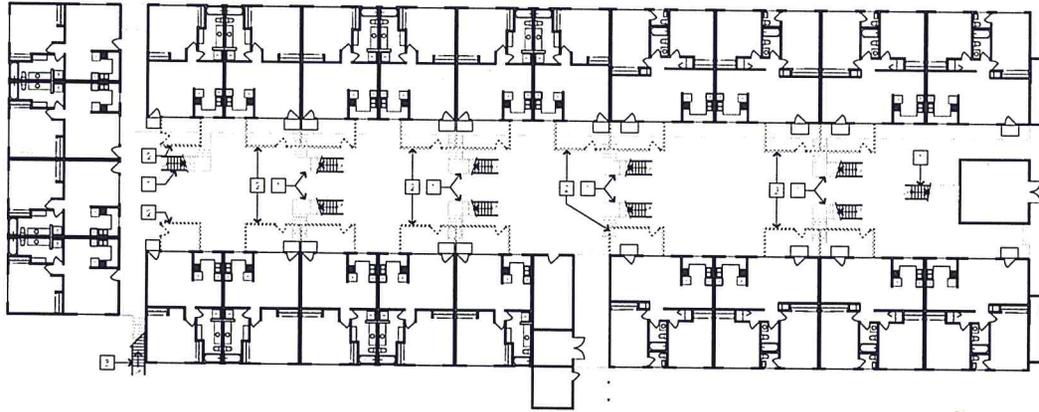


COURTYARD IMPROVEMENTS AT:  
**PARC AT PRUNEYARD**  
 225 UNION AVE  
 CAMPBELL, CA 95008

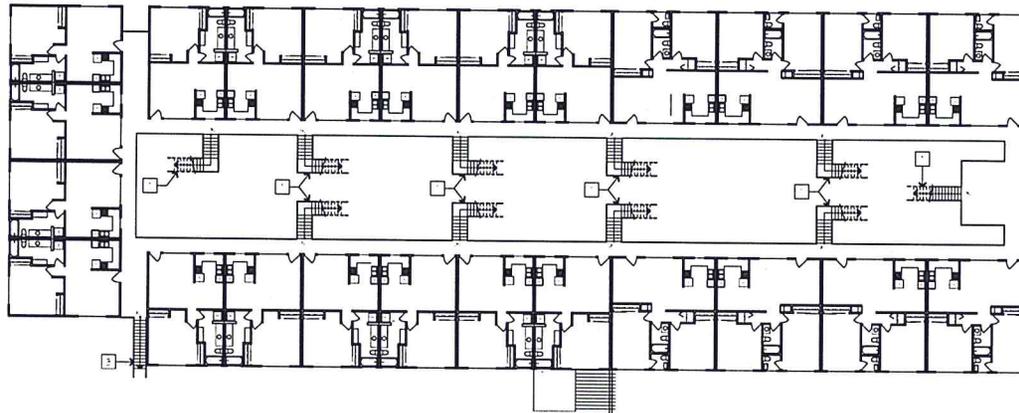
REVISIONS

**BUILDING 2 PROPOSED  
 COURTYARD ELEVATIONS**

JCR 1551	DRAWN KR
SHEET NO <b>A2.2</b>	



1 BUILDING 4 EXISTING FIRST FLOOR PLAN  
SCALE 1/8" = 1'-0"



2 BUILDING 4 EXISTING SECOND FLOOR PLAN  
SCALE 1/8" = 1'-0"

PLAN KEYNOTES

- 1 EXISTING STAIRS TO BE REMOVED
- 2 EXISTING PAINT FENCE TO BE RE-PAINTED
- 3 EXISTING STAIR TO REMAIN
- 4 NEW TOTAL FRAME STAIRS



COURTYARD IMPROVEMENTS AT:

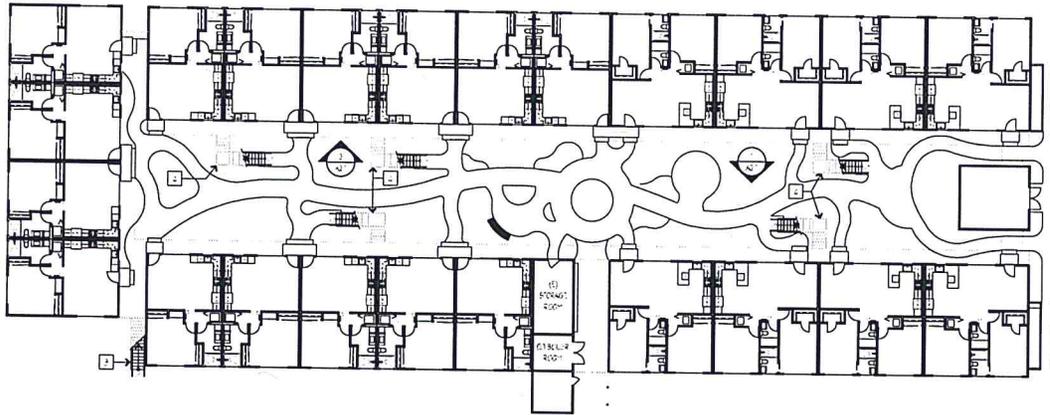
**PARC AT PRUNEYARD**

225 UNION AVE  
CAMPBELL, CA 95008

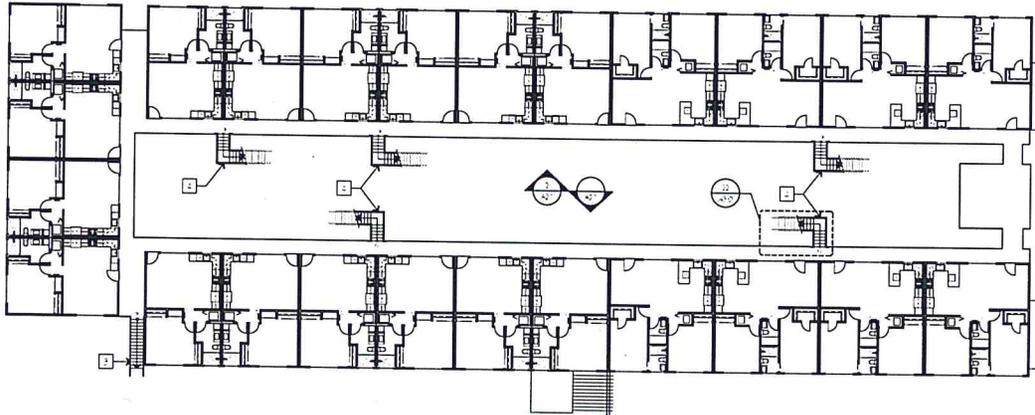
REVISIONS

BUILDING 4 EXISTING PLANS

JCB 1551	DRAWN KR
SHEET NO	
<b>A3.0</b>	



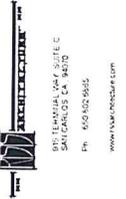
1 BUILDING 4 PROPOSED FIRST FLOOR PLAN  
SCALE: 1/8" = 1'-0"



2 BUILDING 4 PROPOSED SECOND FLOOR PLAN  
SCALE: 1/8" = 1'-0"

PLAN KEYNOTES

- 1 EXISTING SPACES TO BE REMOVED
- 2 EXISTING PARTS TO BE REMOVED
- 3 EXISTING SPACES TO REMAIN
- 4 NEW + STA. TRANSFORMS



COURTYARD IMPROVEMENTS AT:

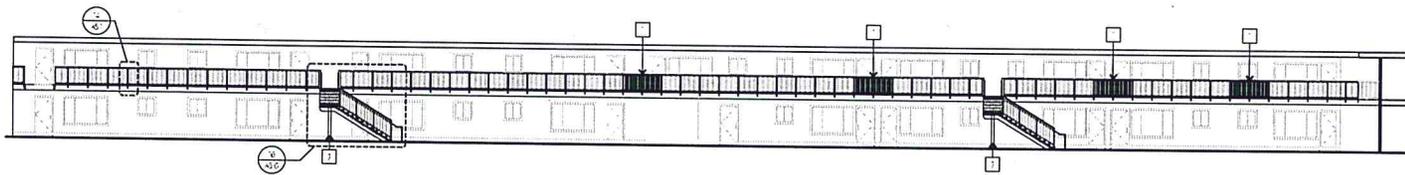
PARC AT PRUNERYARD

225 UNION AVE  
CAMPBELL, CA 95008

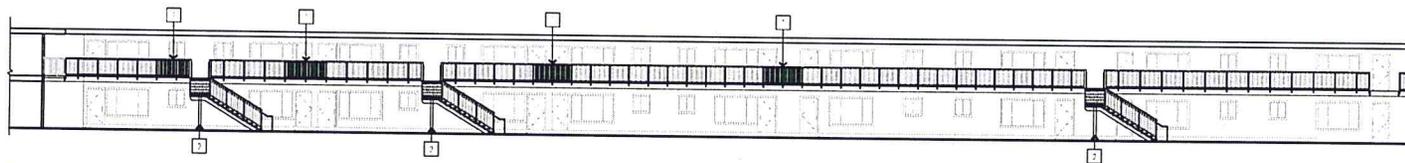
REVISIONS

BUILDING 4 PROPOSED PLANS

JCB 1551	DRAWN KR
SHEET NO.	
A3.1	



1 BUILDING 4 INTERIOR COURTYARD ELEVATION 1  
SCALE: 3/32" = 1'-0"



2 BUILDING 4 INTERIOR COURTYARD ELEVATION 2  
SCALE: 3/32" = 1'-0"

**ELEVATION KEYNOTES**

- NEW GLAZING, 1" x 6" - 5/8" FINISH GLASS, 4" GLAZING IN HERE THE EXISTING STAIRWAY HAS REMOVED
- NEW METAL FRAME STAIR WITH PRECAST CONCRETE STEPS

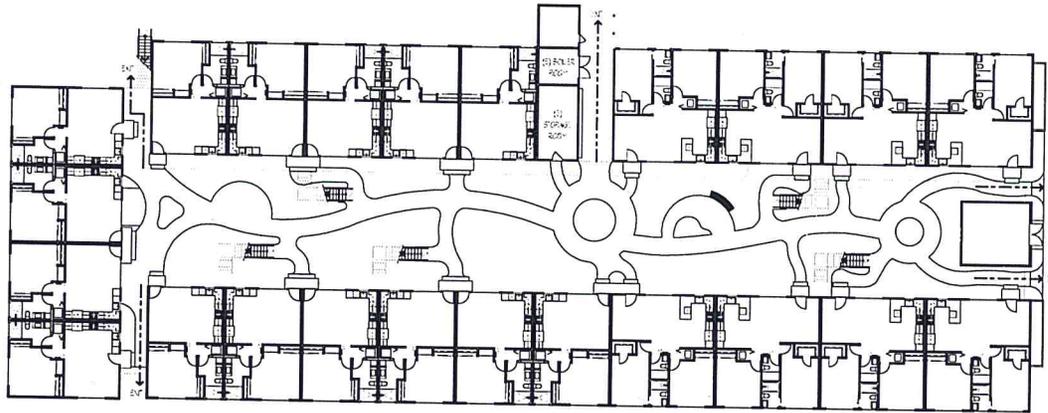


COURTYARD IMPROVEMENTS AT:  
**PARC AT PRUNEYARD**  
225 UNION AVE  
CAMPBELL, CA 95008

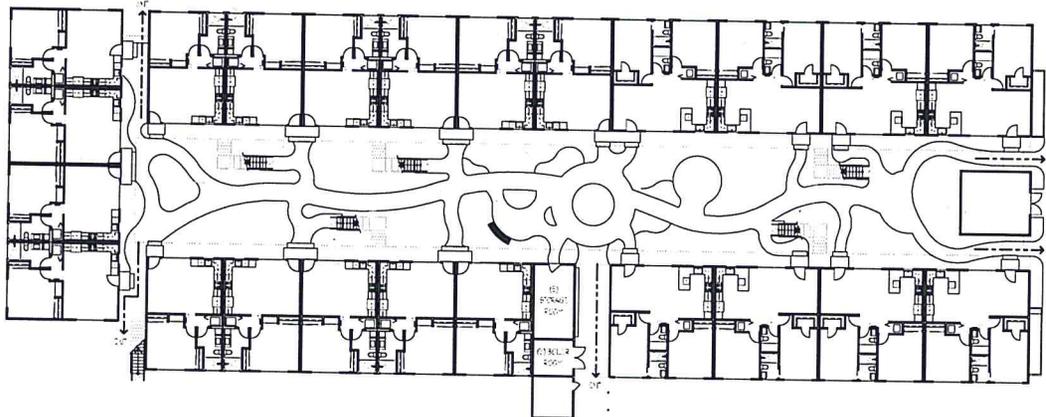
REVISIONS


BUILDING 4 PROPOSED  
COURTYARD ELEVATIONS

JOB 1551	DRAWN KH
SHEET NO <b>A3.2</b>	



1 BUILDING 2 FIRST FLOOR EXITING PLAN  
SCALE: 1/8" = 1'-0"



2 BUILDING 4 FIRST FLOOR EXITING PLAN  
SCALE: 1/8" = 1'-0"

PLAN LEGEND

- EXIT PATH
- FLOOR LEVEL CHANGE

PLAN NOTES

FLOOR LEVEL CHANGE AT THE EAST END OF  
CORRIDOR IS 2'-0" TO 2'-6"



COURTYARD IMPROVEMENTS AT:

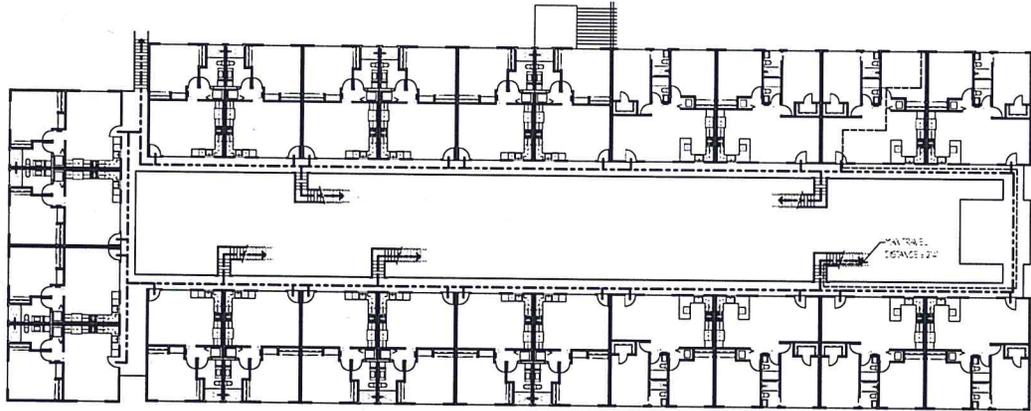
**PARC AT PRUNEYARD**

225 UNION AVE  
CAMPBELL, CA 95008

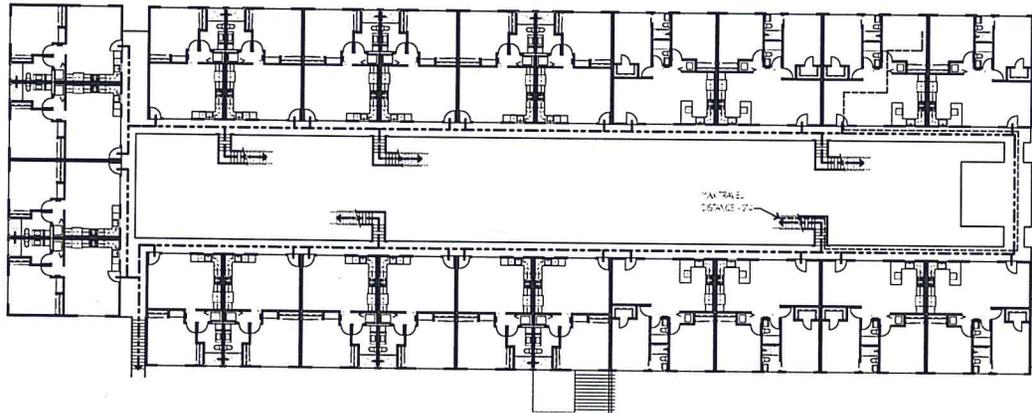
NO.	REVISIONS

BUILDING 2 & 4 FIRST FLOOR  
EXITING PLANS

JOB: 1551	DRAWN: KR
SHEET NO.	
<b>A4.0</b>	



1 BUILDING 2 SECOND FLOOR EXITING PLAN  
SCALE: 1/8" = 1'-0"



2 BUILDING 4 SECOND FLOOR EXITING PLAN  
SCALE: 1/8" = 1'-0"

PLAN LEGEND

- EXIT PATH
- MAXIMUM TRAVEL DISTANCE

PLAN NOTES

"MAXIMUM TRAVEL DISTANCE AT THE FURTHER END" FROM ANY STAIR OR EXITS



COURTYARD IMPROVEMENTS AT:

**PARC AT PRUNERYARD**

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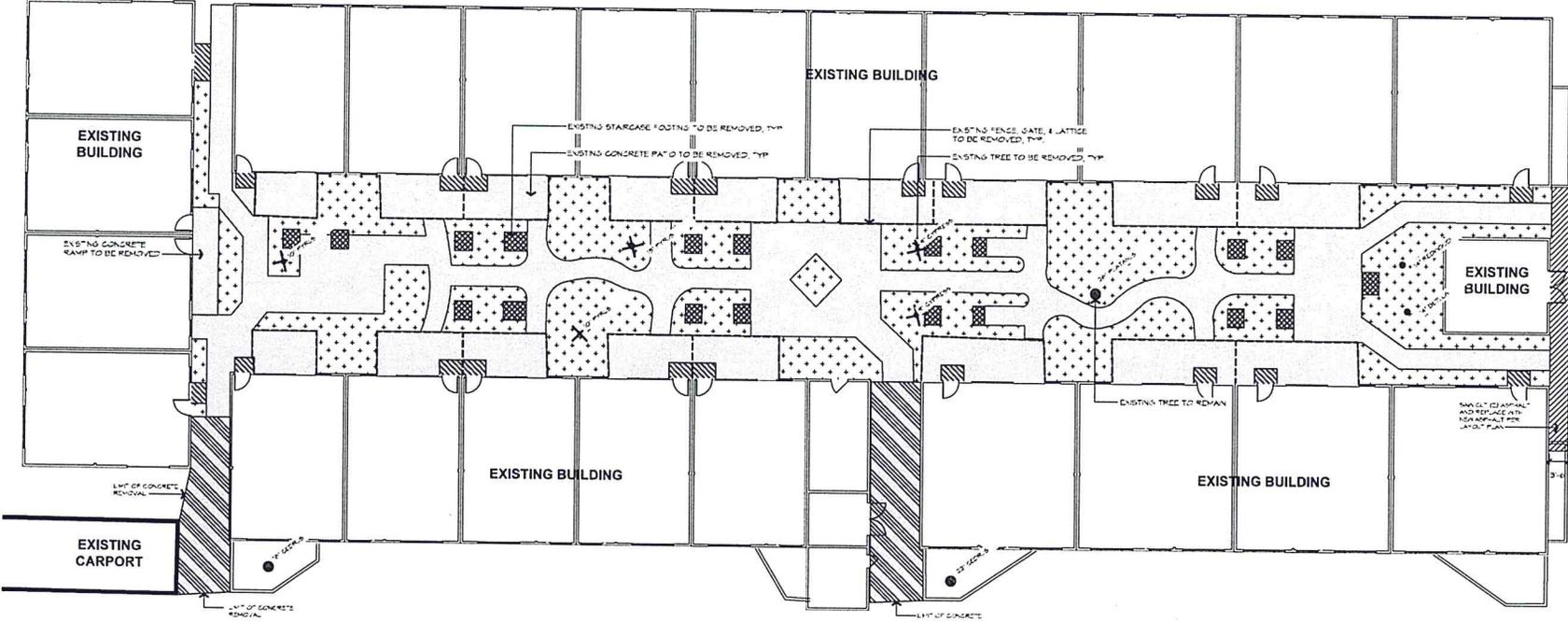
REVISIONS

BUILDING 2 & 4 SECOND FLOOR EXITING PLANS

JTB 1551	DRAWN 44
SHEET NO	
<b>A4.1</b>	



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**DEMOLITION LEGEND**

- EXISTING CONCRETE PATIOS & PARADEWAYS TO BE REMOVED SHOWN AS "TODERMA" AT LINES WHERE CONCRETE IS TO REMAIN
- EXISTING CONCRETE PATIOS TO BE REMOVED (BASED UPON TO REMAIN) MARKED AS NECESSARY AT LINES WHERE CONCRETE IS TO REMAIN
- EXISTING CONCRETE STAIRS & BASEGRASS TO BE REMOVED
- EXISTING CONCRETE STAIR FOOTINGS TO BE REMOVED
- EXISTING ASPHALT PAVES & BASEGRASS TO BE REMOVED SHOWN AS NECESSARY AT LINES WHERE ASPHALT IS TO REMAIN
- EXISTING PLANTS AND/OR TREES TO BE REMOVED. VERIFY A FIELD IN WORKSHEET AREA SHEET. DO NOT REMOVE TREES UNLESS OTHERWISE NOTED
- EXISTING FENCES, FENCE POSTS AND GATES TO BE REMOVED
- EXISTING TREES TO BE REMOVED
- EXISTING TREES TO REMAIN

**DEMOLITION NOTES**

- TOPOGRAPHIC INFORMATION SHOWN IN THE PREPARATION OF THIS PLAN IS BASED ON SURVEY INFORMATION PREPARED BY BENT DATED 11/20/16. ALL SHADERS AND CONTOURS INDICATED AS EXISTING ARE BASED ON SURVEY INFORMATION PERFORMED PRIOR TO BUILDING CONSTRUCTION. CONTRACTOR SHALL VERIFY AND ACCEPT EXISTING CONDITIONS PRIOR TO EXCESS AND CONSTRUCTION.
- CONTRACTOR SHALL VERIFY ALL DIMENSIONS, DISTANCES & LOCATIONS PRIOR TO COMMENCING WORK. CONTRACTOR SHALL IMMEDIATELY NOTIFY THE LANDSCAPE ARCHITECT OF ANY DISCREPANCIES.
- THIS PLAN IS FOR REFERENCE ONLY AND DOES NOT NECESSARILY INDICATE THE FULL EXTENT OR LIMITS OF DEMOLITION. THE CONTRACTOR SHALL VERIFY EXISTING CONDITIONS ON-SITE PRIOR TO COMMENCING WORK.
- CONTRACTOR SHALL ENSURE ALL BULK MATERIAL & DISCRETE MATERIAL IS REMOVED FROM SITE. A PROTECTED PLANTING AREA.
- CONTRACTOR SHALL ALLOW FOR REPAIR/REPLACEMENT OF ALL FACILITIES TO REMAIN TO RESULT IN FREE CONTRACTOR USE OF SITE. CONTRACTOR SHALL REPAIR ANY DAMAGE AS A RESULT OF DEMOLITION ACTIVITIES.
- EXISTING DOWNSPOUTS, LEADERS OR DRAINAGE SHALL REMAIN UNLESS OTHERWISE INDICATED BY GRADING & DRAINAGE PLANS.
- ALL EXISTING LIGHT FIXTURES SHALL BE RETAINED & PLACES OR RELOCATED. SEE LIGHTING PLANS.
- ALL CRUSH CONTROL VESSELS MUST BE IN PLACE PRIOR TO ANY LAND DISTURBING ACTIVITY. SEE CIVIL PLANS.
- ALL DEBRIS SHALL BE REMOVED FROM THE SITE. THE CONTRACTOR SHALL VERIFY WITH THE LANDSCAPE ARCHITECT THE LOCATION OF MATERIALS TO BE STORED OR RELOCATED. THE CONTRACTOR SHALL PROTECT ALL MATERIALS TO REMAIN.
- NO CONSTRUCTION MATERIAL, EQUIPMENT, FUEL TANKS, TRASH CONTAINERS, OR DEBRIS SHALL BE PLACED IN THE PUBLIC RIGHT-OF-WAY.
- ALL TRASH CONTAINERS SHALL BE MAINTAINED ON SITE AT ALL TIMES AND DEBRIS ON SITE WHICH GOES OUTSIDE THE BOUNDARY SHALL BE REGULARLY COLLECTED AND PLACED IN THE GROUND.
- ALL PLANT MATERIAL NOT DESIGNATED TO BE REMOVED SHALL REMAIN.
- CONTRACTOR SHALL PROTECT ALL EXISTING TREES & ROOT SYSTEMS.
- CONTRACTOR SHALL MAINTAIN THE ALLOWABLE BURIAL OR BURY OPERATIONAL TO ALL UNDERGROUND UTILITIES TO REMAIN OR FOR PROTECTION. IF NOT MAINTAINABLE, CONTRACTOR SHALL HAND PATCH TO ENSURE PLANT HEALTH OR PROTECTION OF THE PROJECT.
- SEE SPECIFICATIONS FOR ADDITIONAL REQUIREMENTS.



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LANDSCAPE  
RENOVATIONS

**PARC AT  
PRUNEYARD**

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CAMPBELL, CA

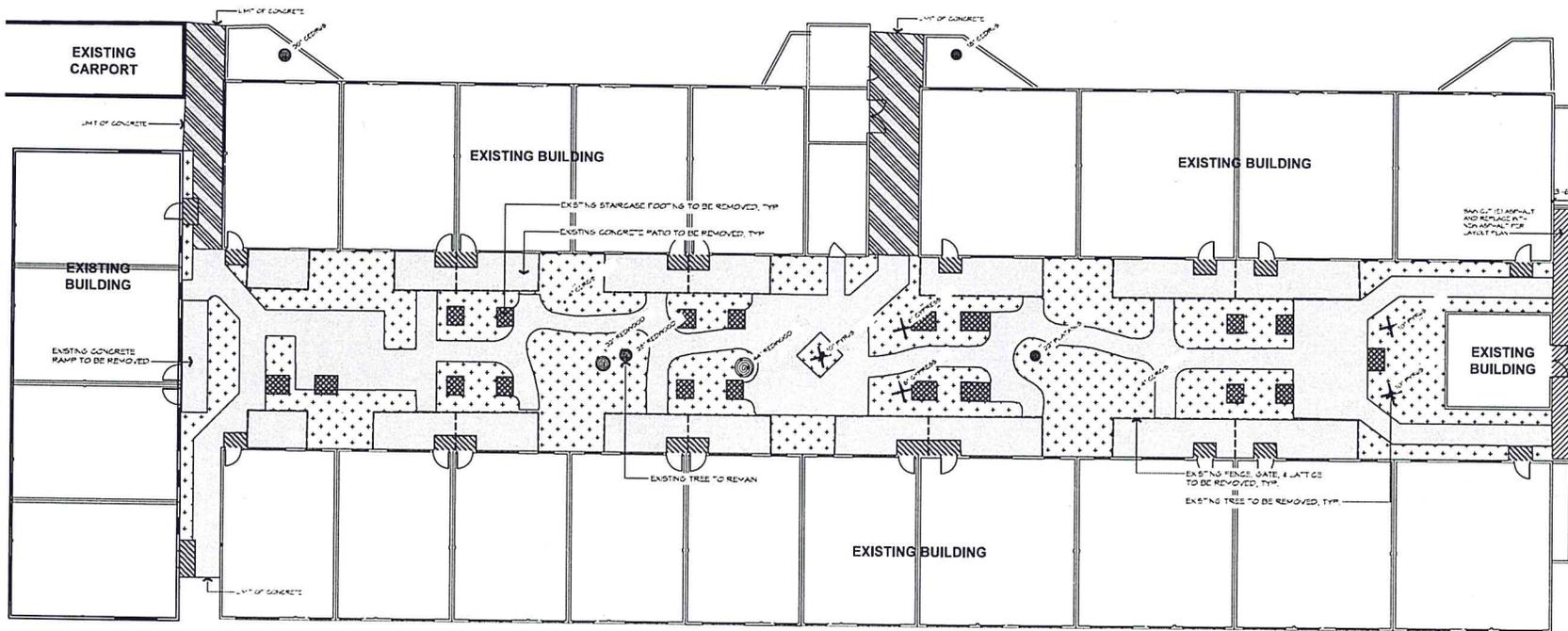
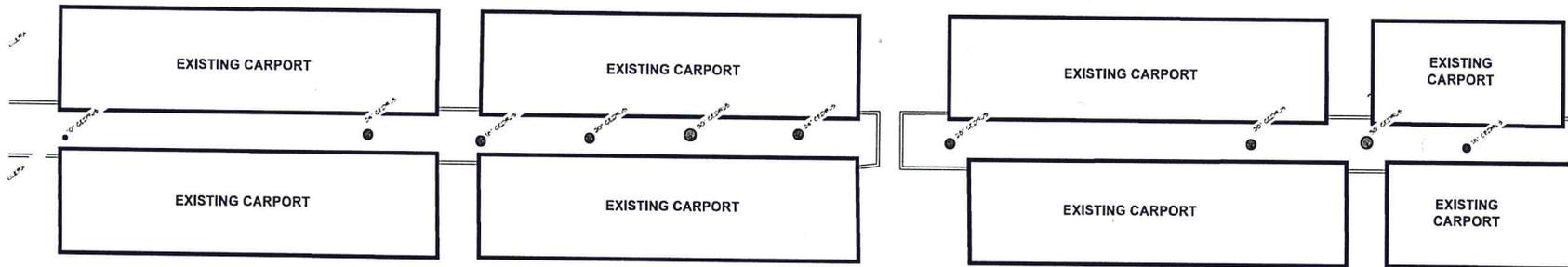
**KEY MAP**



Revisions  
Date: 8/17/16 PERMIT SET  
Scale: 1" = 10'-0"  
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**DEMOLITION PLAN**

Sheet No.  
**L0.3**  
Of



SEE SHEET L0.3 FOR NOTES AND LEGEND



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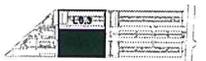


LANDSCAPE  
RENOVATIONS

**PARC AT  
PRUNEYARD**

215 UNION AVE.  
CAMPBELL, CA

KEY MAP



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**DEMOLITION PLAN**

Sheet No.

**L0.4**

OF

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LANDSCAPE  
RENOVATIONS

**PARC AT  
PRUNEYARD**

215 UNION AVE.  
CAMPBELL, CA

KEY MAP



Revisions

Date: 6/10/16 PERMIT SET

Scale: 1" = 10'-0"

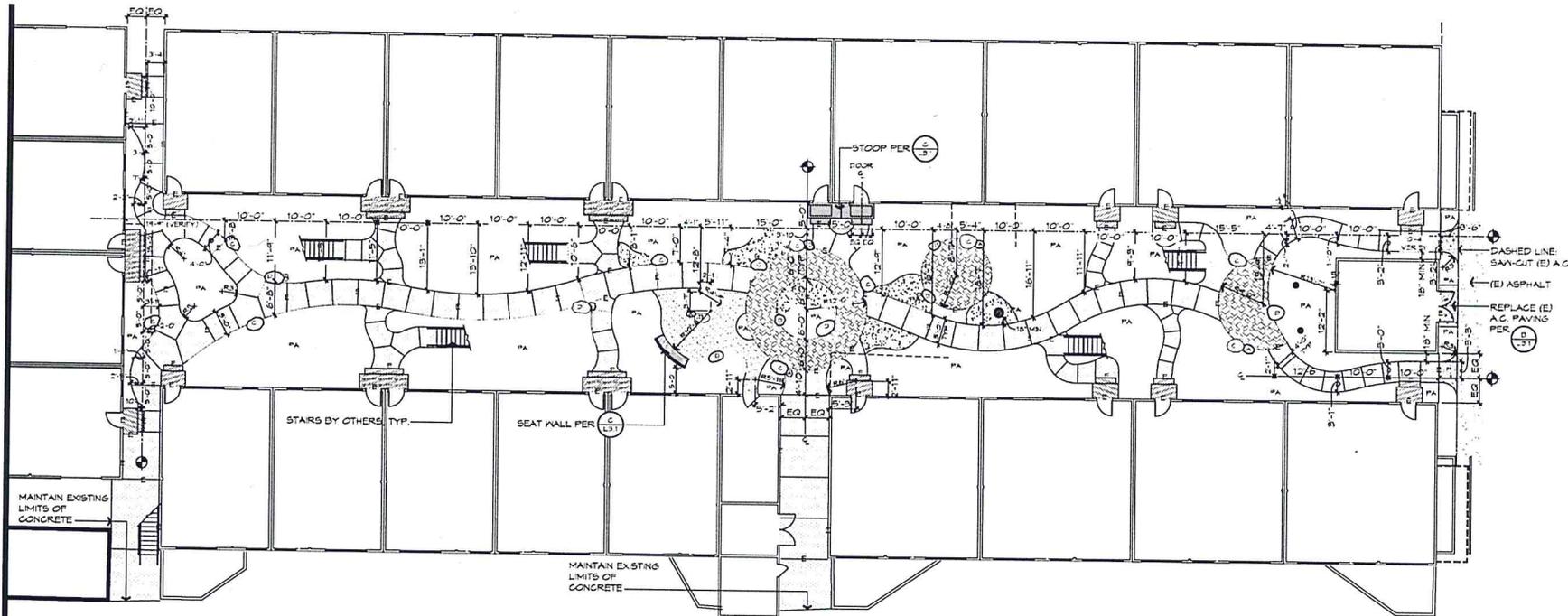
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LAYOUT PLAN

Sheet No.

**L1.3**

Of



**LAYOUT LEGEND**

- CONCRETE PAVERS: 4" THICK, NEUTRAL COLOR CONCRETE IV MEDIUM BROWN TINT COLOR AND SEAL PER SPECS. (D) 1.37
- TOOLED SCORE JOINT EXPANSION JOINT
- CONCRETE PAVERS, CAST CONCRETE PAVES OVER 4" CONCRETE. BASIC COLOR: T-FINISH TO BE SELECTED BY OWNER. (E) 1.37
- GRAVEL: 3" THICK GRAVEL BED OF 1/2" X 1" LA PAZ PERILES. (E) 1.67
- GRAVEL OR D.O. PAVERS: 2" THICK BLUE FINES, DISCOMPOSED GRANITE WITH STABILIZER PER SPECS. (A) 1.37
- REPLACE EXISTING ASPHALT PAVING. (H) 1.37
- DOUBLE SIDE STOOP: CONCRETE REINFORCED W/ #4 REBAR @ 12" O.C., #3 REBAR TYP. @ EACH NOSING. NEUTRAL COLOR, STAINING, SEALING AND FINISH PER PLAN DIMENSIONS PER. (A) 1.17
- SINGLE SIDE STOOP: CONCRETE REINFORCED W/ #4 REBAR @ 12" O.C., #3 REBAR TYP. @ EACH NOSING. NEUTRAL COLOR, STAINING, SEALING AND FINISH PER PLAN DIMENSIONS PER. (B) 1.17
- PLANTING AREA
- BOULDERS: NAPA FELDSTONE BOULDERS OF (AS SELECTED BY OWNER OR LANDSCAPE ARCHITECT).
- EXISTING TREE TO REMAIN, TYP.

**LAYOUT NOTES**

- CONTRACTOR SHALL VERIFY ALL DIMENSIONS BETWEEN ELEVATIONS PRIOR TO COMMENCING WORK. CONTRACTOR SHALL PROVIDE A COPY OF THE LANDSCAPE ARCHITECT'S ANY DISCREPANCIES.
- ALL WORK SHALL CONFORM TO LOCAL AGENCY CODES & ORDINANCES. CONTRACTOR SHALL OBTAIN PERMITS FOR ALL NECESSARY PERMITS.
- REFER TO SOIL DRAWINGS FOR ALL DRAINAGE, IRRIGATION, DRAINAGE AND DRAINAGE.
- CONTRACTOR SHALL INSTALL FLEXIBLE JOINTS PRIOR TO POURING CONCRETE. REFER TO IRRIGATION PLAN FOR LOCATIONS.
- PAVERS SCORE LINES AND JOINT DIMENSIONS SHALL BE LOCATED PER PLAN. ALL JOINTS ARE LOCATED AND SPACED AS SHOWN. NOTIFY LANDSCAPE ARCHITECT OF ANY DISCREPANCIES PRIOR TO LAYING REBAR.
- ALL FIBRE FIBRE IN PLACE CONCRETE SHALL BE SEALED PER SPECS.
- CONTRACTOR SHALL NOTIFY THE LANDSCAPE ARCHITECT 48 HOURS IN ADVANCE TO ARRANGE FOR FIELD REVIEW OF ALL PAVERS AND PATH LOCATIONS.
- CONTRACTOR SHALL PROVIDE FLOOD STOP DRAWINGS TO CLARIFY MESSAGE, TILE MARKERS, RAJAS, ETC. AND SUBMITTED FOR REVIEW BY THE LANDSCAPE ARCHITECT PRIOR TO COMMENCING FLOOR CONSTRUCTION.
- CONTRACTOR SHALL PROTECT ALL EXISTING TREES & ROOT SYSTEMS. NO SAGGATION OR ANY PURPOSE SHALL BE GREATER THAN 15 FEET OF EXISTING TREE TRUNKS. SAGGATION BEYOND 15 FEET AND AT THE POINTS OF EXISTING TREES OR GRASS TREES TO REMAIN SHALL BE MAINTAINED TO ROOTS GREATER THAN 10" SHALL BE CUT. ALL CUT ROOTS SHALL BE CLEANLY CUT & DISPOSED.
- NO EQUIPMENT OR MATERIALS SHALL BE PLACED ON SITE AT ALL TIMES AND DEBRIS ON SITE SHALL BE COLLECTED AND REMOVED FROM THE PROPERTY IMMEDIATELY.
- A TRASH CONTAINER SHALL BE MAINTAINED ON SITE AT ALL TIMES AND DEBRIS ON SITE SHALL BE COLLECTED AND REMOVED FROM THE PROPERTY IMMEDIATELY.
- ALL CONSTRUCTION OF DEBRIS (WOOD, METAL AND OTHER DEBRIS) SHALL BE COLLECTED AND REMOVED FROM THE PROPERTY IMMEDIATELY.
- SEE SPECIFICATIONS FOR ADDITIONAL REQUIREMENTS.

**BOULDER KEY**

IS SHOWING SCALED BOULDERS OF NAPA VALLEY FELDSTONE BOULDERS OF (AS SELECTED BY THE LANDSCAPE ARCHITECT) SIZES AS FOLLOWS:

- A 12" x 18" x 24"
- B 18" x 24" x 36"
- C 24" x 30" x 36"
- D 36" x 42" x 48"

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LANDSCAPE  
RENOVATIONS

**PARC AT  
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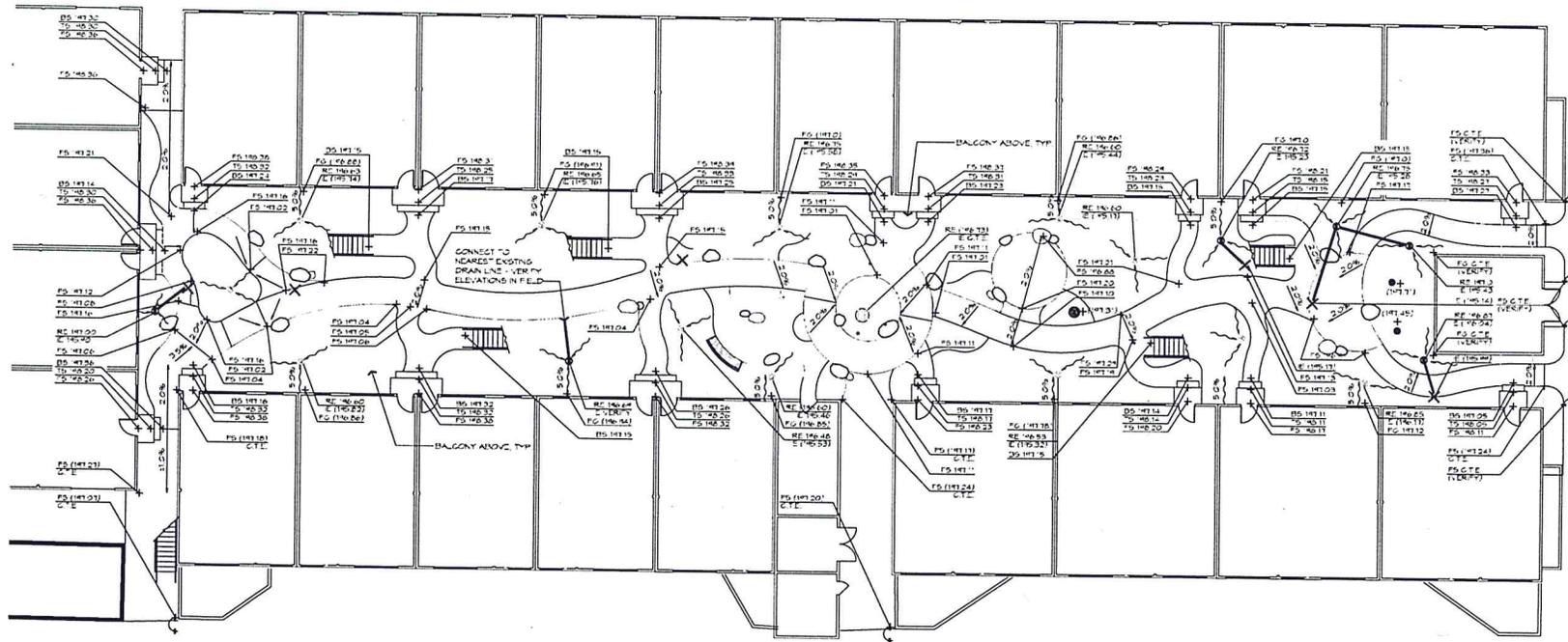
Revisions	PERMIT SET
Date: 6/10/16	
Scale: 1"=10'-0"	
Drawn By: [Signature]	

**GRADING &  
DRAINAGE PLAN**

Sheet No.

**L2.3**

of



**GRADING LEGEND**

- FS 100.00  
FS 99.99  
C.F.E. PROPOSED SPOT ELEVATION (SEE ABBREVIATION KEY)
- (FS 100.00)  
C.F.E. EXISTING SPOT ELEVATION
- INDICATES CONFORMING ELEVATIONS
- RIDGE OR VALLEY LINE
- DRAIN PIPE: 1/2" SDR 35, 4" UNLESS OTHERWISE NOTED. MINIMUM 1/4" SLOPE
- 2.0% INDICATES DEGREE AND DIRECTION OF SLOPE ACROSS PAVED SURFACES
- 4.0% INDICATES DEGREE AND DIRECTION OF SLOPE ACROSS PLANTED AREAS
- RELOCATED AREA DRAIN OR NEW TO MATCH EXISTING
- ⊙ EXISTING AREA DRAIN TO REMAIN
- X EXISTING AREA DRAIN TO BE REMOVED OR RELOCATED
- ⊞ EXISTING CATCH BASIN TO REMAIN

**ABBREVIATION KEY**

- FFE FINISHED FLOOR ELEVATION (PER ARCHITECT'S PLANS)
- FS FINISHED SURFACE ELEVATION
- FG FINISHED GRADE ELEVATION
- RE E R/W INVERT ELEVATION
- TA/B/A TOP OF BOTTOM OF WALL ELEVATION
- TG/BG TOP OF BOTTOM OF CURB ELEVATION
- TS/BS TOP OF BOTTOM OF STEP ELEVATION
- TR/BK TOP OF BOTTOM OF RAMP ELEVATION
- TDC TOP OF BARBED WIRE CENTER
- TBR TOP OF BRIDGE
- C.F.E. CONFORM TO EXISTING ELEVATION

**GRADING NOTES**

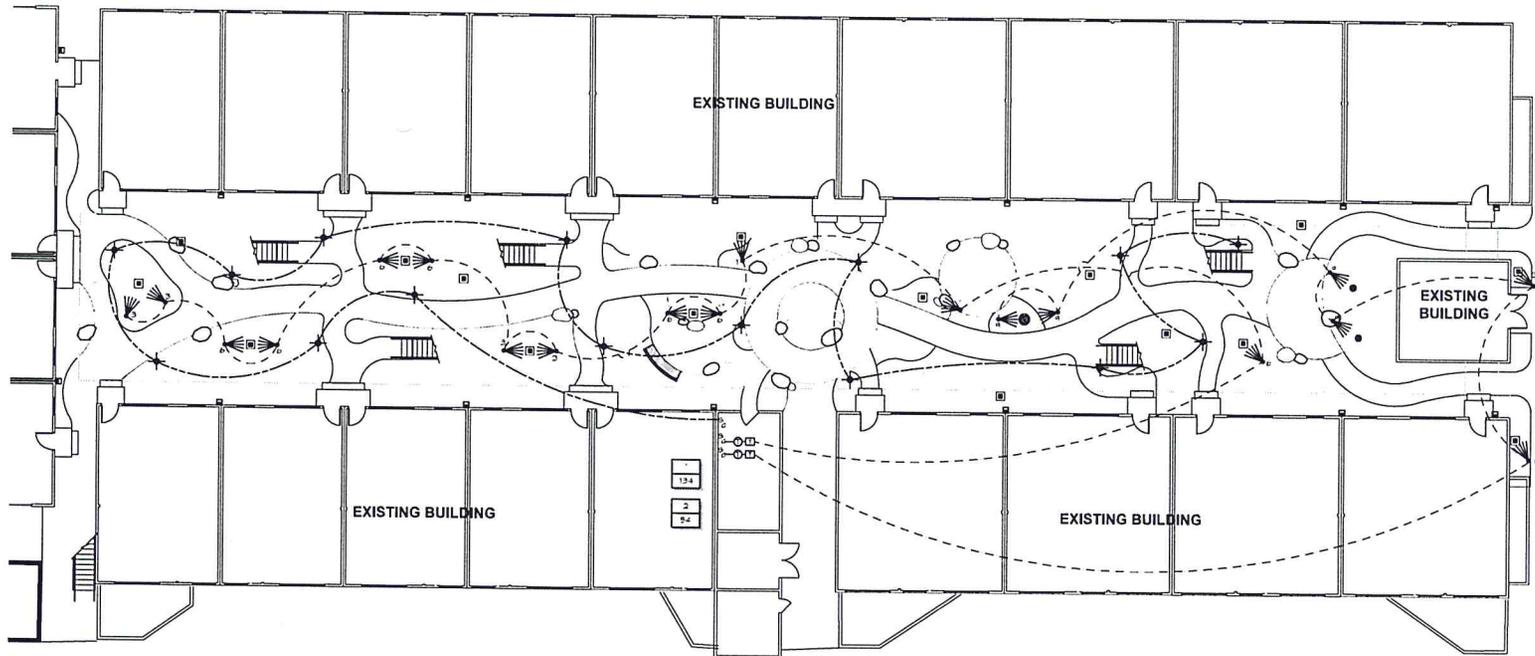
- CONTRACTOR SHALL VERIFY ALL EXISTING & PROPOSED ELEVATIONS PRIOR TO CONSTRUCTION & SHALL NOTIFY LANDSCAPE ARCHITECT OF ANY DISCREPANCIES FOUND
- DRAINAGE INTENT: IT IS THE INTENT OF THESE DRAWINGS TO PROVIDE POSITIVE DRAINAGE IN ALL PAVED AND LANDSCAPED AREAS. THE CONTRACTOR SHALL PROVIDE POSITIVE DRAINAGE FOR ALL AREAS
- ALL NEW PLANTING AREAS (EXCEPT UNDER EXISTING TREE CANOPIES) SHALL RECEIVE A 2" LAYER OF ORGANIC AMENDMENTS INCORPORATED INTO THE TOP 6" OF SOIL PER SPEC. ALL PLANTING AREAS SHALL RECEIVE A 2" LAYER OF DARK MULCH PER SPEC.
- THE SUBGRADE BELOW ALL PAVED AREAS (EXCEPT UNDER EXISTING TREE CANOPIES) SHALL BE BASEROCK COMPACTED TO 95% DEPT- PER PLAN. SEE DETAILS FOR PAVING AND SUBGRADE CONTACT ON BENEATH EXISTING TREES
- ALL GRADING SHALL CONFORM TO LOCAL CODES AND ORDINANCES
- NO TRENCHES FOR ANY PURPOSE SHALL BE DUG WITHIN 15 FEET OF EXISTING TREE TRUNKS. TRENCHES BEYOND 15 FEET AND WITHIN DRUPLES OF EXISTING VEGETATION AND TREES TO REMAIN SHALL BE HAND DUG. NO ROOTS GREATER THAN 1" DIAMETER SHALL BE CUT. ALL CUT ROOTS BETWEEN 1/2" AND 1" DIAMETER SHALL BE CLEANLY CUT AND DRESSED
- ALL PERFORATED PIPES SHALL DRAIN TO SOLID PIPES. UNDER NO CIRCUMSTANCES SHALL A SOLID PIPE BE ALLOWED TO DRAIN INTO A PERFORATED PIPE. THESE TIGHT LINES ARE INDICATED TO FLOW DOWN TO A WALL PERFORATED PIPE SHALL CONNECT WITH A VERTICAL SOLID PIPE STRAIGHT DOWN TO THE SOLID PIPE
- ALL DRAINAGE PIPES SHALL BE 4" DIAMETER MINIMUM SOLID PIPE PER SPEC, SLOPED AT 1/8" MINIMUM UNLESS OTHERWISE NOTED ON PLAN
- ALL BUILDING MAIN WATER LEADERS SHALL REMAIN CONNECTED TO EXISTING DRAINAGE SYSTEM
- TOPOGRAPHIC INFORMATION USED IN THE PREPARATION OF THIS PLAN IS BASED ON SURVEY INFORMATION PREPARED BY BKF, DATED 5/1/2015. ALL GRADINGS AND CONTOURS INDICATED AS EXISTING ARE BASED ON SURVEY INFORMATION PROVIDED PRIOR TO BUILDING CONSTRUCTION. CONTRACTOR SHALL VERIFY AND ACCEPT EXISTING CONDITIONS PRIOR TO BIDDING AND CONSTRUCTION
- ALL FINISH GRADES SHALL BE NO LESS THAN 6" BELOW TOP OF FOUNDATION. CONTRACTOR SHALL VERIFY
- EROSION CONTROL MEASURES MUST BE IN PLACE PRIOR TO COMMENCEMENT OF ANY LAND DISTURBING ACTIVITY
- THE CONTRACTOR SHALL BE RESPONSIBLE FOR MAINTAINING ALL EROSION CONTROL MEASURES AND SHALL BE RESPONSIBLE FOR ANY AND ALL FNS ASSOCIATED WITH THE DISCHARGE OF SEDIMENTS, EROSION, OR POLLUTANTS LEAVING THE SITE AS A RESULT OF CONSTRUCTION ACTIVITY
- THE CONTRACTOR SHALL USE A SILT FENCE BARRIER, STRAW BALE BARRIER, SAND BASS, BRUSH OR ROCK FILTER OR OTHER APPROPRIATE MEASURES, AS NECESSARY, TO MINIMIZE THE QUANTITY OF SEDIMENT LOADS WASHED FROM THE SITE
- CONTRACTOR SHALL STAKE ANY AREAS THAT HAVE BEEN STRIPPED OF VEGETATION AND MAINTAIN EROSION CONTROL MEASURES BETWEEN OUTDOOR S AND AREAS 5' OR MORE CITY BLOCKS AWAY
- CONTRACTOR SHALL USE WATERING AND OTHER MEANS NECESSARY TO CONTROL DUST DURING PERFORMANCE OF WORK TO PREVENT A NUISANCE TO THE PUBLIC
- SEE SPECIFICATIONS FOR ADDITIONAL REQUIREMENTS

**STAIRWAY FABRICATION & FLATWORK INSTALLATION**

CONTRACTOR SHALL VERIFY ALL EXISTING & PROPOSED ELEVATIONS PRIOR TO FABRICATION OF STAIRWAYS OR INSTALLATION OF FLATWORK. CONTRACTOR SHALL NOTIFY LANDSCAPE ARCHITECT OF ANY DISCREPANCIES FOUND IN THE FIELD. CONTRACTOR SHALL REVISION ALL FIELD ADJUSTMENTS TO LANDSCAPE ARCHITECT PRIOR TO ANY CONCRETE POUR

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**LIGHTING LEGEND**

- LINE VOLTAGE WIRING - SCHEMATIC LOCATION. WIRE TO BE 60.0 CONDUCTOR COPPER, GAUGE AS REQUIRED. ROUTE WIRE IN CONDUIT, 5/2 AS REQUIRED. BURIAL PER CODED.
  - LOW VOLTAGE WIRING - SCHEMATIC LOCATION. WIRE TO BE DIRECT BURIAL, #12 OR 14.2 AS REQUIRED. BURIAL 18" MIN. MIN. BURIAL ROUTE INSIDE HOOD VENTERS, ATOM BEAMS, ETC. TO MINIMIZE VISIBILITY AND IMPACT TO TREE ROOTS.
  - ☐ TRANSFORMER. FX LUMINAIRE MODEL, 150 OR 300 WATT (AS APPROPRIATE FOR ZONE VOLTAGE), 1/2" TAP TRANSFORMER WITH PHOTOCELL. PROVIDE HARD-WIRED 220V POWER SUPPLY. LOCATION AS DETERMINED IN THE FIELD.
  - ⊕ ELECTRICAL JUNCTION BOX
  - ☀ UP LIGHT (LOW VOLTAGE) FX LUMINAIRE NO. FILED BY TJ. MOUNT ON 550 STAKE. # ASSOCIATED NUMBER OF FEET PER FIXTURE.
  - ◆ INCLINED LIGHT. PHILLIPS SQUARE BOLLARD BS100. METAL HALIDE, ON CONCRETE FOOTING. FINISH AS SELECTED BY OWNER. MOUNT PER VEG. RECOMMENDATIONS.
  - BUILDING LIGHT NEAR INTERIOR OR SINGLE POLE DIMMER SWITCH
  - ⊕ INTERIOR SWITCH NEAR INTERIOR OR SINGLE POLE DIMMER SWITCH
  - TIMER. INTERMATIC ELECTROMECHANICAL. 1/2" WALL MOUNT, OR APPROVED EQUIVALENT
- 
- 1 TRANSFORMER NUMBER
  - 2 ZONE VOLTAGE
  - EXISTING TREE
  - ☐ PROPOSED TREE

**LIGHTING NOTES**

- \* SWITCHES AND SWITCHING CONTROLS SHALL BE COORDINATED WITH BUILDING CONTROLS AND LIGHTING.
- \* SWITCHING SHALL BE ON TYPICAL PHOTOCELLS TO SATISFY TITLE 24 REQUIREMENTS.
- \* NO LOW-VOLTAGE WIRE RUN SHALL EXCEED 120 FT. AND/OR 100 WATTS. PROVIDE BETWEEN 110 & 115 VOLTS AT EACH FIXTURE.
- \* WATERPROOF JUNCTION BOXES SHALL BE UTILIZED WHENEVER REQUIRED TO CONNECT TO EXISTING STUB BY OTHERS OR TO EXTEND CIRCUIT. CONTRACTOR SHALL USE BELL STYLE BOXES ON SIDE OF BUILDING WHERE OCCURS. ALL JUNCTION BOXES SHALL BE PAINTED TO MATCH ADJACENT SURFACE.
- \* PRECISE LOCATIONS FOR ALL FIXTURES SHALL BE FIELD STAKED, MARKED, AND VERIFIED WITH LANDSCAPE ARCHITECT PRIOR TO WIRING AND INSTALLATION. ADJUSTABLE FIXTURES SHALL BE DIRECTED IN THE FIELD BY LANDSCAPE ARCHITECT.
- \* ALL LOW VOLTAGE CIRCUITS SHALL BE WIRED TO UTILIZE THE APPROPRIATE TRANSFORMER LOADS AND SHALL NOT EXCEED 80% OF RATED MAXIMUM LOAD. ALL CIRCUITS SHALL BE IN REED TO MINIMIZE VOLTAGE DROP AT THE END OF THE LINE.
- \* ALL TRANSFORMERS SHALL BE HARD-WIRED. TRANSFORMERS ADJACENT TO BUILDING OR SITE WALLS SHALL BE MOUNTED TO WALL 12" ABOVE GRADE. ALL TRANSFORMERS LOCATED IN PLANTING AREAS SHALL BE MOUNTED 4" ABOVE GRADE ON A CONCRETE PAD 4x4 FEET PAINTED DARK BROWN AND SET IN A 4'0" x 12" DEEP CONCRETE FOOTING.
- \* ALL WIRING SHALL CONFORM TO LOCAL ELECTRICAL CODES.
- \* NO TREES FOR ANY PURPOSE SHALL BE DAMAGED BY EXISTING TREE TRUNKS, PRUNINGS BEYOND 15' AND WITHIN 20' RADIUS OF EXISTING VEGETATION. TREES TO REMAIN SHALL BE HAND D.I.S. NO ROOTS GREATER THAN 1"0 SHALL BE CUT. ALL ROOTS BETWEEN 1/2" & 1"0 SHALL BE CLEANLY CUT AND DRESSED.
- \* ALL FX LUMINAIRE FIXTURES AND TRANSFORMERS HAVE A 10-YEAR WARRANTY AS A COMPLETE SYSTEM. FX LUMINAIRE AVAILABLE FROM EVANS IRRIGATION. ALL FIXTURES SHALL BE UL 1820 APPROVED.
- \* ON-SITE TECHNICAL SERVICES PROVIDED BY FX LUMINAIRE. CONTACT FX TECHNICAL SERVICES # 800-888-1264. SAMPLE FIXTURES AND DEMONSTRATION AVAILABLE.
- \* SEE SPECIFICATIONS FOR ADDITIONAL REQUIREMENTS.

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LANDSCAPE  
RENOVATIONS

**PARC AT  
PRUNEYARD**

215 UNION AVE.  
CAMPBELL, CA

KEY MAP



Revisions

Date: 6/10/16 PERMIT SET

Scale:

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Drawn By:

NK, AL



**LIGHTING PLAN**

Sheet No.

**L4.3**

OF



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RENOVATIONS

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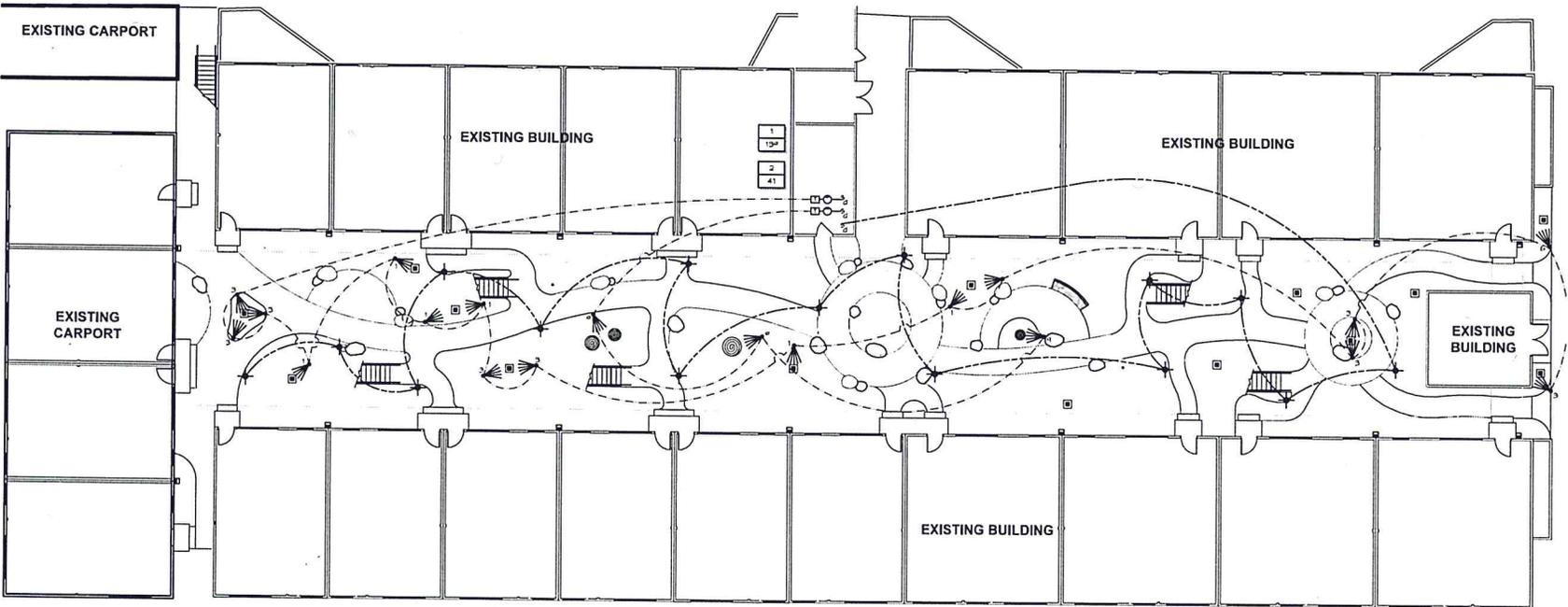
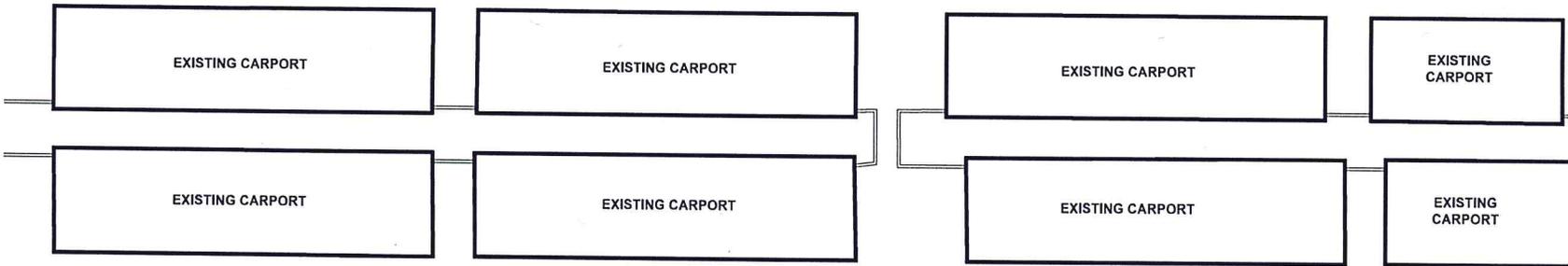


### LIGHTING PLAN

Sheet No.

**L4.4**

Of



SEE SHEET L4.3 FOR NOTES AND LEGEND

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LANDSCAPE  
RENOVATIONS

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KEY MAP



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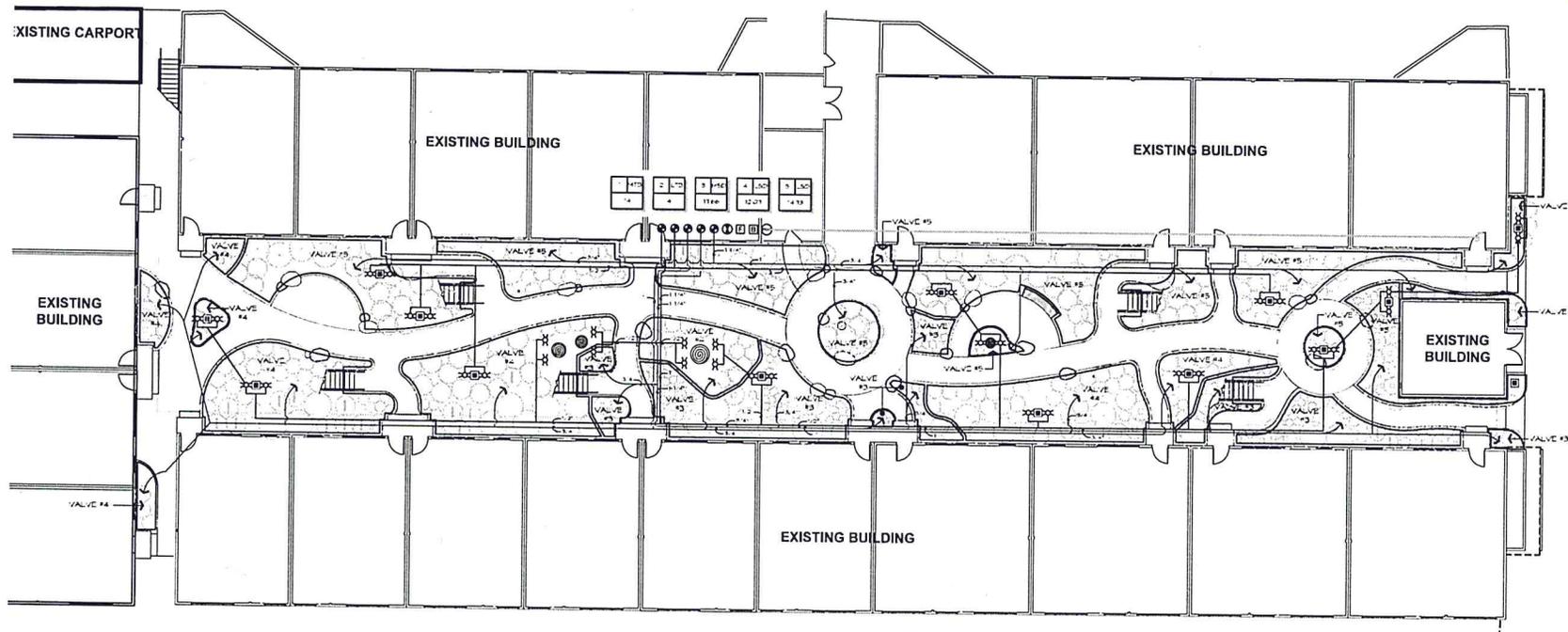
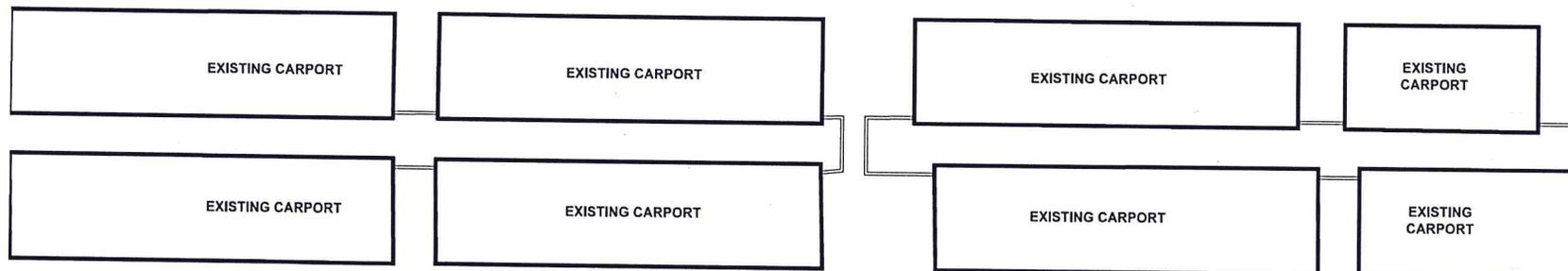


### IRRIGATION PLAN

Sheet No.

**L5.4**

OF



15	2	3	4	5	6
4	4	1120	12.07	12.07	12.07

SEE SHEET L5.3 FOR NOTES AND LEGEND  
SEE SHEET ATTACHMENT FOR WELO WORKSHEET

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**Kikuchi + Kankel  
Design Group**

Landscape Architecture  
Environmental Design  
Site Planning

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www.kkdesigngroup.com

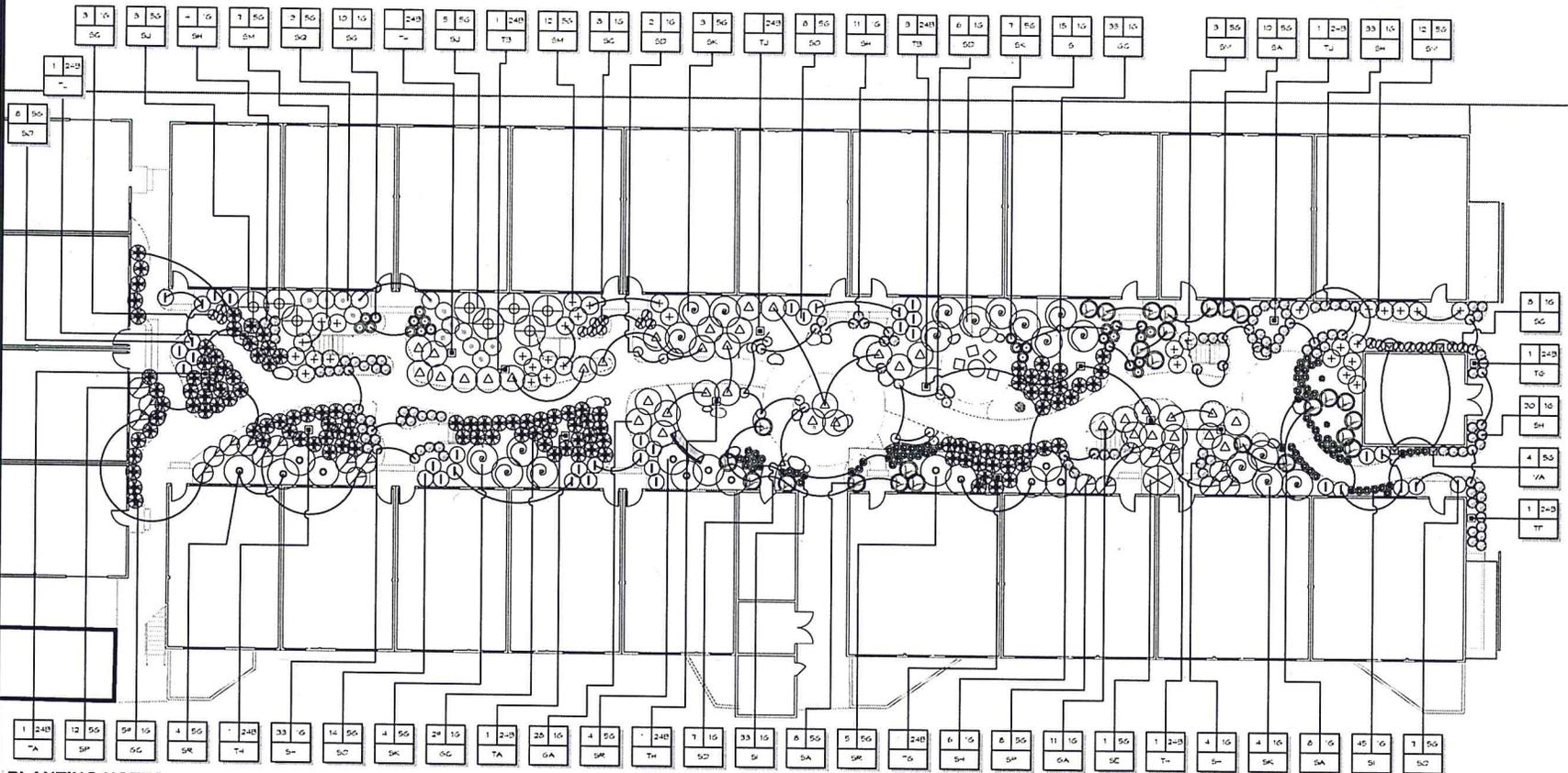


LANDSCAPE  
RENOVATIONS

**PARC AT  
PRUNEYARD**

215 UNION AVE.  
CAMPBELL, CA

KEY MAP



**PLANTING NOTES**

- ALL TREES SHALL BE TRIPLE-STAKED PER .
- ALL SHRUBS SHALL BE PLANTED PER .
- ALL GROUND COVER SHALL BE PLANTED PER .
- PLANT QUANTITIES IN THE ABOVE KEY ARE FOR REFERENCE ONLY. GRAPHING SYMBOLS ON PLANS SUPERSEDES ABOVE LISTED QUANTITIES FOR QUANTITIES SHOWN IN THE PLANTING PLAN.
- FINAL PLANT LOCATIONS SHALL BE REVIEWED BY THE LANDSCAPE ARCHITECT PRIOR TO PLANT EXCAVATION.
- WHEN PLANTING IN ESTABLISHED PLANTING AREAS, CONTRACTOR SHALL TAKE UTMOST CARE AS TO NOT DAMAGE ANY EXISTING PLANTS OR TREES.
- ALL PLANTING AREAS SHALL RECEIVE A 2" LAYER OF ORGANIC AMENDMENTS INCORPORATED INTO THE TOP 6" OF SOIL. NO TILLING SHALL OCCUR BENEATH EXISTING TREES OR SHRUBS. AREAS BENEATH EXISTING TREES AND SHRUBS SHALL RECEIVE TOP DRESSINGS. AREAS BENEATH EXISTING TREES SHALL HAVE PLANTINGS INDIVIDUALLY AMENDED.
- ALL GROUND COVERS PLANTED FROM 1 GALLON CANS SHALL BE INSTALLED MIN 36" CLEAR FROM ADJACENT PAVING OR TURF AREAS.
- ADDITIONAL PLANTS ARE TO BE FIELD LOCATED AS DIRECTED BY LANDSCAPE ARCHITECT. CONTRACTOR TO NOTIFY LANDSCAPE ARCHITECT 48 HOURS IN ADVANCE FOR FIELD REVIEW. THE CONTRACTOR SHALL PROVIDE THE FOLLOWING "ADDITIONAL PLANTS" FOR INSTALLATION AS IN FULL PER FIELD DIRECTION BY THE LANDSCAPE ARCHITECT:  
(SEE L1 SCALE - XXXXXXXXXXXXX)
- SEE SPECIFICATIONS FOR ADDITIONAL REQUIREMENTS.

**PLANTING LEGEND**

- EXISTING TREE TO REMAIN
- NON 24" BOX TREE
- QUANTITY OF PLANTS IN MASS
- SIZE OF NURSERY CAN
- SYMBOL PER PLANT KEY

**PLANT KEY & QUANTITIES**

TREES					
BOTANICAL NAME (Common Name)	LETTER & GRAPHIC SYMBOL	SIZE	QTY.	MUGOLS ID	COMMENTS
ACER PALMATUM var. ATROPURPUREUM BLOODOOD (Bloodgood Japanese Maple)	TA	24B	2	VED	
ACER PALMATUM DISSECTUM VIRIDIS (Bird's Laceleaf Japanese Maple)	TB	24B	4	VED	
ACER PALMATUM var. DISSECTUM GARNET (Japanese Maple)	TC	24B	3	VED	
ACER JAPONICA SANDO KANU (Gora Bark Japanese Maple)	TD	24B	3	VED	
CEDRUS ATLANTICA OLIVAE PENDULA (Weeping Blue Atlas Cedar)	TE	24B	2	VED	
CHAMAECYPARIS OBUSA VEGANS SPECIAL (Hick Cypress)	TF	24B	2	VED	
CRYPOTERIA JAPONICA BLACK DRAGON (Black Dragon Japanese Cedar)	TG	24B	4	VED	
QUERCUS ILEX (English Holly)	TH	24B	4	VED	
PRUNUS MANDSCHURICA (Weeping Prune)	TI	24B	2	LOW	
PRUNUS MANDSCHURICA (Weeping Prune)	TJ	24B	3	LOW	
VINES					
BOTANICAL NAME (Common Name)	LETTER & GRAPHIC SYMBOL	SIZE	QTY.	MUGOLS ID	COMMENTS
FIGUS FICULA (Creeping Fig)	VA	5G	10	MED	

SEE SHEET L6.4 FOR ADDITIONAL PLANT KEY & QUANTITIES

**PLANTING PLAN**

Sheet No.  
**L6.3**



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LANDSCAPE  
RENOVATIONS

**PARC AT  
PRUNEYARD**

215 UNION AVE.  
CAMPBELL, CA

KEY MAP



Revisions

Date: 6/10/16 PERMIT 52

Scale: 1" = 10'-0"

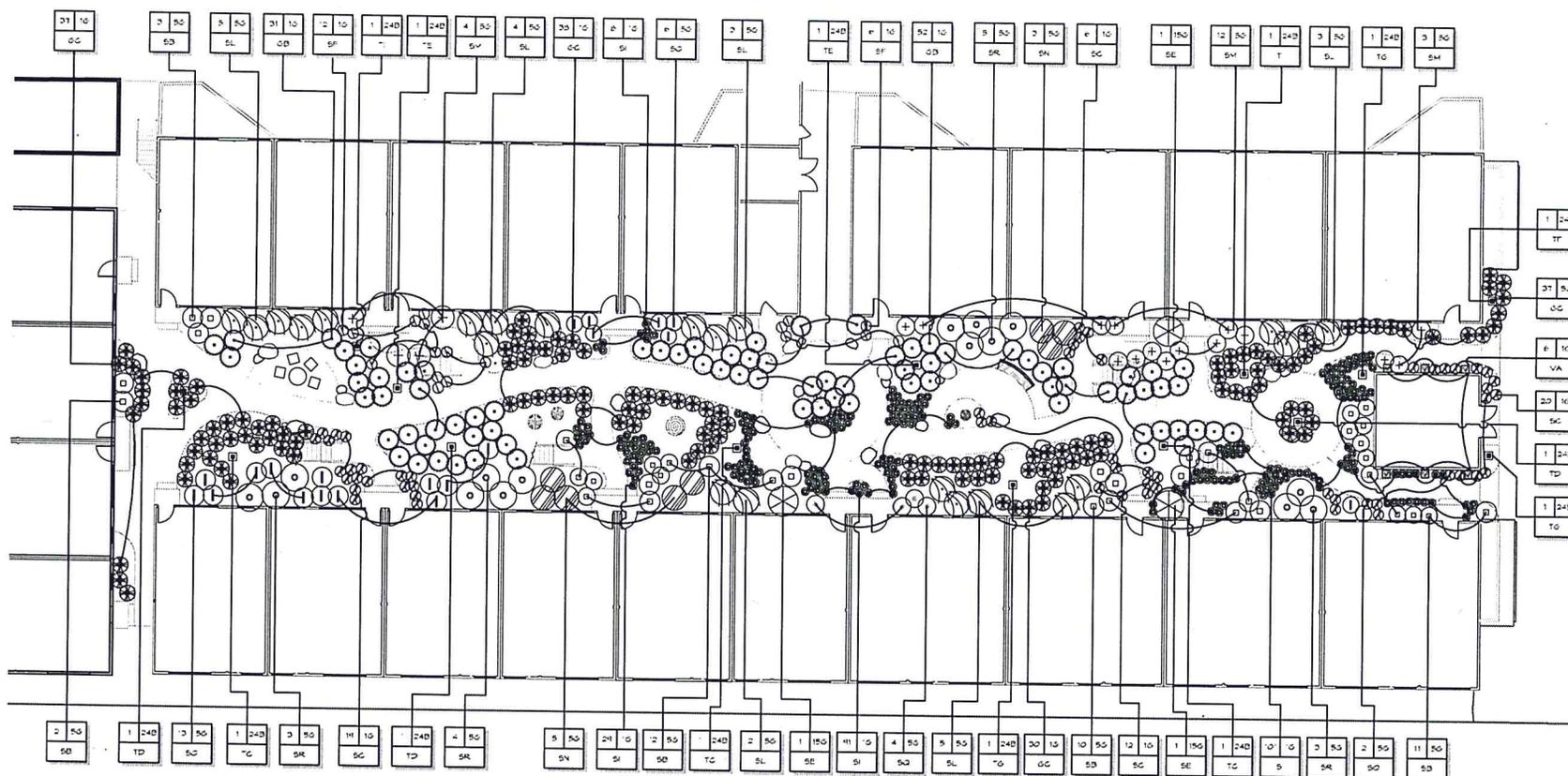
Drawn By: NK, AL

**PLANTING PLAN**

Sheet No.

**L6.4**

OF



**PLANT KEY & QUANTITIES (CONT.)**

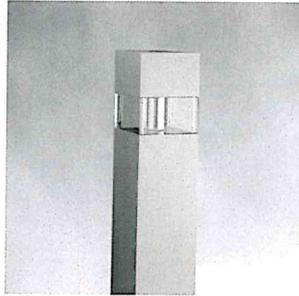
BOTANICAL NAME (Common Name)	LETTER & GRAPHIC SYMBOL	SIZE	QTY.	MUGOLS ID	COMMENTS
<b>SHRUBS</b>					
AZALEA 'HAPPY DAYS' (Hardy Dwarf Azalea)	5A (⊙)	50	20	MED	
AZALEA 'WIND DRUMSON' (Hardy Dwarf Azalea)	5B (⊙)	50	40	MED	
CAREX DIVISA (Berkley Sedge)	5C (⊙)	16	71	LOW	
DIENERS JAPONICUS 'MOROPHYLLIS VARIEGATUS' (Variegated Boxwood)	5D (⊙)	16	4	LOW	
FATSIA JAPONICA (Paper Plant)	5E (⊗)	150	4	MED	
'EVERGALLO CRANBERRY BABY' (Dwarf Day Lily)	5F (⊙)	16	18	MED	
'EVERGALLO'S LITTLE BUSINESS' (Little Business Dwarf Day Lily)	5G (⊙)	16	10	MED	
RED POLYSLASANA PURPLE (Dwarf Day Lily)	5H (⊙)	16	12	LOW	
LILY OF THE VALLEY 'ROYAL PURPLE' (Royal Purple Lily)	5I (⊙)	16	22	MED	
LONGICATA BASALISSIMO GOLD (Golden Boxwood)	5J (⊙)	50	8	LOW	
LOROPETALUM CHINENSE 'PLUM DEL OHT' (Chinese Fringe Flower)	5K (⊙)	50	18	LOW	
LOROPETALUM CHINENSE 'BLUSH' (Red Fringe Flower)	5L (⊙)	50	22	LOW	

BOTANICAL NAME (Common Name)	LETTER & GRAPHIC SYMBOL	SIZE	QTY.	MUGOLS ID	COMMENTS
<b>SHRUBS</b>					
NANOM DOWNSIDE FIRE POWER (Fire Power Heavenly Bamboo)	5M (⊕)	50	53	LOW	
PERS JAPONICA 'FLAMING SILVER' (Flaming Silver Andromeda)	5N (⊗)	50	8	MED	
PITOSPORUM 'CREME DE MINT' (Dwarf Variegated Japanese Maple Orange)	5O (⊙)	50	96	LOW	
PITOSPORUM 'TIDAL FOLLY' 'GOLF BALL' (Soft Ball Kalmia)	5P (⊙)	50	20	LOW	
PITOSPORUM 'TOO RA WHEELER'S DWARF' (Dwarf Japanese Maple Orange)	5Q (⊙)	50	17	LOW	
SARGOLLOCA RUSC FOLIA (Fragrant Sweet Box)	5R (⊙)	50	28	LOW	
<b>GROUND COVER</b>					
JUNIPERUS HORIZONTALIS 'TO ANSLOW' (Prostrate Juniper)	6A (⊙)	15	34	LOW	
JUNIPERUS PROCESSIONARIA 'NANA' (Dwarf Japanese Garden Juniper)	6B (⊙)	16	83	LOW	
MAHONIA REPENS (Creeping Mahonia)	6C (⊕)	16	255	LOW	

SEE SHEET L6.3 FOR NOTES, LEGEND, AND ADDITIONAL PLANT KEY & QUANTITIES

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# Lighting & Furniture Details



## Applicant's Written Narrative

### The Parc at Pruneyard

#### Landscape Concept Narrative

The general intent of the landscape design is to improve the overall visual & spatial quality of the project and the tenant's living experience. This is accomplished via a combination of expanded planting areas and new common use areas.

By eliminating the fenced patios, accumulated clutter such as bicycles, old furniture and BBQ grills will in turn be eliminated. There are liabilities associated with the current situation described, such as the potential for fire as well as theft.

The increased planting areas will increase the site's ability to infiltrate stormwater and will provide more open space for all the residents to enjoy. There overall character will be a larger and more pleasing space for everyday living as well as for passive recreation.

The landscape will be replaced with a more appropriate planting palate, which will include lower water requiring plants as well as more appropriately sized trees for the limited space. Existing oversized canopy trees and those with poor health or poor structure, will be removed and replaced with smaller understory trees. Mature trees that have adapted well to the site's conditions will be preserved and protected as appropriate.

The added common areas will provide residents a more tranquil setting for outdoor enjoyment and will also provide an opportunity for more social and community oriented activities.



**CITY OF CAMPBELL • PLANNING COMMISSION**  
**Staff Report • September 13, 2016**

**PLN2016-263 (PD)** Public Hearing to consider the application of Jimmy Chang for a  
**PLN2016-266 (TRP)** Planned Development Permit (PLN2016-263) to allow for the  
**Chang, J.** conversion of private patio areas to common open space, alterations to  
existing staircase, and installation of new lighting fixtures within two  
courtyards of an existing apartment community and Tree Removal  
Permit (PLN2016-266) to allow removal of protected trees on property  
located at **225 Union Avenue**. Staff is recommending that this item be  
deemed Categorically Exempt under CEQA.

**STAFF RECOMMENDATION**

That the Planning Commission take the following actions:

1. **Adopt a Resolution**, incorporating the attached findings, recommending that the City Council approve a Planned Development Permit (PLN2016-263) to allow for the conversion of private patio areas to common open space, alterations to existing staircases, and installation of new lighting fixtures within two courtyards of an existing apartment community; and
2. **Adopt a Resolution**, incorporating the attached findings, recommending that the City Council approve a Tree Removal Permit (PLN2016-266) to allow for the removal of protected trees, subject to the attached Conditions of Approval.

**ENVIRONMENTAL DETERMINATION**

Staff recommends that the Planning Commission find that this project is Categorically Exempt under Section 15301 Class 1 of the California Environmental Quality Act (CEQA) pertaining to minor alterations to an existing private structure, involving negligible or no expansion of use.

**PROJECT DATA**

Zoning Designation:	P-D (Planned Development)	
General Plan Designation:	High-Density Residential (21-27 units/gr. acre)	
Net Lot Area:	380,278 square feet	
<u>Project Overview</u>	<u>Existing</u>	<u>Proposed</u>
Building Height:	28-feet	No Change
Parking:	408 Parking Spaces	No Change
Floor Area Ratio (FAR):	39%	No Change
Building (Lot) Coverage:	27.5%	27.2% <sup>1</sup>
Common Landscape Area:	93,895 sq. ft.	99,165 sq. ft.

<sup>1</sup> Nominal reduction in building lot coverage resulting from the loss of ten staircases (combined from Building A & B). Staircases estimated to be 92 sq. ft. each.

Private Landscape Area:	13,350 sq. ft.	8,680 sq. ft.
Number of Units:	252 units	No Change
Number of Parking Spaces:	408 parking spaces	No Change

## DISCUSSION

Background: In 1971 the property had been rezoned from R-3-S to P-D (Planned Development) to enable the Cardiff Swim and Racquet Club to comply with Alcoholic Beverage Control regulations which required the change in zoning in order to issue a change in liquor license type. The Swim and Racquet Club subsequently closed, the two tennis courts were replaced with a grass field, and alcohol is no longer served on site.

On September 9, 1997 the Planning Commission approved “S” 97-19 (Site Approval) by Resolution No. 3117 which allowed for the renovation of the 252-unit apartment complex (known at the time as Cardiff Gardens). The permit allowed architectural enhancements to the existing apartment complex, the conversion of carports to garports, and provided 10 additional parking spaces onsite.

Over the course of the past year, the property owners vacated Buildings 2 & 4 in anticipation of tenant and architectural improvements being approved for the units. While a building permit was able to be issued for interior work (kitchen, bathroom remodels etc.), the proposed exterior alterations to the courtyards were withheld pending review and approval of the subject permit. While a more comprehensive redevelopment of the property is in the works, the applicant has submitted the subject permit, with a narrow focus, in the hopes of combining the ongoing interior tenant improvements with exterior improvements to Buildings 2 & 4, while the units are still vacant.

Applicant’s Proposal: The applicant is seeking approval of a Planned Development Permit (PLN2016-263) to allow for the conversion of private patio areas to common open space, alterations to existing staircases, and installation of new lighting fixtures within two courtyards of an existing apartment community (d.b.a. The Parc at Pruneyard) (reference **Attachment 4** – Project Plans). The applicant’s proposal also includes a request for a Tree Removal Permit (PLN2016-266), to allow the removal of protected trees.

As the existing apartment community is regulated by the previous “S” 97-19 (Site Approval) the subject permit would also serve to supersede this previous entitlement, establishing the subject Planned Development Permit, in compliance with the P-D Zoning Ordinance, as the foundation for future land use entitlements and modifications.

Project Site: The project site is located on the west side of Union Avenue, east of Highway 17, south of E. Campbell Avenue, and north of Valley Drive in the P-D (Planned Development) Zoning District (reference **Attachment 3** – Location Map). As a developed site, the property has four distinct apartment building ‘clusters’ (identified as Building 1 through 4 on the project plans), a combination of covered carports and garports, and a recreation building/leasing office and pool that is located at the rear of the site.

## ANALYSIS

General Plan / Land Use: The Campbell General Plan represents the City’s long term vision for the community and is intended to guide decision-making regarding the City’s physical and economic growth. In this regard, the General Plan provides policies applicable to land use and development, and organizes the City into a framework of distinct land use designations (i.e., commercial, residential, industrial, etc.), as codified by the General Plan Land Use Map.

The General Plan land use designation for the project site is High Density Residential (21-27 units per gross acre). Existing density is approximately 59 units per gross acre. The proposed project could be found consistent with the following Goals, Policies, and Strategies of the General Plan:

Policy LUT-3.1:	<u>Variety of Residential Densities:</u> Provide land use categories for and maintenance of a variety of residential densities to offer existing and future residents of all income levels, age groups and special needs sufficient opportunities and choices for locating in Campbell.
Strategy LUT-5.2a:	<u>Neighborhood Compatibility:</u> Promote new residential development and substantial additions that are designed to maintain and support the existing character and development pattern of the surrounding neighborhood, especially in historic neighborhoods and neighborhoods with consistent design characteristics.
Strategy LUT-9.3e:	<u>Building Materials:</u> Encourage the use of long-lasting, high quality building materials on all buildings to ensure the long-term quality of the built environment.
Goal OPS-3:	Ensure that new development provides and/or contributes toward additional open space, parks and recreational facilities.
Policy OPS-3.1:	<u>Standards for Residential Projects:</u> Ensure the provision of private open space or recreational facilities in residential projects.
Policy OPS-3.4c:	<u>Retention of Existing Private Open Space and Recreation Facilities:</u> Explore incentives to encourage the retention of existing private open space and recreation facilities.

Zoning District: The project site is located within the P-D (Planned Development) Zoning District. Pursuant to CMC 21.12.070A, the purpose of the P-D Zone District is intended to provide a degree of flexibility that is not available in other zoning districts so as to allow developments that are more consistent with site characteristics, while creating an opportunity for good design and open space. Development within the P-D Zoning District must also be consistent with the underlying General Plan Land Use designation as well as applicable General Plan goals, policies, and strategies. Generally, the City looks to the standards that would be permitted using the underlying General Plan land use designation, such as the R-3 zoning district (which also has an allowable density range of 21-27 units per gross acre), for guidance.

The applicant’s proposal, which removes existing staircases and private patio areas, reduces the property lot coverage and increases the amount of common open space, consistent with the purpose of the Planned Development Zoning District.

Planned Development Permit: The previous “S” 97-19 (Site Approval) serves as the existing land use entitlement for the apartment community with the City. The proposed Planned Development Permit (PLN2016-263) is intended to supersede this entitlement and allow for the proposed improvements and alterations to the site. However, in that the subject plans do not convey adequate detail on their own to supplant the previous records these entitlements will be included in

the entitlement by reference, and shall remain operative in their conveyance of a right to reconstruct buildings or as necessary to further the administrative record and permitted site condition.

Tree Removal: As part of the proposed improvements to central courtyards of Buildings 2 & 4, the applicant is proposing to remove nine cypress trees. The existing redwood, birch and sycamore trees would be retained.

Site and Architectural Review Committee: The Site and Architectural Review Committee (SARC) reviewed the design and configuration of the proposed project at its meeting of August 23, 2016. The Committee was supportive of the project with the recommended changes (applicant revisions/changes in response to recommended changes are noted in *italics*):

- Consider providing patio tables for dining in the new open space areas.  
*The applicant is in the process of evaluating design options which would achieve this recommendation. A condition of approval has been included to reflect this requirement.*
- Consider ways of providing additional bicycle parking and a new barbeque area on site.  
*The applicant indicated that they have plans to add bicycle parking and a new barbeque area as part of a more comprehensive redevelopment of the site. As the applicant has separately applied for that permit (see Background) a preference was indicated to submit these plans separately. However, as the requirements recommended by the SARC must be self-contained on this entitlement, a requirement to provide additional bicycle parking and a new barbeque area has been included as a condition of approval, but allowing flexibility for the applicant to submit these details as part of a separate permit provided that such work is completed no later than one year from the building final of the rest of the project.*
- Consider planting eastern redbud trees as a replacement tree species in the common open space areas.  
*At the meeting the applicant indicated that they would explore this recommendation with their landscape architect. A condition of approval has been included by staff recommending the selection of this species, but allowing the flexibility to select another species in the event the landscape architect identifies a compatibility concern.*
- Consider enlarging existing trash enclosures to accommodate existing bins on site, or where not possible due to site constraints, propose more frequent trash pickup such that smaller and/or fewer bins could be used.  
*At the meeting the applicant indicated that the trash enclosure next to Building 2 provided adequate room to enlarge the trash enclosure but that expansion of other enclosures onsite could impinge on existing parking areas. Acknowledging the site is short on parking already, the applicant indicated that they would present a proposal at Planning Commission meeting in response to this recommendation. Nevertheless, a condition of approval has been included by staff to reflect this requirement.*

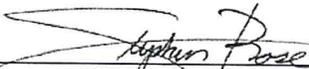
Public Noticing: The application was noticed to all property owners within a 300-foot radius of the project site. No public comments were received during the noticing period.

### ALTERNATIVES

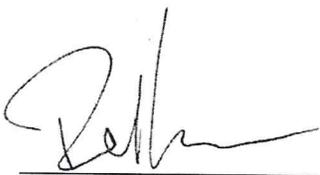
The Planning Commission may pursue the following alternatives in forming their recommendation to the City Council.

1. **Continue the Item**, allowing the applicant or staff the opportunity to provide any expanded analysis or information as requested.

Prepared by:

  
\_\_\_\_\_  
Stephen Rose, Associate Planner

Approved by:

  
\_\_\_\_\_  
Paul Kermoyan, Community Development Director

### Attachments:

1. Resolution Recommending Approval of PLN2016-263 (Planned Development Permit)
2. Resolution Recommending Approval of PLN2016-266 (Tree Removal Permit)
3. Location Map
4. Project Plans
5. SARC Memo – August 23, 2016

MEMORANDUM



Community Development Department  
Planning Division

**To:** Site and Architectural Review Committee **Date:** August 23, 2016  
**From:** Stephen Rose, Associate Planner  
**Via:** Paul Kermoyan, Community Development Director  
**Subject:** Planned Development Permit & Tree Removal Permit  
**File No.:** PLN2016-263 & PLN2016-266 ~ 225 Union Avenue

**PROPOSAL**

The applicant is seeking approval of a Planned Development Permit (PLN2016-263) to allow for the conversion of private patio areas to common open space, alterations to existing staircases, and installation of new lighting fixtures within two courtyards of an existing apartment community (d.b.a. The Parc at Pruneyard) (reference **Attachment 2** – Project Plans). The applicant’s proposal also includes a request for a Tree Removal Permit (PLN2016-266), to allow the removal of protected trees.

**PROJECT SITE**

The project site is located on the west side of Union Avenue, east of Highway 17, south of E. Campbell Avenue, and north of Valley Drive in the P-D (Planned Development) Zoning District (reference **Attachment 1** – Location Map). As a developed site, the property has four distinct apartment building ‘clusters’ (identified as Building 1 through 4 on the project plans), a combination of covered carports and garports, and a recreation building/leasing office and pool that is located at the rear of the site.

**PROJECT DATA**

Zoning Designation:	P-D (Planned Development)	
General Plan Designation:	High-Density Residential (21-27 units/gr. acre)	
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Common Landscape Area:	93,895 sq. ft.	99,165 sq. ft.
Private Landscape Area:	13,350 sq. ft.	8,680 sq. ft.

<sup>1</sup> Nominal reduction in building lot coverage resulting from the loss of ten staircases (combined from Building A & B). Staircases estimated to be 92 sq. ft. each.

## DISCUSSION

Background: In 1971 the property had been rezoned from R-3-S to P-D (Planned Development) to enable the Cardiff Swim and Racquet Club to comply with Alcoholic Beverage Control regulations which required the change in zoning in order to issue a change in liquor license type. The Swim and Racquet Club subsequently closed, the two tennis courts were replaced with a grass field, and alcohol is no longer served on site.

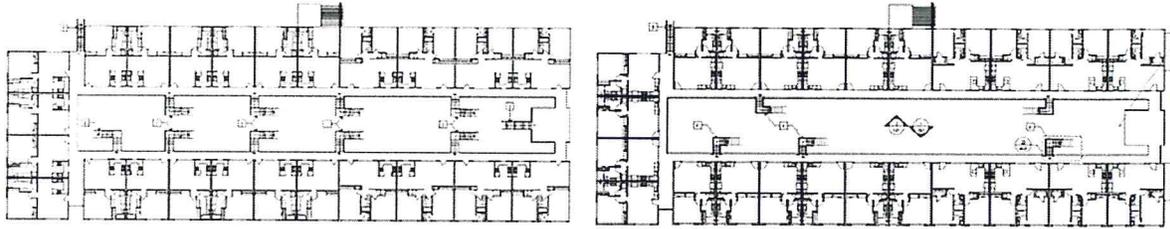
On September 9, 1997 the Planning Commission approved “S” 97-19 (Site Approval) by Resolution No. 3117 which allowed for the renovation of the 252-unit apartment complex (known at the time as Cardiff Gardens). The permit allowed architectural enhancements to the existing apartment complex, the conversion of carports to garports, and provided 10 additional parking spaces onsite.

Over the course of the past year, the property owners vacated Buildings 2 & 4 in anticipation of tenant and architectural improvements being approved for the units. While a building permit was able to be issued for interior work (kitchen, bathroom remodels etc.), the proposed exterior alterations to the courtyards were withheld pending review and approval of the subject permit. While a more comprehensive redevelopment of the property is in the works, the applicant has submitted the subject permit, with a narrow focus, in the hopes of combining the ongoing interior tenant improvements with exterior improvements to Buildings 2 & 4, while the units are still vacant.

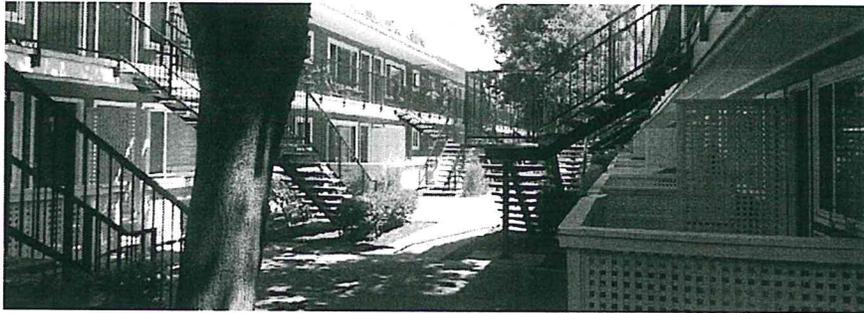
Design: Review of the subject application is governed by the General Plan, the P-D Zoning Ordinance, and ‘considerations in review of applications’ subject to Site and Architectural Review (CMC21.42.040). Generally these documents are not meant to prescribe any particular style, but serve to provide developments standards and guidelines to minimize potentially adverse impacts to surrounding properties and the environment, and promote compatibility with the site and surrounding neighborhood.

As the applicant’s proposal would result in the removal of private patios, redesign of existing staircases, and installation of lighting fixtures located in the interior courtyards of Building 2 & 4, impacts to offsite uses are not anticipated. However, as the plans propose to convert private open space (patios) into common open space (passive walkways/seating areas), alter existing staircases, and install new light fixtures, impacts to future tenants of the effected units may be expected. As such, a discussion on improvements, with supporting references to specific goals, policies and strategies of the General Plan as appropriate for consideration of the design changes, have been provided below.

Staircases: The applicant’s proposal seeks to remove five staircases (ten total) in the central courtyards of Buildings A and B with the intent of creating more common open space. Whereas the sheer number of staircases could be considered disruptive to the open space area, removing too many staircases can lessen convenience. As such, a discussion point has been raised to determine if any of the staircases should be relocated, added, or removed.



**Figure 1:** Existing (11) vs. proposed staircases (6)



**Figure 2 –** Staircases & patio areas proposed for removal

Private Patio Areas: The applicant is proposing to replace ground level patio areas (i.e. private open space) with enhanced ‘common’ open space (passive seating/walking areas). While the units on the second-story (which do not have private patios) could benefit from having more common open space in the central courtyard, the ground-level units would be directly impacted from the removal of their private patios. The private/fenced patio areas provide opportunities for private outdoor dining (small bistro tables), secured/screened bicycle storage and hobby gardens. In comparison, the units on the second-floor, which do not have a private open space area, have stored bikes, potted plants, and other amenities the walkway paths blocking access to units.



**Figure 3 –** Second-story walkway area blocked by amenities

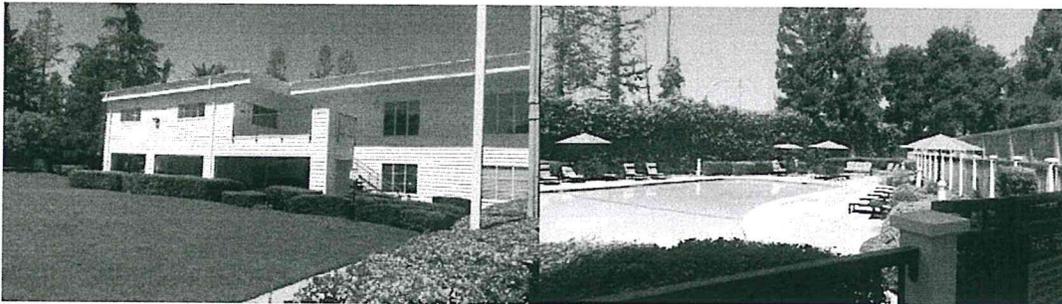
While the loss of private open space can be mitigated through thoughtful design of the common spaces (adding private dining tables, secure bicycle storage, etc.) the following Goals, Policies and Strategies of the General Plan, which promote the preservation of private open space, should be considered:

Goal OSP-3: Ensure that new development provides and/or contributes toward additional open space, parks and recreational facilities.

Policy OSP-3.1: Standards for Residential Projects: Ensure the provision of private open space or recreational facilities in residential projects.

Strategy OSP-3.4c: Retention of Existing Private Open Space and Recreation Facilities: Explore incentives to encourage the retention of existing private open space and recreation facilities.

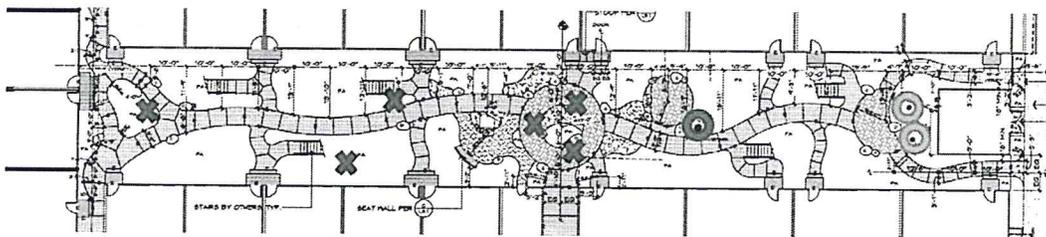
In consideration of these General Plan priorities, a discussion point has been raised to determine if the private open space areas should be removed, and if so, how the balance of the common open space and recreational opportunities on the site (including the pool and clubhouse areas) could serve to offset their loss. Further, the applicant has provided a written narrative (reference **Attachment 4**) providing further considerations supporting the removal of the private patios, which may also be taken into account.



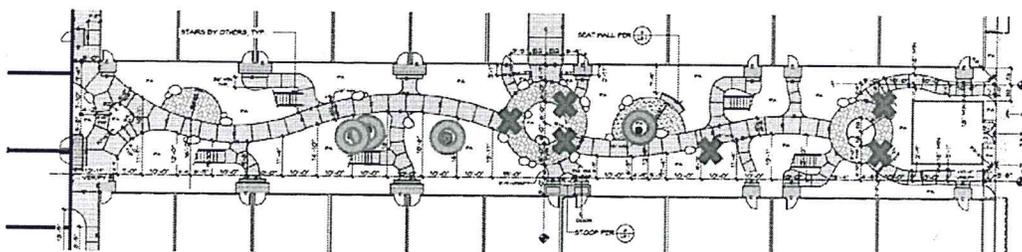
**Figure 4 - Recreational Facilities Onsite (Pool & Clubhouse)**

Lighting: The applicant's plans call for several small pedestrian bollards and tree up lights to be located in the ground level courtyard areas (reference **Attachment 3 – Lighting & Furniture Details**). As units are located at grade with these bollards, special care should be taken to ensure the design and locations selected will result in light and glare impacting future tenants. As such, a discussion point has been raised to solicit the SARC for feedback on their location and design.

Tree Removal: As part of the proposed improvements to the common open space, the applicant is proposing to remove nine cypress trees (denoted in the figures below by a red x) but would retain the existing redwood (green circles), birch (orange circle) and sycamore (purple circle) trees. The following figures show the location of trees to be removed, and retained, overlaid with the proposed courtyard improvements, highlighting areas of conflict.



**Figure 5 –Trees for Removal & Retention at Building 2**



**Figure 6 –Trees for Removal & Retention at Building 4**

As all of the cypress trees proposed for removal could be retained by redesigning the interior courtyard, a discussion point has been raised to determine which of the cypress trees proposed for removal should be retained.

## **OPTIONS**

The SARC should discuss the project for compliance with the applicable policy documents. If the SARC believes that the applicant has adequately addressed any concerns the Committee may have, it may recommend approval to the Planning Commission as proposed, or subject to specific revisions. The following option(s) are intended to facilitate discussion of the project's site and architectural review:

- Should any of the staircases proposed for removal be retained or relocated?
- Should the private patio areas on the ground-floor units be replaced with common open space?
- Should additional bicycle/storage parking be required?
- Should small dining/patio tables be required?
- Should any changes to the proposed lighting (location or fixtures) be required?
- Should the retention of any of the existing cypress trees be required?

After discussion the SARC may recommend approval to the Planning Commission as proposed, or subject to specific revisions.

### Attachments:

1. Location Map
2. Project Plans
3. Lighting & Furniture Details
4. Applicant's Written Narrative



# City Council Report

Item: 9.  
Category: Public Hearing  
Date: October 4, 2016

**TITLE** Public hearing to consider a City-initiated Text Amendment (PLN2015-365) to reinsert language regarding payday lending establishments that was inadvertently omitted when the Municipal Code was updated on April 5, 2016 concerning massage establishments (Resolutions/Ordinance/Roll Call Vote)

## RECOMMENDATION

That the City Council take the following action:

1. **Adopt the attached Resolution**, finding that the proposed Zoning Text Amendment (PLN2015-365) is exempt from CEQA (**Attachment 1**).
2. **Take a first reading and introduce the attached Ordinance (Attachment 2)**, approving a Text Amendment amending Section 21.10.50 of the Campbell Zoning Code (C-2 General Commercial zoning district).

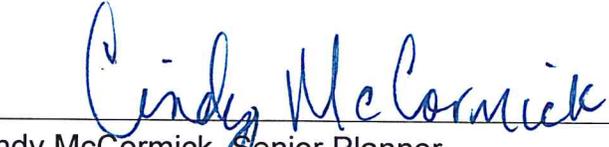
## ENVIRONMENTAL DETERMINATION

Modifications to the Zoning Code are considered a project under the California Environmental Quality Act (CEQA); however, the activity is exempt from CEQA under Section 15061.b.3 because adoption of the proposed ordinance will not have a significant effect on the environment.

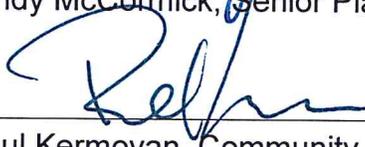
## DISCUSSION

On February 2, 2016, several sections of the Municipal Code were updated regarding payday lending establishments. On April 5, 2016, the City Council adopted changes to the Municipal Code concerning massage establishments following a first reading and introduction of the Ordinance on March 15, 2016 (**Attachment 3**). However, language requiring a conditional use permit for payday lenders in the C-2 Zoning District was inadvertently omitted in Section 7 of the Ordinance (**Attachment 4**). All other amendments in the April 5<sup>th</sup> Ordinance were correctly adopted including sections 10 and 11 which prohibit payday lenders in the C-PD and PD zoning districts respectively. Although both Ordinances correctly included the provisions independently, the last Ordinance revision authorized by the City Council technically needed to include the preceding payday lending regulations. Therefore staff is returning the amendment of Section 21.10.50 to the Council for a decision to clarify the record.

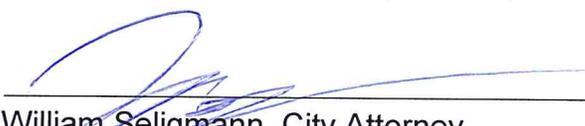
Prepared by:

  
Cindy McCormick, Senior Planner

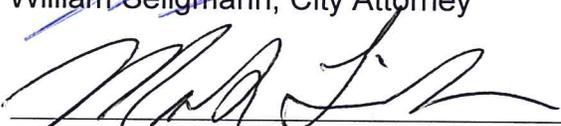
Reviewed by:

  
Paul Kermoyan, Community Development Director

Reviewed by:

  
William Seligmann, City Attorney

Approved by:

  
Mark Linder, City Manager

Attachments:

1. Draft City Council Resolution
2. Draft City Council Ordinance adopting a Text Amendment to Section 21.10.50
3. City Council Staff Report, dated March 15, 2016
4. Adopted Ordinance, dated April 5, 2016

**RESOLUTION NO. \_\_\_\_\_**

BEING A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAMPBELL FINDING THAT THE PROPOSED TEXT AMENDMENT (PLN2015-365) AMENDING MUNICIPAL CODE SECTION 21.10.050 REGARDING REGULATIONS FOR PAYDAY LENDERS IS EXEMPT FROM CEQA.

After notification and public hearing, as specified by law and after presentation by the Community Development Director, proponents and opponents, the hearing was closed.

The City Council finds as follows with regard with regard to file number PLN2015-365:

1. The project consists of Text Amendments amending Municipal Code Section 21.10.050 regarding regulations for payday lending establishments.
2. The legislature of the State of California has, in Government Code Sections 65302, 65560 and 65800, conferred upon local government units the authority to adopt regulations designed to promote the public health, safety and general welfare of its citizenry.
3. Review and adoption of this Text Amendment is done in compliance with California Government Code Sections 65853 through 65857, which require a duly noticed public hearing of the Planning Commission whereby the Planning Commission shall provide its written recommendation to the City Council for its consideration.
4. The City of Campbell recognizes the importance of promoting the public health, safety and general welfare, and providing adequate locations for the establishment of various uses that serve the community.

Based upon the foregoing findings of fact, the City Council further finds and concludes that:

1. The proposed amendment is consistent with the goals, policies, and actions of the General Plan;
2. The proposed amendment would not be detrimental to the public interest, health, safety, convenience, or general welfare of the City; and
3. The proposed amendment is internally consistent with other applicable provisions of the Zoning Code.
4. No substantial evidence has been presented from which a reasonable argument could be made that shows that the project will have a significant adverse impact on the environment.
5. The proposed Text Amendment project is exempt from the California Environmental Quality Act under Section 15061.b.3 because it has no potential for resulting in a physical change to the environment.

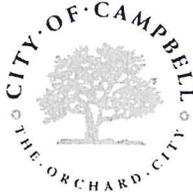
THEREFORE, BE IT RESOLVED that the City Council adopts a Resolution finding the Proposed Text Amendments are Exempt from the California Environmental Quality Act, pursuant to the attached Notice of Exemption (attached **Exhibit A**).

PASSED AND ADOPTED this \_\_\_\_ day of \_\_\_\_\_, 2016, by the following roll call vote:

AYES:           COUNCILMEMBERS:  
NOES:           COUNCILMEMBERS:  
ABSENT:        COUNCILMEMBERS:  
ABSTAIN:       COUNCILMEMBERS:

APPROVED: \_\_\_\_\_  
Jason T. Baker, Mayor

ATTEST: \_\_\_\_\_  
Wendy Wood, City Clerk



CITY OF CAMPBELL  
Community Development Department

## NOTICE OF EXEMPTION

To: \_\_\_\_\_ **Office of Planning & Research**  
1400 Tenth Street, Room 121  
Sacramento, CA 95812-3044

From: City of Campbell  
70 N. First Street  
Campbell, CA 95008

X \_\_\_\_\_ **County Clerk's Office**  
Santa Clara County  
70 W. Hedding Street, East Wing  
San Jose, CA 95110

**Project Title:** Text Amendment to Amend Regulations for Payday Lending Establishments

**Project Location:** City Wide

**Description of Project:** The project consists of a Text Amendment (PLN2015-365) to Municipal Code Section 21.10.050 regarding regulations for payday lending establishments

**Date of Approval:** \_\_\_\_\_

**Lead Agency:** City of Campbell

**Lead Agency Contact:** Cindy McCormick, Senior Planner – Community Development Department  
(408) 871-5103 / cindym@cityofcampbell.com

**Name of Applicant:** City of Campbell

**Exempt Status** (check one)

- Ministerial (Sec. 21080(b)(1); 15268);
- Declared Emergency (Sec. 21080(b)(3); 15269(a);
- Emergency Project (Sec. 21080(b)(4); 15269(b)(c);
- CEQA Exemption (Sec. 15601.b.3)

**Reasons why project is exempt:** The proposed Text Amendment is exempt from the California Quality Act under Section 15601.b.3 because it has no potential for resulting in a physical change to the environment. Furthermore, no substantial evidence has been presented from which a reasonable argument could be made that shows that the project will have a significant adverse impact on the environment.

This is to certify that the City of Campbell has deemed the above described project categorically exempt from review under the California Environmental Quality Act. A record of the above described project is available to the general public at the Community Development Department, City of Campbell, 70 N. First Street, Campbell, CA 95008.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_ Title: Senior Planner

Ordinance No. \_\_\_\_\_

**BEING AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CAMPBELL  
AMENDING SECTION 21.10.050 OF TITLE 21 (Zoning) OF THE CAMPBELL  
MUNICIPAL CODE RELATING TO PAYDAY LENDING ESTABLISHMENTS**

The City Council of the City of Campbell does ordain as follows:

**SECTION 1. Findings:** There is significant evidence that payday lending businesses significantly undermine the financial stability of low-income communities. Payday lenders generally offer small, fourteen-day loans for which they charge effective interest rates upwards of 460% annual percentage rate (APR). These businesses operate almost exclusively in low-income neighborhoods and prey upon the City's most financially vulnerable residents.

**SECTION 2. Conditional uses in C-2 (General Commercial) zoning district:** The list of uses allowed with a conditional use permit in Subsection C of Campbell Municipal Code section 21.10.050 is amended to read as follows, with underlining indicating new text and ~~strikeout~~ indicating deleted text:

1. Adult day care facilities;
2. Alternative fuels and recharging facilities;
3. Arcades;
4. Banquet facilities;
5. Bed and breakfast inns (only in historic structures);
6. Broadcast and recording studios;
7. Caretaker/employee housing (not to exceed six hundred forty square feet and one bedroom);
8. Cat and dog day care facilities;
9. Cat and dog grooming facilities;
10. Cat Boarding facilities;
11. Check cashing;
12. Commercial day care centers;
13. Commercial schools;
14. Community/cultural/recreational centers;
15. Convalescent/rest homes;
16. Convenience markets/stores;
17. Conversion, commercial converted from residence;
18. Dancing and live entertainment;
19. Department stores;
20. Drive-in theaters;
21. Emergency shelters;
22. Equipment rental establishments;
23. Gasoline stations;
24. Golf courses and golf driving ranges;
25. Government offices and facilities (local, state or federal);

26. Grocery stores (greater than ten thousand square feet);
27. Hardware stores (greater than ten thousand square feet);
28. Health/fitness centers;
29. Hospitals;
30. Indoor amusement/entertainment/recreation centers;
31. Late night activities;
32. Liquor establishments (on-site consumption only);
33. Liquor stores (off-site consumption only);
34. Massage Establishments;
35. Medical services, clinics;
36. Medical services, extended care;
37. Miniature golf courses;
38. Motor vehicle - cleaning, washing, and detailing;
39. Motor vehicle - oil change facilities;
40. Motor vehicle - parts and supplies (very limited maintenance/installation);
41. Motor vehicle - renting and leasing;
42. Motor vehicle - sales (new and/or used);
43. Museums, public;
44. Music (recordings) stores;
45. Nightclubs with or without food service;
46. Outdoor active activities (e.g., drive-up windows);
47. Outdoor amusement/entertainment/recreation centers;
48. Outdoor retail sales and activities;
49. Outdoor seating, when more than twelve total seats;
49. 50. Payday lender, subject to the requirements of section 21.36.260;
50. 51. Personal services, limited;
51. 52. Pet stores;
52. 53. Pharmacies/drug stores, with drive-up service;
53. 54. Philanthropic collection trailers;
54. 55. Public assembly uses;
55. 56. Public utility structures and service facilities;
56. 57. Public works maintenance facilities and storage yards;
57. 58. Radio or television transmitters;
58. 59. Radio stations;
59. 60. Recycling facilities - reverse vending machines;
60. 61. Recycling facilities - small collection facility;
61. 62. Restaurants with late night activities or banquet facilities;
62. 63. Restaurants, fast food (with or without drive-in service);
63. 64. Schools - K—12, private;
64. 65. Second hand/thrift stores;
65. 66. Shopping centers (greater than ten thousand square feet);
66. 67. Sign shops;
67. 68. Spa services;
68. 69. Studios, large;
69. 70. Studios, small;
70. 71. Tanning studios;

- 71. 72. Theaters, movie or performing arts;
- 72. 73. Transitional housing;
- 73. 74. Tutoring center, large;
- 74. 75. Tutoring center, small;
- 75. 76. Universities/colleges, private;
- 76. 77. Veterinary clinics and animal hospitals;
- 77. 78. Video rental stores;
- 78. 79. Warehouse retail stores;
- 79. 80. Wireless telecommunications facilities - non-stealth.

**SECTION 3.** This Ordinance shall become effective (30) days following its passage and adoption and shall be published once within fifteen (15) days upon passage and adoption in the Campbell Express, a newspaper of general circulation in the City of Campbell, County of Santa Clara.

**PASSED AND ADOPTED** this \_\_\_\_\_ day of \_\_\_\_\_, 2016 by the following roll call vote:

AYES: Councilmembers:

NOES: Councilmembers:

ABSENT: Councilmembers:

APPROVED:

\_\_\_\_\_  
Jason T. Baker, Mayor

ATTEST:

\_\_\_\_\_  
Wendy Wood, City Clerk



# City Council Report

Item: 9.  
 Category: Public Hearing  
 Date: March 15, 2016

**TITLE** Public hearing to consider a City-initiated Text Amendment (PLN2015-365) to amend the Campbell Municipal Code regulations for massage establishments.

## RECOMMENDATION

The Planning Commission recommends that the City Council take the following action:

1. **Adopt the attached Resolution**, finding that the proposed Zoning Text Amendment (PLN2015-365) is exempt from CEQA (**Attachment 1**).
2. **Take a first reading and introduce the attached Ordinance (Attachment 2)**, approving a Text Amendment amending Chapter 21.10 (Commercial and Industrial Districts); Chapter 21.12 (Special Purpose Districts); Chapter 21.36 (Provisions Applying to Special Uses); and Section 21.72.020 (Definitions) of the Campbell Zoning Code.

Staff recommends that the City Council take the following action:

3. **Take a first reading and introduce the attached Ordinance (Attachment 3)**, approving a Text Amendment amending Chapter 5.48 (Business Regulations) and Chapter 6.10 (Inspections of Property) of the Campbell Municipal Code.

## ENVIRONMENTAL DETERMINATION

Modifications to the Zoning Code are considered a project under the California Environmental Quality Act (CEQA); however, the activity is exempt from CEQA under Section 15061.b.3 because adoption of the proposed ordinance will not have a significant effect on the environment.

## BACKGROUND

Following the enactment of Senate Bill 731 and Assembly Bill 619, which significantly limited local authority over massage establishments, cities throughout the State have experienced an explosion in the number of massage establishments in their communities, many of which have been involved in prostitution and other illegal activities. In response to concerns expressed by local law enforcement agencies, the Legislature enacted Assembly Bill 1147 which became effective on January 1, 2015. It removed the requirement that massage establishments must be treated the same as all other professions regulated under the California Business and Professions Code, and expressly allowed cities to regulate massage businesses once more, including sole proprietorships.

Per the Fiscal Year 2015/2016 Work Plan, the City Council established a Council Priority and Work Plan item to update the City's massage regulations to be consistent with State law. The Council also expressed a desire that the standards allowing their use be more effective than the minimum standards established in State law.

On February 23, 2016, the Planning Commission reviewed the draft Zoning Code text amendment and unanimously recommended that the City Council adopt an ordinance approving the text amendment (**Attachment 4** – Planning Commission staff report).

## DISCUSSION

The Zoning Code text amendment (**Attachment 2**) modifies Chapter 21 as follows:

- Amends certain definitions to clarify that massage establishments are different than personal services and spa services that offer massage along with other services;
- Creates operational standards (Chapter 21.36) including requiring 90% of a massage establishment's exterior window(s) to be visible to the interior reception or waiting area;
- Limits the location of massage establishments to the C-2 and P-O zoning districts;
- Allows a maximum of two massage establishments in each of six commercial quadrants;
- Establishes a 300 foot separation from other massage establishments;
- Requires a Conditional Use Permit (CUP) for all new massage establishments; and
- Mandates that non-conforming massage establishments to come into compliance with the development and operational requirements of the Ordinance within 30 days, while exempting existing law abiding establishments from the new locational and separation requirements.

In keeping with the revised authority provided by Assembly Bill 1147, the City Attorney has prepared amendments to Chapter 5.48 (business regulations) and Chapter 6.10 (inspections of property) of the Municipal Code (**Attachment 3**). The revisions fall into two categories: (1) those that increase or clarify the regulation of massage establishments; and (2) those necessary to deal with the limitations placed on local jurisdictions by Government Code section 51034(c), as follows:

- Removes language excepting sole proprietors from the definitions of a massage establishment;
- Requires that applicants submit identifying information on employees providing massage at the massage establishment and proof that those persons possess a valid CAMTC massage certification;

- Provides express authority clarifying that the Police Chief can deny an application for an establishment permit when (1) the applicant has been the subject of prostitution abatement proceedings, or (2) violations of applicable laws had occurred on the premises within five years prior to the application;
- Restricts the number of massage establishments to twelve, with an exception for existing, law abiding establishments;
- Mandates that operators provide current lists of all massage therapists, and prohibits anyone who is not on the list from performing massage;
- Requires at least one employee to be on-site at all times who is not engaged in providing massage, so that the establishment cannot lock the external doors when open for business;
- Requires all interior doors to remain unlocked except for occupied bathrooms;
- Prohibits more than one person in a bathroom at one time;
- Prohibits video monitors in the massage rooms during a massage;
- Clarifies that operators and managers of massage establishments are strictly responsible for the activity of their employees;
- Clarifies that agents of the City can enter the premises for an inspection at any time that the establishment is open for business.
- Strikes language that required medical examinations of massage therapists;
- Clarifies that massage of the gluteal muscles is not prohibited; and conforms the draping requirements for customers to State law (no significant change);
- Conforms provisions on attire of massage therapists to State law; and
- Permits the locking of external doors when only one employee is present, but requires more than one employee to always be present at the establishment.

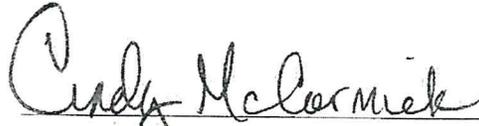
## **FISCAL IMPACTS**

If the proposed text amendments are adopted, the number of massage establishments would potentially decrease overtime, reducing some revenues from permitting and licensing. However, new massage establishments would be required to obtain a Conditional Use Permit and pay associated fees. Additionally, there could be a decreased demand on law enforcement personnel by decreasing the number of massage establishments.

## **ALTERNATIVES**

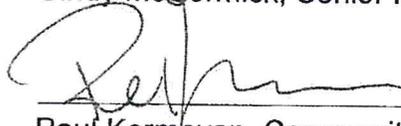
1. Revise specific sections of the proposed text amendment.
2. Continue for further review.
3. Do not approve the proposed text amendment.

Prepared by:



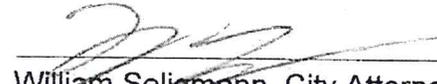
Cindy McCormick, Senior Planner

Reviewed by:



Paul Kermoyan, Community Development Director

Reviewed by:



William Seligmann, City Attorney

Approved by:



Mark Linder, City Manager

Attachments:

1. Draft City Council Resolution
2. Draft City Council Ordinance adopting a Text Amendment to Chapter 21
3. Draft City Council Ordinance adopting a Text Amendment to Chapters 5.48 and 6.10
4. Planning Commission Staff Report & Findings and draft Minutes, dated 2/23/16
5. State Legislation (Massage Therapy Act)
6. Frequently Asked Questions (from the authors of AB1147)

**Ordinance No. 2199**

**BEING AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CAMPBELL  
AMENDING CERTAIN SECTIONS OF TITLE 21 (Zoning) OF THE CAMPBELL  
MUNICIPAL CODE RELATING TO MASSAGE ESTABLISHMENTS**

The City Council of the City of Campbell does ordain as follows:

**SECTION 1. Findings:** Government Code Sections 51030—51034 provide authority for the legislative bodies of California cities to license and regulate the business of massage. In enacting these amendments, the city council recognizes that massage is a viable professional field offering the public valuable health and therapeutic services. The city council further recognizes that unless properly regulated, the practice of massage and the operation of massage establishments may be associated with unlawful activity and pose a threat to the quality of life in the community. Therefore, it is the purpose and intent of these amendments to regulate massage establishments and practices in order to protect public health, safety, and welfare. The regulations are intended to reduce or prevent blight, protect and preserve the quality of commercial and residential properties, and deter criminal activity.

**SECTION 2. Regulations for Massage Establishments:** Section 21.36.270 is hereby added to Chapter 21.36 of the Campbell Municipal Code (Provisions Applying to Special Uses) to read as follows:

21.36.270 – Massage Establishments.

- A. Purpose. The City has broad control over land use regulation of massage establishments in order to manage such establishments in the best interests of the City of Campbell. This Section is designed to provide for and to regulate massage establishment uses where they are allowed in compliance with the provisions of Campbell Municipal Code Article 2 (Zoning Districts) and Chapter 5.48 (Massage Establishments and Therapists).
- B. Conditional Use Permit.
1. On and after [Effective Date of Ordinance], a conditional use permit shall be required for massage establishment uses in compliance with Chapter 21.46 (Conditional Use Permits).
  2. Mandatory Concurrent Application for Massage Establishment Permit. A massage establishment permit, and any renewal thereof, shall be filed with the Chief of Police, pursuant to Section 5.48 (Massage Establishments and Therapists) of the Municipal Code. The Conditional Use Permit shall not be granted until a massage establishment permit is issued by the Chief of Police.

THE FOREGOING INSTRUMENT IS A TRUE  
AND CORRECT COPY OF THE ORIGINAL  
ON FILE IN THIS OFFICE.

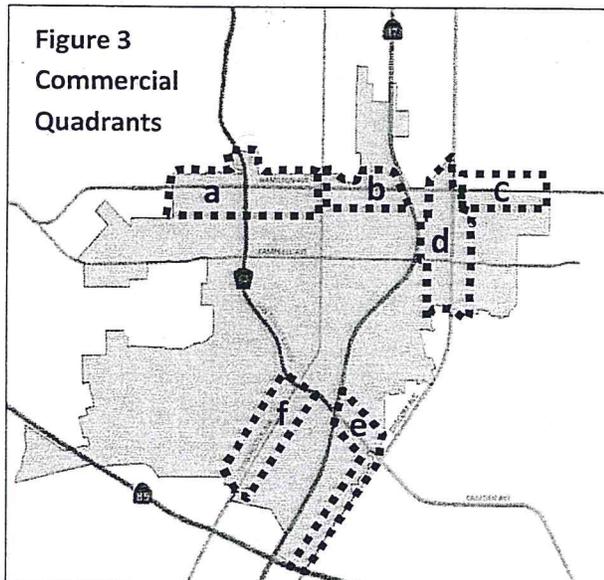
ATTEST: WENDY WOOD, CITY CLERK  
CITY OF CAMPBELL, CA

BY Wendy Wood

DATED 04/11/16

C. Overconcentration / Location Requirements.

1. No massage establishment shall be located in any zone in the city other than the C-2 (General Commercial) and P-O (Professional Office) zoning districts.
2. A massage establishment use shall not be located within three hundred feet of another existing massage establishment use, as measured from the edge of the property line of each property.
3. Massage Establishments may be permitted in only the following commercial quadrants as indicated in Figure 3, upon filing an application for a Conditional Use Permit and satisfying the required findings to support such use. In no event shall there be more than two massage establishments in each commercial quadrant.
  - a. West Hamilton Avenue and South Winchester Boulevard--west of Winchester Boulevard;
  - b. East Hamilton Avenue and South Winchester Boulevard--east of Winchester Boulevard and west of Highway 17;
  - c. East Hamilton Avenue, east of Bascom Avenue
  - d. Bascom Avenue, north of Dry Creek Road;
  - e. Camden Avenue and South Bascom Avenue, south of Curtner Avenue;
  - f. South Winchester Boulevard, south of San Tomas Expressway



D. Operational Standards. Except as specifically required in the Massage Establishment Permit issued by the Chief of Police and pursuant to the provisions of Chapter 5.48, all massage establishments shall comply with the regulations and restrictions applicable to the zoning district in which it is located and with the following operating requirements:

1. Owner/Operator. It shall be unlawful for any operator to own, manage, or operate a massage establishment in or upon any premises within the city without having a current massage establishment permit issued by the Chief of Police pursuant to the provisions of Chapter 5.48;
2. Hours of Operation. No massage establishment shall be kept open for business and no massage therapist shall administer massages before the hour of 7:00 a.m. or after the hour of 10:00 p.m.;
3. Window Coverage. No massage business located in a building or structure with exterior windows fronting a public street, highway, walkway, or parking area shall, during business hours, block visibility into the interior reception or waiting area through the use of curtains, closed blinds, tints, or any other material that obstructs, blurs, or unreasonably darkens the view into the premises. For the purpose of this sub-section, there is an irrebuttable presumption that the visibility is impermissibly blocked if more than 10 percent of the interior reception or waiting area is not visible from the exterior window.
4. Nonconforming uses shall come into compliance with the operational standards of this subsection within 30 days of the effective date of the ordinance enacting this Section.

E. Non-conforming Massage Establishments.

1. Any use of real property lawfully existing on the effective date of this section, which does not conform to the provisions of this Section, but which was established, operated, and maintained in compliance with all previous regulations, shall be regarded as a nonconforming use and may continue at its existing location in compliance with the regulations of Section 21.58.040.
2. Discontinued Use. A nonconforming use that is abandoned, discontinued, or has ceased operations for a continuous period of at least twelve months shall not be re-established on the site and further use of the structure or parcel shall comply with all of the regulations of the applicable zoning district and all other applicable provisions of this Zoning Code. Evidence of abandonment shall include, but is not limited to, the actual removal of equipment, furniture, machinery, structures, or other components of the nonconforming use, the turning-off of the previously connected utilities, or where there are no

business receipts/records available to provide evidence that the use is in continual operation;

3. Annexed property. Any massage establishment that is a legal use at the time of annexation of the property into the city, but which does not conform to the provisions of this Section, shall be terminated within one year of the date of annexation.

**SECTION 3. DEFINITION OF "SPA SERVICES":** The definition of "Spa Services" in Campbell Municipal Code section 21.72.020 is amended to read as follows, with underlining indicating new text and ~~strikeouts~~ (~~strikeout~~) indicating deleted text:

"Spa Services / Health Spa" means an establishment that provides a combination of hair, nail, and/or skin care; waxing; facials; massage; and other similar services to customers for financial compensation and may include a sauna, whirlpool, and other similar amenities for the incidental use of patrons. Spa Services / Health Spa shall not mean a beauty shop, nail shop, barber shop, or massage establishment where the active primary use of the establishment does not encompass a full range of services identified in the preceding sentence, but is focused on only one or two of the uses listed in this sentence.

**SECTION 4. DEFINITION OF "PERSONAL SERVICES":** The definition of "Personal services" in Campbell Municipal Code section 21.72.020 is amended to read as follows, with underlining indicating new text and ~~strikeouts~~ (~~strikeout~~) indicating deleted text:

"Personal services" means establishments providing non-medical services as a primary use, including: 1. Barber and beauty shops; 2. Clothing rental; 3. Dry cleaning pick-up stores with limited equipment; 4. Home electronics and small appliance repair; 5. Laundromats (self-service laundries); 6. Nail shops; 7. Shoe repair shops; 8. Tailors.

~~These uses~~ "Personal services" may also include accessory retail sales of products related to the services provided.

~~The term "personal services" does not include massage establishments. These uses do~~  
The term "personal services" does not include body piercing, psychic readers, tattoo parlors, or any of the other uses listed under "Personal services, limited."

**SECTION 5. Permitted uses in C-1 (Neighborhood Commercial) zoning district:**

The list of permitted uses in Subsection B of Campbell Municipal Code section 21.10.040 is amended to read as follows, with underlining indicating new text and ~~strikeouts~~ (~~strikeout~~) indicating deleted text:

1. Automated teller machines (ATM's);
2. Banks and financial services;
3. Catering business, only when ancillary to a restaurant;
4. Dry cleaning;
5. Grocery stores (under ten thousand square feet);
6. Hardware stores (under ten thousand square feet);
7. Laundromats, self-service;
8. Libraries, public;
9. Light rail passenger terminals;
- ~~10. Massage establishments;~~
- ~~11. 10. Meat markets;~~
- ~~12. 11. Offices, professional;~~
- ~~13. 12. Outdoor seating, when twelve total seats or less;~~
- ~~14. 13. Parking lots/structures, public;~~
- ~~15. 14. Personal services, general;~~
- ~~16. 15. Pharmacies/drug stores;~~
- ~~17. 16. Photocopying;~~
- ~~18. 17. Photography studio/supply shop;~~
- ~~19. 18. Repair and maintenance, consumer products;~~
- ~~20. 19. Restaurants or cafes (excluding fast food or drive-ins);~~
- ~~21. 20. Retail stores, general merchandise;~~
- ~~22. 21. Satellite television or personal internet broadband dishes/antenna (less than three feet in diameter);~~
- ~~23. 22. Schools K—12, public;~~
- ~~24. 23. Shopping centers (under ten thousand square feet);~~
- ~~25. 24. Travel agencies;~~
- ~~26. 25. Universities/colleges, public;~~
- ~~27. 26. Vending machines;~~
28. 27. Wireless telecommunications facilities - stealth (requires approval of a site and architectural review permit).

**SECTION 6. Permitted uses in C-2 (General Commercial) zoning district:** The list of permitted uses in Subsection B of Campbell Municipal Code section 21.10.050 is amended to read as follows, with underlining indicating new text and strikeouts (~~strikeout~~) indicating deleted text:

1. Ambulance service;
2. Artisan products, small-scale assembly;
3. Automated teller machines (ATM's);
4. Banks and financial services;
5. Blueprinting shops;
6. Catering business, only when ancillary to a restaurant;
7. Dry cleaning;
8. Furniture, furnishings, and equipment stores (greater than ten thousand square feet);
9. Furniture, furnishings, and equipment stores (under ten thousand square feet);
10. Garden centers/plant nurseries;
11. Grocery stores (under ten thousand square feet);
12. Handicraft industries, small scale assembly;
13. Hardware stores (under ten thousand square feet);
14. Hotels;
15. Laundromats, self-service;
16. Libraries, public;
17. Light rail passenger terminals;
- ~~18. Massage establishments;~~
18. Medical services, laboratories;
- ~~19. Motels;~~
20. Offices, professional;
21. Outdoor seating, when twelve total seats or less;
- ~~22. Parking lots/structures, public;~~
23. Personal services, general;
24. Pharmacies/drug stores;
25. Photocopying;
26. Photography studio/supply shop;
27. Repair and maintenance, consumer products;
28. Restaurants or cafes (excluding fast food or drive-ins);
29. Retail stores, general merchandise;
30. Satellite television or personal internet broadband dishes/antenna (less than three feet in diameter);
- ~~31. Schools K—12, public;~~
32. Shopping centers (under ten thousand square feet);
33. Travel agencies;
34. Universities/colleges, public;
35. Vending machines;
36. Wireless telecommunications facilities - stealth (requires approval of a site and architectural review permit).

**SECTION 7. Conditional uses in C-2 (General Commercial) zoning district:** The list of uses allowed with a conditional use permit in Subsection C of Campbell Municipal Code section 21.10.050 is amended to read as follows, with underlining indicating new text and ~~strikeout~~ indicating deleted text:

1. Adult day care facilities;
2. Alternative fuels and recharging facilities;
3. Arcades;
4. Banquet facilities;
5. Bed and breakfast inns (only in historic structures);
6. Broadcast and recording studios;
7. Caretaker/employee housing (not to exceed six hundred forty square feet and one bedroom);
8. Cat and dog day care facilities;
9. Cat and dog grooming facilities;
10. Cat Boarding facilities;
11. Check cashing;
12. Commercial day care centers;
13. Commercial schools;
14. Community/cultural/recreational centers;
15. Convalescent/rest homes;
16. Convenience markets/stores;
17. Conversion, commercial converted from residence;
18. Dancing and live entertainment;
19. Department stores;
20. Drive-in theaters;
21. Emergency shelters;
22. Equipment rental establishments;
23. Gasoline stations;
24. Golf courses and golf driving ranges;
25. Government offices and facilities (local, state or federal);
26. Grocery stores (greater than ten thousand square feet);
27. Hardware stores (greater than ten thousand square feet);
28. Health/fitness centers;
29. Hospitals;
30. Indoor amusement/entertainment/recreation centers;
31. Late night activities;
32. Liquor establishments (on-site consumption only);
33. Liquor stores (off-site consumption only);
34. Massage Establishments;
- ~~34.~~ 35. Medical services, clinics;
- ~~35.~~ 36. Medical services, extended care;
- ~~36.~~ 37. Miniature golf courses;
- ~~37.~~ 38. Motor vehicle - cleaning, washing, and detailing;
- ~~38.~~ 39. Motor vehicle - oil change facilities;
- ~~39.~~ 40. Motor vehicle - parts and supplies (very limited maintenance/installation);

- 40. 41. Motor vehicle - renting and leasing;
- 41. 42. Motor vehicle - sales (new and/or used);
- 42. 43. Museums, public;
- 43. 44. Music (recordings) stores;
- 44. 45. Nightclubs with or without food service;
- 45. 46. Outdoor active activities (e.g., drive-up windows);
- 46. 47. Outdoor amusement/entertainment/recreation centers;
- 47. 48. Outdoor retail sales and activities;
- 48. 49. Outdoor seating, when more than twelve total seats;
- 49. 50. Personal services, limited;
- 50. 51. Pet stores;
- 51. 52. Pharmacies/drug stores, with drive-up service;
- 52. 53. Philanthropic collection trailers;
- 53. 54. Public assembly uses;
- 54. 55. Public utility structures and service facilities;
- 55. 56. Public works maintenance facilities and storage yards;
- 56. 57. Radio or television transmitters;
- 57. 58. Radio stations;
- 58. 59. Recycling facilities - reverse vending machines;
- 59. 60. Recycling facilities - small collection facility;
- 60. 61. Restaurants with late night activities or banquet facilities;
- 61. 62. Restaurants, fast food (with or without drive-in service);
- 62. 63. Schools - K—12, private;
- 63. 64. Second hand/thrift stores;
- 64. 65. Shopping centers (greater than ten thousand square feet);
- 65. 66. Sign shops;
- 66. 67. Spa services;
- 67. 68. Studios, large;
- 68. 69. Studios, small;
- 69. 70. Tanning studios;
- 70. 71. Theaters, movie or performing arts;
- 71. 72. Transitional housing;
- 72. 73. Tutoring center, large;
- 73. 74. Tutoring center, small;
- 74. 75. Universities/colleges, private;
- 75. 76. Veterinary clinics and animal hospitals;
- 76. 77. Video rental stores;
- 77. 78. Warehouse retail stores;
- 78. 79. Wireless telecommunications facilities - non-stealth.

**SECTION 8. Permitted uses in C-3 (Central Business District) zoning district:** The list of permitted uses in Subsection B of Campbell Municipal Code section 21.10.060 is amended to read as follows, with underlining indicating new text and strikeouts (strikeout) indicating deleted text:

1. Retail business, including but not limited to clothing stores, department stores, drugstores, furniture stores, toy stores, jewelry stores, shoe stores, florist shops and gift shops subject to standards for alcohol sales in compliance with paragraph (F) (Standards for alcohol sales in the C-3 zoning district), below. Does not include retail business uses specified in paragraph (C) (Uses permitted with a conditional use permit in the C-3 district).
2. Tutoring centers (small and large), studios (small and large), and professional offices, except on the ground floor of parcels abutting East Campbell Avenue east of Second Street unless the following standards can be met:
  - a. The business is located in a separate tenant space that is a minimum of fifty feet from the East Campbell Avenue property line; and
  - b. The separate tenant space does not have a door or entrance that takes access from East Campbell Avenue.
3. Service commercial establishments including but not limited to barber shops, beauty parlors, dry cleaning, ~~massage services~~, photographic studio, shoe repair shops, and tailors, except on the ground floor of parcels abutting East Campbell Avenue east of Second Street unless the following standards can be met:
  - a. The business is located in a separate tenant space that is a minimum of fifty feet from the East Campbell Avenue property line; and
  - b. The separate tenant space does not have a door or entrance that takes access from East Campbell Avenue.
4. Outdoor seating and merchandise displays, subject to approval of an outdoor seating and merchandise display permit in compliance with paragraph (H) (Standards and permit requirements for outdoor seating and merchandise display), below.
5. Restaurants, subject to the provisions of paragraph (F) (Standards for alcohol sales in the C-3 zoning district) and standards for live entertainment in compliance with paragraph (G) (Standards for live entertainment in the C-3 zoning district), below.
6. Wireless telecommunications facilities—stealth (requires approval of a site and architectural review permit).
7. Other uses similar to the above in compliance with Chapter 21.02 (Interpretation of Provisions).

**SECTION 9. Conditional uses in C-M (Controlled Manufacturing) zoning district:**

The list of permitted uses in Subsection C of Campbell Municipal Code section 21.10.070 is amended to read as follows, with underlining indicating new text and ~~strikeouts~~ (~~strikeout~~) indicating deleted text:

1. Automated teller machines (ATM's);
2. Banks and financial services;
3. Catering business, only when ancillary to a restaurant;
4. Dry cleaning;
5. Grocery stores (under ten thousand square feet);
6. Hardware stores (under ten thousand square feet);
7. Laundromats, self-service;
8. Libraries, public;
9. Light rail passenger terminals;
- ~~10. Massage establishments;~~
- ~~11. 10. Meat markets;~~
- ~~12. 11. Offices, professional;~~
- ~~13. 12. Outdoor seating, when twelve total seats or less;~~
- ~~14. 13. Parking lots/structures, public;~~
- ~~15. 14. Personal services, general;~~
- ~~16. 15. Pharmacies/drug stores;~~
- ~~17. 16. Photocopying;~~
- ~~18. 17. Photography studio/supply shop;~~
- ~~19. 18. Repair and maintenance, consumer products;~~
- ~~20. 19. Restaurants or cafes (excluding fast food or drive-ins);~~
- ~~21. 20. Retail stores, general merchandise;~~
- ~~22. 21. Satellite television or personal internet broadband dishes/antenna (less than three feet in diameter);~~
- ~~23. 22. Schools K—12, public;~~
- ~~24. 23. Shopping centers (under ten thousand square feet);~~
- ~~25. 24. Travel agencies;~~
- ~~26. 25. Universities/colleges, public;~~
- ~~27. 26. Vending machines;~~
- ~~28. 27. Wireless telecommunications facilities - stealth (requires approval of a site and architectural review permit).~~

**SECTION 10. Restrictions in C-PD (Condominium Planned Development) zoning district.**

The list of restrictions in Subsection D of Campbell Municipal Code section 21.12.020 is amended to read as follows, with underlining indicating new text and strikeouts (~~strikeout~~) indicating deleted text:

- D. Restrictions. The C-PD zoning district is the only zoning district in which the construction of new condominiums, or the conversion of existing residential, commercial, or industrial structures to condominiums, is allowed. The following uses are prohibited:
1. Any use inconsistent with state or federal law.
  2. Payday lender.
  3. Massage Establishments.

**SECTION 11. Prohibited Uses in PD (Planned Development) zoning district.**

The list of prohibited uses in Subsection F of Campbell Municipal Code section 21.12.030 is amended to read as follows, with underlining indicating new text and strikeouts (~~strikeout~~) indicating deleted text:

- F. Prohibited uses in the P-D (Planned Development) zoning district. The following uses are prohibited:
1. Any business that includes smoking tobacco on site (e.g., smoking lounges, hookah lounges, etc.).
  2. Payday lender.
  3. Massage Establishments.
  4. Any use inconsistent with state or federal law.

**SECTION 12.** This Ordinance shall become effective (30) days following its passage and adoption and shall be published once within fifteen (15) days upon passage and adoption in the Campbell Express, a newspaper of general circulation in the City of Campbell, County of Santa Clara.

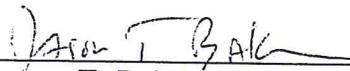
**PASSED AND ADOPTED** this 5th day of April, 2016 by the following roll call vote:

AYES: Councilmembers: Kotowski, Resnikoff, Gibbons, Baker

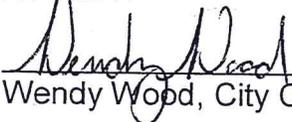
NOES: Councilmembers: Cristina

ABSENT: Councilmembers: None

APPROVED:

  
Jason T. Baker, Mayor

ATTEST:

  
Wendy Wood, City Clerk



# City Council Report

Item: 10.  
Category: New Business  
Meeting Date: October 4, 2016

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**TITLE:** Update on Harriet Avenue/McCoy Avenue/San Tomas Aquino Road Signalization Project and Harriet Avenue Traffic Calming Alternatives (Resolution/Roll Call Vote)

## RECOMMENDATION

That the City Council direct staff to do the following:

1. Suspend the Harriet Avenue/McCoy Avenue/San Tomas Aquino Road Signalization Project; and
2. Develop a conceptual design for a Harriet Avenue traffic calming project for consideration in the development of the Fiscal Year 2018/22 Capital Improvement Plan.

## BACKGROUND

At the Council meeting on June 21, 2016, staff presented the report on the traffic operational issues and collision history that led to the Harriet Avenue/McCoy Avenue/San Tomas Aquino Road Signalization Project. During the public hearing, some members of the public spoke in favor of the signalization concept. However, the vast majority of the members of the public who spoke opposed the signalization concept and favored focusing on measures that would reduce vehicle speeds on Harriet Avenue instead.

Based on this public testimony, the City Council requested that staff explore alternative combinations of signalization and traffic calming measures for this area while concurrently continuing to prepare the plans, specs, and cost estimates for the signalization project – that would be required for the grant submission. The Council requested that staff work with the residents of the area to look for alternative solutions that would address both reducing vehicle speeds and increasing safety for pedestrians and bicyclists.

## DISCUSSION

### San Tomas Area Community Coalition (STACC)

In early July, several members of the San Tomas Area Community Coalition (STACC) submitted two traffic calming concept drawings for Harriet Avenue (see Attachment 2).

Key features include the following:

**STACC Option A:**

- Relocate marked crosswalk from Harriet/McCoy to Harriet /Silacci - south leg
- Lower the mounting height of flashing beacons
- Speed tables on each block of Harriet Avenue
- Bulb-outs on southwest corners of Harriet/McCoy and Harriet/Silacci, respectively
- Buffers for existing bike lanes on Harriet Avenue.

**STACC Option B:**

- Same as Option A with the following additions:
  - Replace southbound right-turn lane at Harriet/McCoy with landscaped park strip
  - Spot landscaped median islands along Harriet Avenue.

Later in July, staff met with a small group of residents to discuss STACC Options A and B as presented.

In mid-August, staff was invited to attend an August 22<sup>nd</sup> STACC meeting regarding the proposed signalization project. Due to scheduling conflicts, staff was unable to attend this meeting. Shortly after this meeting, staff was able to meet briefly with one of the STACC representatives to answer a short list of questions that had arisen during the meeting.

On September 8<sup>th</sup>, staff met a second time with a small group of residents to discuss STACC Options A and B. The residents had expected a progress report, cost estimates, and recommendations from staff, but providing such information prior to the City Council receiving it for consideration was deemed premature and inappropriate.

**September 15<sup>th</sup> Neighborhood Meeting**

On September 15<sup>th</sup>, staff hosted a neighborhood meeting to discuss options that address 1) traffic safety options at Harriet/McCoy and Harriet/San Tomas Aquino and 2) traffic calming measures for Harriet Avenue.

Staff began the meeting with a brief summary of the history of the Harriet Avenue/McCoy Avenue/San Tomas Aquino Road Signalization Project and how staff had considered the following measures for addressing the safety issues at Harriet/McCoy and Harriet/San Tomas Aquino:

- Retain the flashing beacon system
- Stop signs
- Bulb-outs

- Speed humps
- Changing to red flashing beacons
- Hacienda Avenue narrowed roadway
- Westmont Avenue landscaped median island
- Cox Avenue (Saratoga) raised crosswalk.

Staff concluded that while traffic calming measures may slow down traffic, only a traffic signal would require motorists to stop for pedestrians and bicyclists.

#### *Traffic Calming Measures That May Not Work*

Regarding Harriet Avenue traffic calming, staff began by discussing measures that may not be effective and/or feasible. Attachment 3 summarizes traffic calming measures that may not work and explains why they may not work.

- Traffic circles
- Bulb-outs
- Relocating McCoy crosswalk to Silacci
- Speed tables too close to intersections.

#### *Traffic Calming Measures That May Work*

Staff presented the following traffic calming measures that may be effective in reducing speeds on Harriet Avenue.

- Speed tables
- Lane narrowing
- Bike lane buffers
- Median islands.

Attachment 4 summarizes these traffic calming measures with their respective advantages and disadvantages.

#### *Public Feedback*

Approximately 25 members of the public attended the September 15<sup>th</sup> neighborhood meeting. Below is a summary of the public feedback.

- Oppose traffic signal
- Traffic signal will result in traffic diversion to other streets
- Move the crosswalk back to Silacci
- School crossing guard at Silacci
- Want red flashing beacons

- Why not install a crosswalk across San Tomas Aquino Road on the east side of Harriet?
- Large tree on southwest corner of Harriet/Silacci creates a visual obstruction
- Speeding is the issue
- Speed humps or speed tables.

Staff acknowledges the community's concerns regarding what could potentially occur following the installation of a traffic signal. The community appears to be trying to work with staff regarding how to make motorists stop for pedestrians since it was a failure of motorists to yield to pedestrians that led to the crashes at both intersections.

Staff also recognizes that the community's greater concern appears to be speeding traffic rather than addressing pedestrian and bicycle crashes. Staff clarified the perception that staff had stated that speeding was not an issue. On the contrary, staff has openly and repeatedly stated that speeds were high on Harriet, but that the motorists involved in the cited crashes were not exceeding the speed limit. With this clarification those in attendance appeared to understand that speeding was not a factor in these crashes and therefore addressing speeding would not necessarily have prevented these crashes.

## **Analysis**

### *Traffic Signal*

While staff continues to believe that signalizing the Harriet/McCoy/San Tomas Aquino intersections would be beneficial in assigning right-of-way and reducing excessive delay or hazard to McCoy Avenue and San Tomas Aquino Road traffic, staff also recognizes that though the posted speed limit is 30 miles per hour, the 85<sup>th</sup> percentile speed is 37-38 mph on Harriet Avenue.

A traffic signal would address the contributing factors to past pedestrian- and bicycle-related crashes cited in this report. The motorists involved in these crashes were traveling below the speed limit. Therefore, attempting to decrease speeds could be irrelevant to preventing these crashes.

A traffic signal also provides margin for error for motorists and pedestrians. Traffic signals include safeguards like minimum walk time for pedestrians to check their surroundings before entering a crosswalk; all-red time following the transition from green to yellow to red; yellow time based on travel speeds; clearance green time to allow side-street traffic to clear the downstream intersection; countdown pedestrian timers; and, leading pedestrian intervals that may be used to allow pedestrians to establish themselves in the crosswalk ahead of motorists.

However, a traffic signal may also cause traffic diversion to nearby local streets like Keith Drive and Parkhurst Drive. To predict traffic diversion at this point would be

speculative. It is unknown given the curvature of Harriet Avenue at Keith Drive whether southbound motorists would have enough time to perceive and react to traffic queues by turning right onto Keith Drive.

It is also worth noting that traffic diversion through Keith Drive and Parkhurst Drive already occurs due to queuing on (eastbound) McCoy Avenue. Traffic queues would most frequently occur only during the worst school traffic when side-street pedestrian and vehicular traffic would require Harriet Avenue traffic to stop. During other hours the side-street traffic would result in shorter queues since there are fewer pedestrians present and the longer delays resulting from pedestrian crossings would be shorter during non-school admission and dismissal hours.

#### *Moving Crosswalk to Silacci Drive*

It is clear that the majority of the community and at least the members of the public who attended the public meetings were opposed to a traffic signal at the two intersections. Many believe that the pedestrian and bicycle safety issues could be addressed by relocating the crosswalk across Harriet Avenue from McCoy Avenue to Silacci Drive.

Several community members expressed the opinion that relocating the crosswalk would be safer at that location mainly because there would be fewer turning movements that would conflict with a crosswalk on the south side of Silacci Drive than at McCoy Avenue.

However, relocating the crosswalk to Silacci Drive would leave McCoy Avenue pedestrians who want to travel to the north with no means of crossing Harriet Avenue in a marked crosswalk. This portion of the population would be unserved. On the other hand, the crosswalk at McCoy Avenue has the potential of serving all Forest Hill School pedestrians since the school is located on McCoy Avenue. A crosswalk at Silacci Drive serves only those students who enter Harriet Avenue from Inskip Drive or further south.

#### *School Crossing Guard*

The public identified adult school crossing guards as a means of addressing school pedestrian safety. Staff pointed out that the pedestrian and bicycle crashes that were cited did not necessarily occur during school admission and dismissal hours. The Police Department hires and deploys school crossing guards. Pedestrian volumes across Harriet Avenue at McCoy Avenue vary during peak periods, ranging between 25 and 55 per hour. Pedestrian and vehicular volumes and crash history play a part in determining where crossing guards are assigned. The Police Department can accommodate school crossing guards on Harriet Avenue if the City Council provides direction to do so. However, resources would need to be identified to allow this to occur.

### *Flashing Red Beacons*

Staff had received a similar suggestion from the public in the first neighborhood meeting that was held in May. The public had suggested changing the yellow flashing beacons to red beacons to communicate to motorists that they must stop. Staff's concern is that the *California Manual on Uniform Traffic Control Devices* (CA MUTCD) does not prescribe a pedestrian-actuated flashing beacon system with red beacons. State law calls for motorists to yield right-of-way to pedestrians—not stop for pedestrians. The concern is that requiring motorists to stop goes beyond the intent of the law. Staff recommends against deviating from State design guidelines since doing so could increase the City's risk.

There is, however, a traffic control device called a (High-Intensity Activated crossWalk beacon—informally, a HAWK hybrid beacon or, formally, a Pedestrian Hybrid Beacon (PHB) that is included in the CA MUTCD that incorporates red beacons and shows some promise in getting motorists to stop for pedestrians. Staff sees potential in the use of a PHB. Studies have demonstrated that a high percentage of motorists will stop for pedestrians in the crosswalk. This device is accepted in the CA MUTCD and incorporates residents' request for red beacons that tell motorists when to stop.

Staff observed an existing PHB on Snell Avenue east of Branham Lane at the entrance to Martial Cottle Park in San Jose. While motorists stopped for pedestrians during the red intervals, staff also observed some confusion among motorists regarding when to begin moving again. Therefore, while this application shows promise, staff is still investigating 1) the device's effectiveness in addressing collisions and 2) motorists' understanding how to respond to the device. (The Pedestrian Hybrid Beacon is further described in Attachment 5.)

### *Miscellaneous Items Included in Harriet/McCoy/San Tomas Aquino Project*

To address residents' concerns, some items had been included in the Harriet Avenue/McCoy Avenue/San Tomas Aquino Road Signalization Project:

- Widen sidewalk on east side of Harriet Avenue over San Tomas Aquino Creek
- Install marked crosswalk across San Tomas Aquino Road at Harriet Avenue
- Bulb-out on southwest corner of Harriet/McCoy
- Install an exclusive southbound right-turn lane at Harriet/McCoy
- Tree root pruning and sidewalk repair on southwest corner of Harriet/McCoy.

### *Traffic Calming*

As mentioned earlier, staff presented traffic calming measures that are consistent with public feedback and the STACC drawing concepts:

- Speed tables
- Lane narrowing

- Bike lane buffers
- Median islands.

However, as Attachment 4 shows, each measure comes with its advantages and disadvantages. Some combinations of measures may not work together. For example, a continuous median island would not work with buffered bike lanes. With a continuous median island left-turn access to residential driveways would be replaced with U-turns at the ends of the island. The median island would have to be wide enough to allow U-turns to be completed without crossing over into bike lanes or parked vehicles. As a result, Harriet Avenue is not wide enough to accommodate both a continuous median island and bike lane buffers.

### *Addressing Traffic Safety Concerns and Community Values*

As indicated already, staff is very concerned about traffic safety at the two project intersections. It is difficult to enter onto Harriet Avenue as a pedestrian, bicyclist, or motorist. Staff also acknowledges that the neighborhood is less concerned about pedestrian and bicycle injury crash history (as demonstrated by the perception that traffic is busy for only one hour per day) and would prefer not to have a traffic signal. The public's concern is focused on reducing speeds on Harriet Avenue.

### **Recommendations**

For these reasons, staff is recommending the following.

1. Suspend the Harriet Avenue/McCoy Avenue/San Tomas Aquino Road Signalization Project. Public opposition to the traffic signal far outweighs public support as the two neighborhood meetings have demonstrated. Should the City Council agree with this recommendation, staff will need to notify Caltrans of the suspension of this project and the City may risk losing any federal funds associated with this project.
2. Direct staff to develop a conceptual design for a traffic calming project for consideration in Fiscal Year (FY) 2018/22 Capital Improvement Plan (CIP) process. Staff proposes to develop a project concept that will likely incorporate some non-intrusive components of the signalization project:
  - a. Widen Harriet Avenue sidewalk over the creek
  - b. Install crosswalk across San Tomas Aquino Road
  - c. Narrow Harriet Avenue travel lanes
  - d. Install bike lane buffers
  - e. Install green bike lanes at key conflict points
  - f. Appropriate yield lines and "Yield Here for Pedestrians w/arrow" signs to delineate where motorists are to wait for pedestrians to clear.

The project concept will incorporate other features based on public feedback:

- a. Installing bulb-outs at marked crosswalks where feasible.
- b. Install speed tables between Adrien Drive and Elam Avenue and between Elam Avenue and Inskip Drive. The speed tables would be installed at mid-block far enough away from cross-streets to prevent traffic from encountering speed tables at a skew. The speed tables would not be in front of any driveways. The distance between cross-streets approaches 500 feet—the maximum desirable spacing of speed tables. Further investigation will be required regarding speed hump spacing and specific locations.

The project may incorporate features that the public has requested but that still need further investigation.

- a. Consider returning and/or adding a marked crosswalk to Silacci Drive. A thorough investigation of traffic volumes and vehicular-pedestrian conflicts will need to be performed.
- b. Evaluate potential treatments for increasing visibility of marked crosswalk(s) at Silacci Drive and/or McCoy Avenue. (See Attachment 5.)

Staff is proposing a traffic safety audit to investigate and make recommendations on the proposed traffic calming measures and the pedestrian safety measures including where to place crosswalks and what devices are recommended. U.C. Berkeley's Institute of Transportation Studies offers free Complete Streets Safety Assessments (CSSA).

In the past, firms like Fehr & Peers (currently working with the City on Envision Campbell and the Transportation Improvement Plan for Campbell's Priority Development Area) were on call to address safety studies from municipalities. Campbell has used this service in the past with the evaluation of the City's Top Six intersections for collision frequency.

The traffic safety audit would 1) evaluate the collision history and merits of relocating the Harriet Avenue crosswalk and 2) recommend traffic calming measures for the corridor and traffic control devices such as the Pedestrian Hybrid Beacon.

## **Schedule**

Should the Council approve staff's recommendations, the tentative schedule would be as follows:

Notify Caltrans of Project Suspension	October, 2016
Request Complete Streets Safety Audit	October, 2016
Prepare Traffic Calming Concept for FY18 CIP	Spring, 2017

**FISCAL IMPACT**

The federal Highway Safety Improvement Program (HSIP) grant for the Harriet Avenue/McCoy Avenue/San Tomas Aquino Road Signalization Project is for 90% of the project cost or \$516,900. The City was responsible for a 10% local match or \$57,500.

To date the City has been reimbursed for \$59,400 in federal funds and has spent approximately \$11,000 in City funds for local match and non-participating project expenses that are beyond the grant-eligible scope of work (e.g., preparing traffic calming renditions for public meetings; right-of-way and title research for land transfer for lands owned by Santa Clara Valley Water District). The remaining \$457,500 in federal HSIP grant funds would be forfeited to the State. The City would have been responsible for a local match of approximately \$50,800.

The proposed FY18 CIP project concept may cost up to approximately \$300,000 to design and construct the traffic calming measures (e.g., speed tables, bulb-outs) and traffic control devices (e.g., striping, signs, optional Pedestrian Hybrid Beacon).

**ALTERNATIVES**

1. Do not suspend the Harriet Avenue/McCoy Avenue/San Tomas Aquino Road Signalization Project.
2. Do not authorize staff to conceptualize a traffic calming project for consideration in FY18 CIP.

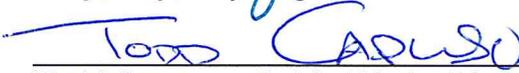
Prepared by:

  
Matthew Jue, Traffic Engineer

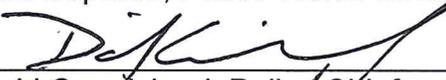
Reviewed by:

  
Amy Olay, City Engineer

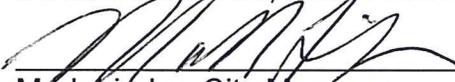
Reviewed by:

  
Todd Capurso, Public Works Director

Reviewed by:

  
David Carmichael, Police Chief

Approved by:

  
Mark Linder, City Manager

Attachments:

1. Resolution
2. STACC Options A and B
3. Traffic Calming Measures that May Not Work
4. Traffic Calming Measures that May Work
5. Pedestrian Hybrid Beacons

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAMPBELL  
SUSPENDING THE HARRIET AVENUE/McCOY AVENUE/SAN TOMAS AQUINO  
ROAD SIGNALIZATION PROJECT AND DIRECTING STAFF TO CONCEPTUALIZE  
A TRAFFIC CALMING PROJECT FOR THE FISCAL YEAR 2018/22 CAPITAL  
IMPROVEMENT PLAN**

**WHEREAS**, on June 21, 2016, staff presented the staff report on the traffic operational issues and collision history that led to the Harriet Avenue/McCoy Avenue/San Tomas Aquino Road Signalization Project; and

**WHEREAS**, during the public hearing the vast majority of the members of the public who spoke opposed the signalization concept and favored focusing on speeding traffic on Harriet Avenue instead; and

**WHEREAS**, the City Council requested that staff explore alternative combinations of signalization and traffic calming measures for this area while concurrently preparing the plans, specs, and estimates required for the grant submission; and

**WHEREAS**, the San Tomas Area Community Coalition (STACC) submitted two traffic calming options to staff and met twice with staff to discuss these options; and

**WHEREAS**, on September 15, 2016, a neighborhood meeting was held to discuss alternative combinations of signalization and traffic calming measures for Harriet Avenue; and

**WHEREAS**, staff is very concerned about traffic safety at Harriet/McCoy and Harriet/San Tomas Aquino, respectively; and

**WHEREAS**, staff acknowledges the community opposes the traffic signal concept and favors addressing traffic speeds on Harriet Avenue with traffic calming measures; and

**WHEREAS**, the fiscal impact of suspending the Harriet Avenue/McCoy Avenue/San Tomas Aquino Road Signalization Project includes forfeiture of \$457,500 in federal HSIP grant funds; and

**WHEREAS**, a traffic calming project that addresses the public's concerns regarding Harriet Avenue speeding traffic and pedestrian and bicyclist safety may cost approximately \$300,000; and

**WHEREAS**, staff recommends that the City Council suspend the Harriet Avenue/McCoy Avenue/San Tomas Aquino Road Signalization Project; and

**WHEREAS**, staff recommends that the City Council direct staff to develop a conceptual design for a traffic calming project for the Fiscal Year (FY) 2018/22 Capital Improvement

Plan (CIP) that would address Harriet Avenue traffic calming and pedestrian and bicyclist safety across Harriet Avenue.

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Campbell hereby suspends the Harriet/McCoy/San Tomas Aquino Signalization Project.

**BE IT FURTHER RESOLVED** that the City Council of the City of Campbell directs staff to conceptualize a traffic calming project for the Fiscal Year (FY) 2018/22 Capital Improvement Plan (CIP) that would address Harriet Avenue traffic calming and pedestrian and bicyclist safety across Harriet Avenue.

**PASSED AND ADOPTED** this 4<sup>th</sup> day of October, 2016, by the following roll call vote:

AYES:           COUNCILMEMBERS:  
NOES:           COUNCILMEMBERS  
ABSENT:        COUNCILMEMBERS:

APPROVED:

Attest:

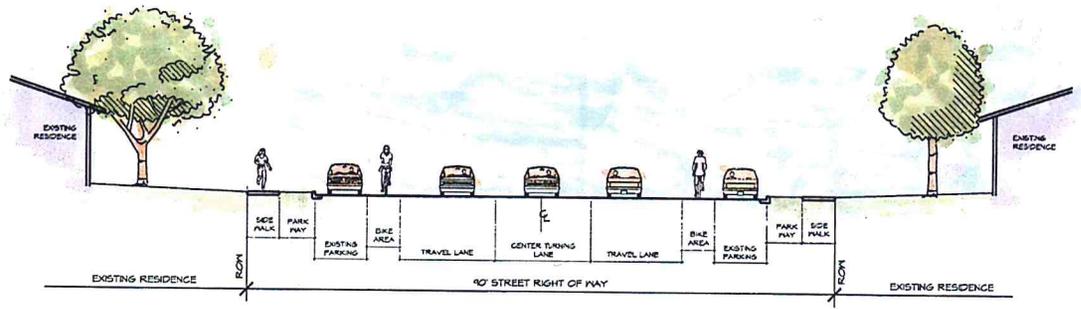
\_\_\_\_\_  
Jason T. Baker, Mayor

\_\_\_\_\_  
Wendy Wood, City Clerk

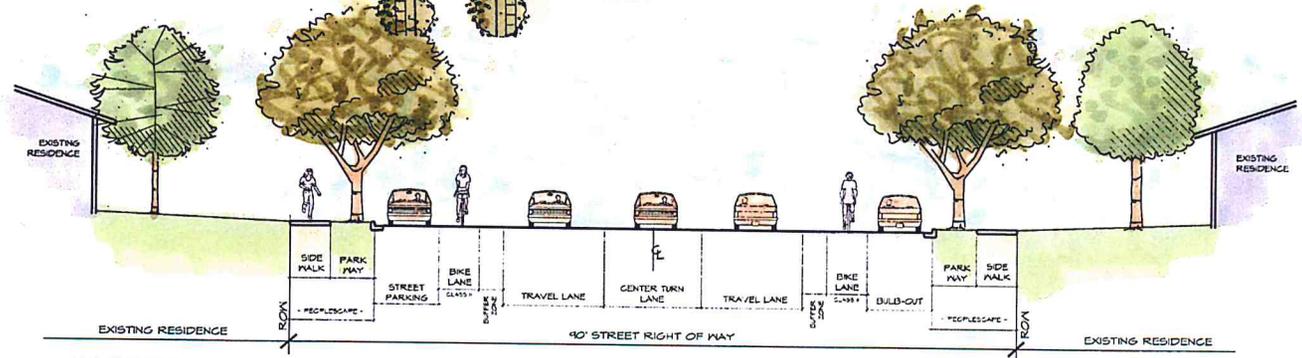
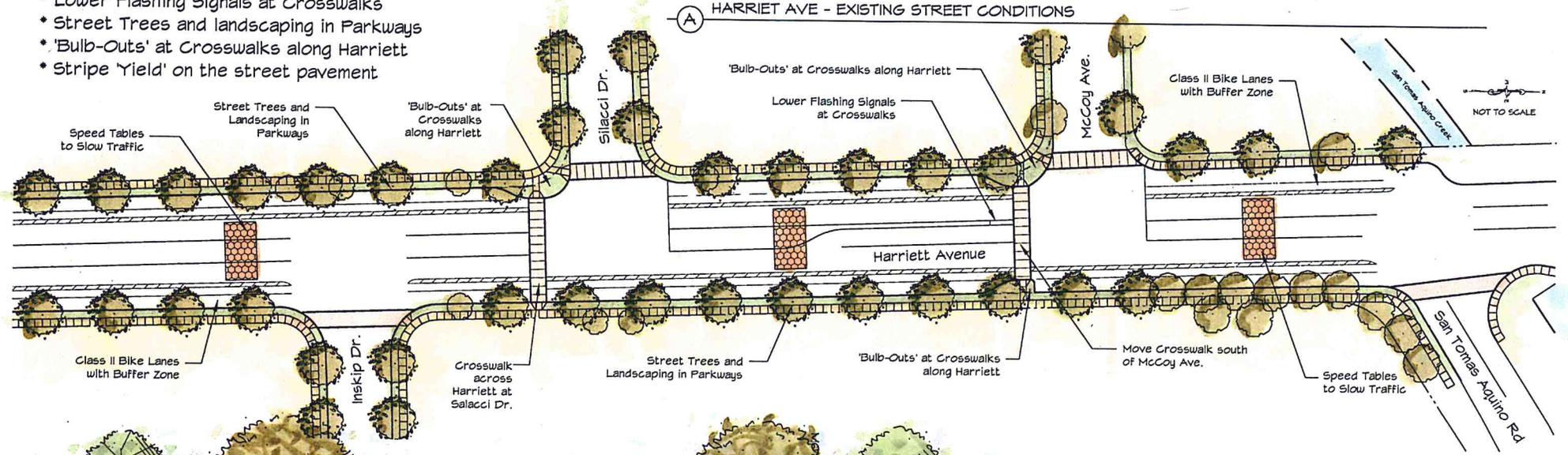
Neighborhood Goal:  
Create a Safe Pedestrian Environment  
on Harriett Ave

Components of the Plan:

- \* Class II Bike Lanes with Buffer Zone
- \* Speed Tables to Slow Traffic
- \* Move Crosswalk south of McCoy Ave.
- \* Crosswalk across Harriett at Salacci Dr.
- \* Lower Flashing Signals at Crosswalks
- \* Street Trees and landscaping in Parkways
- \* 'Bulb-Outs' at Crosswalks along Harriett
- \* Stripe 'Yield' on the street pavement



(A) HARRIETT AVE - EXISTING STREET CONDITIONS



(B) HARRIETT AVE - OPTION A PROPOSED IMPROVEMENTS

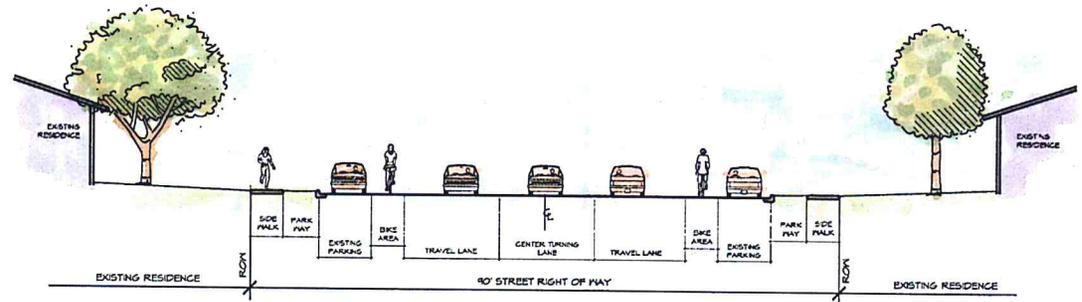
Option A  
Illustrative Rendering  
for Harriett Avenue  
City of Campbell

This diagram is intended to represent the concepts and ideas for street and landscape improvements ONLY. This is NOT an engineered drawing.

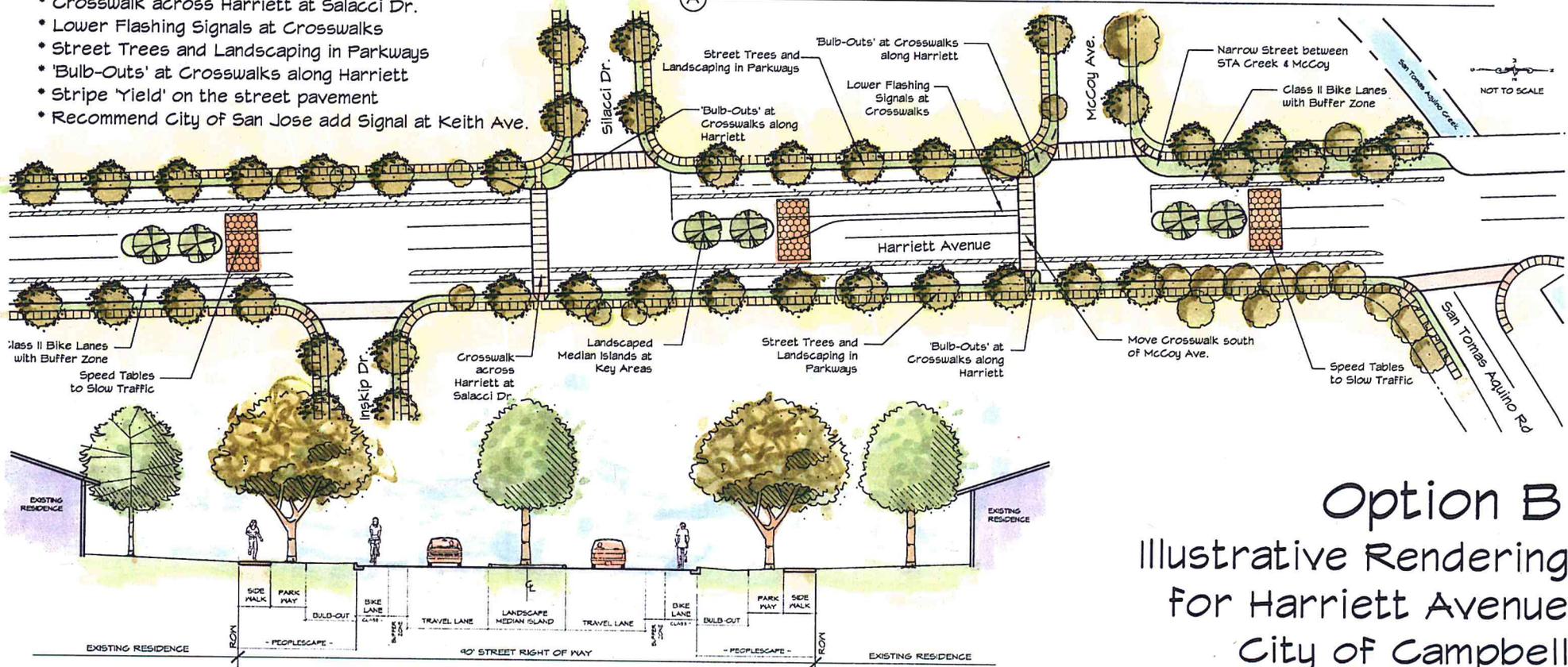
**Neighborhood Goal:**  
 Create a Safe Pedestrian Environment  
 on Harriett Ave

**Components of the Plan:**

- Class II Bike Lanes with Buffer Zone
- Speed Tables to Slow Traffic
- Narrow Street between STA Creek & McCoy
- Landscaped Median Islands at Key Areas
- Move Crosswalk south of McCoy Ave.
- Crosswalk across Harriett at Salacci Dr.
- Lower Flashing Signals at Crosswalks
- Street Trees and Landscaping in Parkway
- 'Bulb-Outs' at Crosswalks along Harriett
- Stripe 'Yield' on the street pavement
- Recommend City of San Jose add Signal at Keith Ave.



**A** HARRIETT AVE - EXISTING STREET CONDITIONS



**B** HARRIETT AVE - OPTION B PROPOSED IMPROVEMENTS

**Option B**  
 Illustrative Rendering  
 for Harriett Avenue  
 City of Campbell

This diagram is intended to represent the concepts and ideas for street and landscape improvements ONLY. This is NOT an engineered drawing.

**Attachment 3**  
**Traffic Calming Measures That May Not Work**

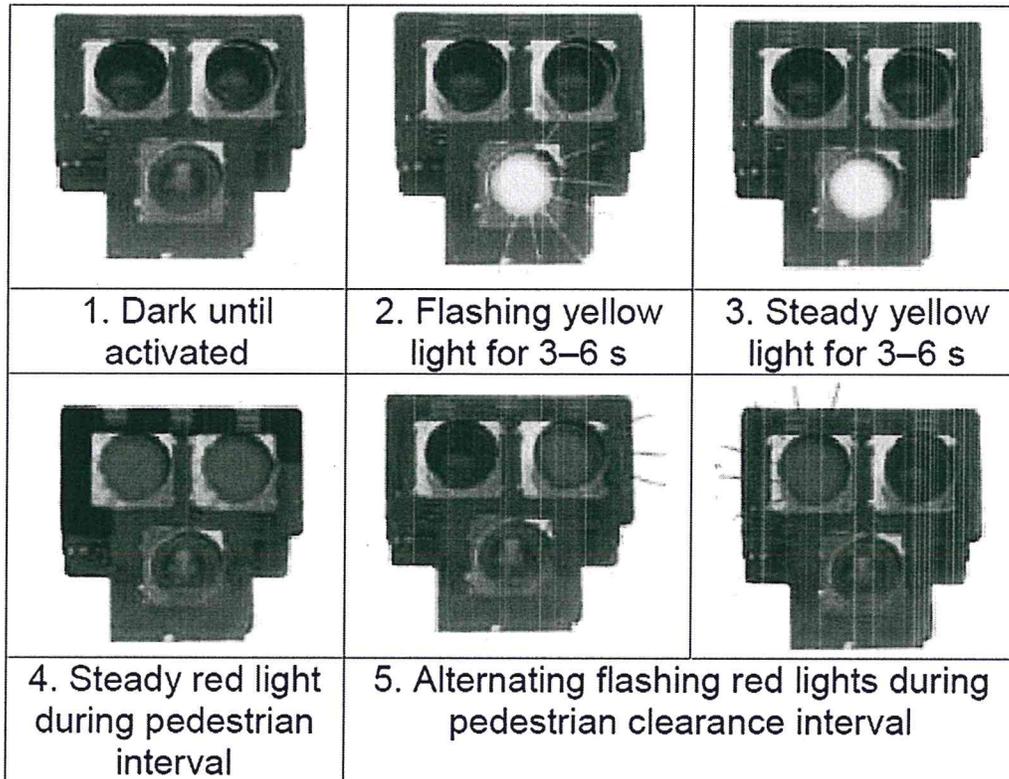
<b>Measure</b>	<b>Characteristics</b>	<b>Comments</b>
Traffic Circles	<ul style="list-style-type: none"> <li>• Circular islands superimposed in existing intersections</li> <li>• Can have landscaping</li> </ul>	<ul style="list-style-type: none"> <li>• Fire trucks unable to traverse circumference of circular island without climbing onto curbs and sidewalks</li> <li>• Circular islands will block driveway access</li> <li>• Can lead to loss of on-street parking</li> </ul>
Bulb-outs	<ul style="list-style-type: none"> <li>• Curb extensions meant to shorten pedestrian crossing distances at crosswalks</li> </ul>	<ul style="list-style-type: none"> <li>• Effectiveness may be diminished by presence of bike lanes (i.e., street may still appear wide)</li> </ul>
Crosswalk at Silacci Drive	<ul style="list-style-type: none"> <li>• Crosswalk was moved from Harriet/Silacci north leg to Harriet/McCoy south leg</li> </ul>	<ul style="list-style-type: none"> <li>• Moving crosswalk back to Harriet/Silacci abandons pedestrians who cross Harriet Avenue from McCoy Avenue to San Tomas Aquino Road and areas further north</li> <li>• Affected origins and destinations on McCoy Avenue               <ul style="list-style-type: none"> <li>• Forest Hill Elementary School</li> <li>• St. Thomas of Canterbury Catholic Church</li> <li>• Residences on both sides of McCoy Avenue</li> </ul> </li> <li>• Affected origins and destinations on Harriet Avenue to the north               <ul style="list-style-type: none"> <li>• San Tomas Park</li> <li>• Residences on or near San Tomas Aquino Road</li> </ul> </li> <li>• Will lead to loss of on-street parking</li> <li>• Will lead to loss of tree in park strip</li> </ul>
Speed Tables Too Close to Intersections	<ul style="list-style-type: none"> <li>• Speed tables too close to intersections cause cross-street traffic to encounter speed table at a skew</li> </ul>	<ul style="list-style-type: none"> <li>• Should not be installed within 250 feet of traffic signal (MUTCD)</li> <li>• Should not be installed within 100 feet from closest perpendicular intersection of residential collector streets (MUTCD)</li> </ul>

**Attachment 4  
Traffic Calming Measures That May Work**

<b>Measure</b>	<b>Characteristics</b>	<b>Advantages</b>	<b>Disadvantages</b>
Speed tables	<ul style="list-style-type: none"> <li>• 22 feet long to traverse</li> <li>• 3 inches high, six-foot slopes, 10-foot plateau</li> <li>• Gentler slopes than speed humps</li> <li>• 85<sup>th</sup> percentile speeds at 30 mph</li> <li>• Widespread acceptance for use on residential collectors and emergency vehicle routes</li> </ul>	<ul style="list-style-type: none"> <li>• Recorded speeds in line with Harriet Avenue speed limit</li> <li>• Less jolting for fire trucks</li> <li>• Can be used in conjunction with traffic signals and other measures</li> </ul>	<ul style="list-style-type: none"> <li>• Motorists may increase speeds between speed tables</li> <li>• Compromises emergency response times (up to 9.8 seconds per speed table)</li> <li>• Motorists may try to drive around speed tables ("gutter running")</li> <li>• Traffic diversion to Silacci Drive</li> <li>• Localized noise</li> <li>• Up to \$15,000 each</li> </ul>
Lane narrowing	<ul style="list-style-type: none"> <li>• Narrow travel lanes from existing 12 feet to future 10 feet +/-</li> <li>• Conservative estimate is up to \$50,000 to restripe between Westmont Avenue and north city limits</li> </ul>	<ul style="list-style-type: none"> <li>• Can reduce speeds one to three mph</li> <li>• Simple construction</li> <li>• Does not impact emergency access</li> <li>• Does not affect driveway access</li> <li>• Relatively inexpensive</li> </ul>	<ul style="list-style-type: none"> <li>• Ultimate effectiveness may be gained in combination with other measures</li> </ul>
Bike lane buffers	<ul style="list-style-type: none"> <li>• Minimum 3-inch wide hatched striping lane that separates bike lanes from adjacent vehicular lanes</li> </ul>	<ul style="list-style-type: none"> <li>• Provides separation between bicyclists and motorized vehicles</li> <li>• Becoming more popular (now called "Class IV bikeway")</li> </ul>	<ul style="list-style-type: none"> <li>• May appear to clutter roadway striping</li> </ul>
Median islands	<ul style="list-style-type: none"> <li>• Medians with vertical concrete curbs</li> <li>• Potential landscaping or cobblestone options</li> </ul>	<ul style="list-style-type: none"> <li>• Provides side friction to slow down traffic</li> <li>• Can be aesthetically pleasing</li> </ul>	<ul style="list-style-type: none"> <li>• Reduces driveway access</li> <li>• Continuous islands will reduce driveway access, force U-turns to access driveways, and can lead to congestion</li> <li>• Excavation costs can be very expensive</li> <li>• Won't work with buffered bike lanes</li> </ul>

Attachment 5  
Pedestrian Hybrid Beacons (PHB)

The CA MUTCD allows for PHBs that incorporate red flashing beacons. Figure 1 shows how a PHB would operate.



**Figure 1: Pedestrian Hybrid Beacon Typical Operation.**

- i. Overhead beacons would remain dark until activated. Harriet Avenue traffic would have the right-of-way.
- ii. Following pedestrian's activation of the beacons, the bottom beacon would flash yellow for 3-6 seconds to alert motorists that something is about to change.
- iii. A steady yellow would appear for 3-6 seconds to transition to the next phase.
- iv. Both red lights would come on steady and side-by-side during a prescribed pedestrian interval (say 6 seconds). At the same time, pedestrians would see a pedestrian signal whose indication would show the "Walking Man" symbol.
- v. The red signals would flash alternately during a prescribed pedestrian clearance interval that clears pedestrians from the street. During this time pedestrians would see the "Flashing Upraised Hand" symbol. A sign affixed to the pedestrian pushbutton will instruct pedestrians not to start across the street during this phase. During the flashing red, motorists on Harriet Avenue would be able to proceed after stopping for the flashing red.
- vi. Finally, the overhead beacons would go dark. The pedestrian signals would display a "Steady Upraised Hand."

**MEMORANDUM**



**City of Campbell  
City Clerk's Office**

**To:** Honorable Mayor and City Council

**Date:** September 20, 2016

**From:** *AS* Andrea Sanders, Deputy City Clerk

**Via:** *ML* Mark Linder, City Manager

**Subject:** Desk Item 10 – Letter from Rebecca Yates

---

On September 30, 2016 a letter was received from Rebecca Yates as part of the public record in regards to Item 10.

September 29, 2016

Dear Mayor and Councilmembers

RE: Harriet Avenue speeding and other problems

I understand the City plans to install two signal lights on Harriet Avenue at San Tomas-Aquino and McCoy. OK, but then what? Have you considered the impact these signals lights will have on the rest of Harriet? I asked the Traffic Engineer for an answer, he stated it will be before the Council but he either could not or would not answer how the signals would affect the rest of Harriet.

Are you putting these lights in in hopes the residents will stop complaining? Did the Engineering Department not want to be bothered with doing a total thoughtful study of the street and it's problems before taking action? I know the City has obtained a grant to install the lights saying it will solve the speeding problems. I know as well as most of the residents on Harriet that grants can be rewritten and the lights will only encourage speeding. So why is the City bullying us into something that is not the right fit for Harriet Avenue?

I lived at 867 Harriet since 1983 and seen more incidents and inconsiderate drivers both in cars and on bicycles than should exist.

I've watched drivers shaving; applying make-up; and my favorite, the man brushing his teeth. Of course there are the texters and phone talkers. Some drivers use the two-way left turn lane as a passing or driving or a drag lane and 40 MPH is not uncommon for cars coming from Westmont (I can see the "Your Speed" sign from my home which, until I complained, only worked during daylight hours Monday through Friday).

I've watched joggers using the bike lane and bicyclist using the sidewalk. There was even a jogger in the two-way left turn lane.

I've watched "the children" on bicycles shooting out between parked cars; cutting across the street; and "the children", in groups, stopping traffic to cutting across the street.

There are three large parcels developers would love to have. One has plans for 4 to 6 houses and one has been donated to San Jose State University. I'm sure San Jose State will sell the property for development. If you continue with taking each parcel as it comes before the City for approval, there will be three streets between Elam and Westmont. Is this what the City wants, a hodgepodge of streets with only signal lights at the other end of the street?

I would appreciate the City Council denying the proposed signals; send the Engineering Department back to the drawing board to return with a comprehensive plan for the entire street including any new houses. It would also be nice if the City Engineers could spend time watching the activity at different times of the day and heavens forbid knock on doors and actually speak with the residents. I would like the City Council members to show you care about us by finding time to visit our neighborhood and speak with the residents you said you would represent.

Thank you



MEMORANDUM



City of Campbell

City Clerk's Office

To: Honorable Mayor and City Council

Date: September 30, 2016

From: Andrea Sanders, Deputy City Clerk *AS*

Via: *M* Mark Linder, City Manager

Subject: **Desk Item 10 – Correspondence in favor of the Harriet/McCoy/San  
Tomas Aquino Signalization Project**

---

The attached letter and emails are in favor of the Harriet/McCoy/San Tomas Aquino signalization project.

City of Campbell  
70 N. First Street  
Campbell CA 95008

**ATTN:** City Council Members

Mark Linder, City Manager

Paul Kermoyan, Director Community Development Department

**Subject: Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.**

Dear City Council Members:

I live at **Margaret Lane of Campbell** and I strongly **support** the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd intersections. This public works will significantly improve the safety of cars and pedestrians. Keep your great work and benefit the whole community! Thanks.

I request that you should **support** this project at the October 4<sup>th</sup> council meeting. Thanks.

Sincerely,



QIANG SHEN

*Sep 27, 2016*

---

**Subject:** FW: Harriet Avenue/McCoy Avenue/San Tomas Aquino Road Signalization Project -- support

**From:** Charles and Amy Schulz <

**Date:** September 28, 2016 at 12:10:55 PM PDT

**To:** <jasonb@cityofcampbell.com>, <lizg@cityofcampbell.com>, <michaelk@cityofcampbell.com>, <jeffc@cityofcampbell.com>, <paulr@cityofcampbell.com>

**Cc:** <PublicWorks@cityofcampbell.com>, <MatthewJ@cityofcampbell.com>

**Subject:** Harriet Avenue/McCoy Avenue/San Tomas Aquino Road Signalization Project -- support

**To:** Campbell City Council

**From:** Charles Schulz, Campbell resident (since 1997)

I am writing in support of the Signalization Project.

As a 20-year resident of this area, I have a lot of experience in using those intersections, both as a driver and as a parent walking my son to Forest Hill elementary school on McCoy. In my experience, those intersections have always been difficult at commute and school times due to no management of right of way, and cars that wouldn't stop, even for crossing guards.

I have attended several of the meetings on this topic in person to express my support:

- May neighborhood meeting by the City at Forest Hill school.
- June City Council meeting to vote on the proposal.
- August neighborhood meeting at St Thomas of Canterbury Church by the STACC (San Tomas Area Community Coalition) to review alternate solutions.
- I did not hear about the second neighborhood meeting by the City in September.

The STACC effort to propose alternate solutions is based on traffic speed issues rather than right-of-way issues. I have objections to their proposal as an alternative for three reasons:

1. Where is the money for their solution and how long will it take?
  - a. If their proposals are accepted instead of the signalization work, the signalization grant money cannot be used. Where does the money come from for the traffic calming measures instead?
  - b. Traffic calming measures will need design, funding, and approval phases, which will take years. Are we willing to continue accidents at that intersection with known risks until then?
  - c. Traffic calming has already been tried to some extent with crossing guards, moving the crosswalk from Silacci to McCoy, and the flashing lights at the crosswalk. This would be continuing an effort that has not shown much success.
  - d. This would be turning down a carefully prepared, funded solution, for an unfunded, future potential solution.
2. Their arguments for speed calming vs. right-of-way issues don't make sense:
  - a. Past accidents have been at the intersections, due to right-of-way conflicts, not on other spots on Harriet. Accidents have been during turning, not speeding through the intersections.

- b. If speeding is an issue, a red light is a required stop. What better speed calming is there?
  - c. There were concerns about the lights causing unnecessary stops. But the lights are only red when there is traffic to manage, so there are no unnecessary stops by the lights. Conversely, the current stop signs do require stops that would not be necessary if the lights were green.
  - d. They cited studies and/or concerns about lights increasing speeding to get through. So, what, why have lights anywhere?
  - e. They cited studies and/or concerns about increased pollution of idling cars waiting for lights. But right now you have idling cars waiting to get through an intersection where traffic doesn't stop to let them in, so you have bad management of idling.
  - f. Resident of the area are trying to turn onto Harriet or McCoy, not speeding. Turning left from McCoy or San Tomas Aquino onto Harriet requires a break in cross-traffic from two directions, and judgement of adequate time to insert into that break.
  - g. Pedestrians and bicyclists cannot safely cross McCoy or Harriet when cars are unpredictably trying to judge breaks in cross-traffic when they can get through.
  - h. Concerns were raised about traffic using detours instead. The primary example used was Keith/Parkhurst Drive from Harriet. However, one would still have to make a right turn onto McCoy, which would be easier to make from Harriet with a light than from a stop sign at Parkhurst with no right of way. So that detour would not be successful.
3. Why not both signalization and speed calming? Speed issues can be addressed as well as right-of-way issues.
- a. I like elements of the additional traffic calming proposals. Let's see if designs can be funded and approved also.
  - b. Professional traffic engineers have analyzed the intersection and incidents, and concluded the problems are due to right-of-way conflicts. They have acquired a funded solution for that. Don't throw that away.
  - c. Speed issues can be reviewed also.

Previous grant funding for signalization of this intersection was lost several years ago when some community response objected to the supposed inconvenience and anti-rural nature of a traffic signal. I thank the Traffic department for persistence on solving the continuing problems at this intersection, and urge the Council to this time approve the funded solution for the most immediate improvements.

Sincerely,

Charles Schulz  
1315 Elam Ave., Campbell

---

**Subject:**

FW: traffic lights

**Sent:** Sunday, September 25, 2016 7:26 PM

**To:** Planning Division

**Subject:** traffic lights

Dear Sir,

Our family has lived in the San Tomas area since 1986. Prior to our arrival we were told of a woman being killed crossing at Harriet. The situation has continued to deteriorate. Two stop lights are being proposed for the area. Kudos. The optional pedestrian button doesn't solve the problem. It seems that drivers as well as pedestrians ignore the buttons.

If traffic flow from Westmont toward Bucknall is given preference then I don't see where the complaints of backed up traffic is applicable. We enter the traffic from Silacci. It is crazy! The vans leaving school on McCoy roll through the stop sign and rush up the street. Those drivers coming down Harriet are flying. Our method is to try for the median strip and park until we find a hole. Also, the street is too wide. The area around San Tomas park is especially wide. It is customary for drivers to pass on the right and escape down a side street. Driving the speed limit toward Westmont from Bucknall is inviting drivers to speed by on the right.

It is pure chance that there hasn't been a major accident involving multiple cars. It is a car rodeo in the morning. We need your help.

Thank You,

Rich Caudill and family

839 Loyalton Dr.

MEMORANDUM



City of Campbell  
City Clerk's Office

To: Honorable Mayor and City Council

Date: September 30, 2016

From: Andrea Sanders, Deputy City Clerk *AS*

Via: *AS* Mark Linder, City Manager

Subject: **Desk Item 10 – Letters against Harriet/McCoy/San Tomas Aquino  
Signalization Project**

---

The attached 58 letters stating their opposition to the Harriet/McCoy/San Tomas Aquino signalization project were received in response to the following flyer distributed by the San Tomas Aquino Area Community Coalition.



# **McCoy, Harriet and San Tomas Aquino Area Residents This will be your new Harriet Avenue!!**



**City staff is dangling a half million dollar grant  
in front of our City Council and they are about to bite.**

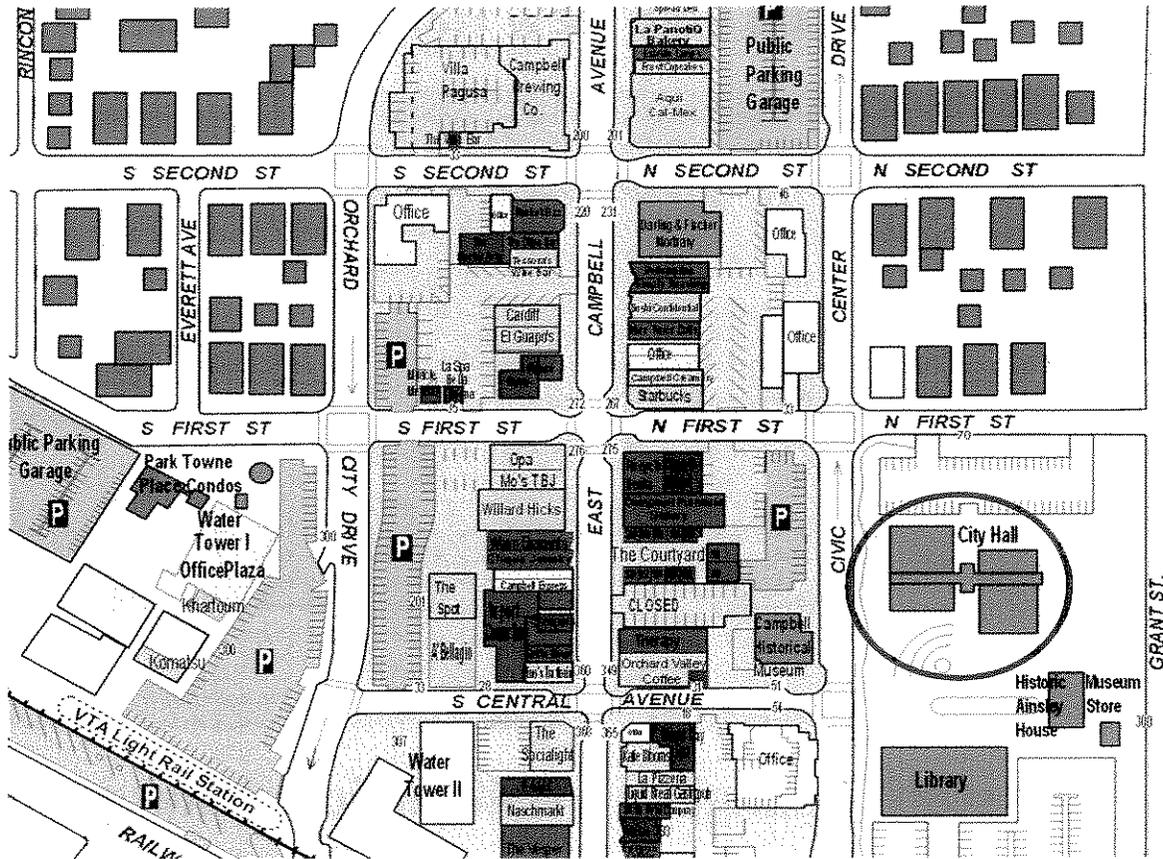
## **A traffic signal will**

- Back up traffic on Harriet Ave. Check the “normal” intersection at San Tomas Aquino and Bucknall.
- Increase noise and exhaust pollution. Cars waiting the long time it will take for the signal to change.
- Send traffic down your quieter streets with drivers trying to avoid the traffic signal.
- Will encourage drivers to hit the gas when encountering a yellow light, putting pedestrians in danger.
- Eliminate the “stop and go” option you now have when entering Harriet from McCoy or San Tomas Aquino.

**Only you can stop this project. Attend the October 4<sup>th</sup>  
City Council meeting and make your opinion count.**



## Down Town Campbell Map



**The Campbell City Council meeting will be held Tuesday, October 4<sup>th</sup> at 7:30pm at the Campbell City Hall building. Carpooling from Harriet Ave. is planned.**

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

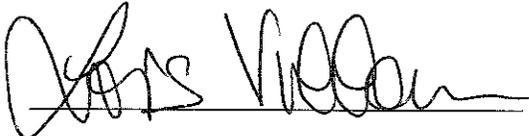
**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 701 INWOOD DR, CAMPBELL and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature

LORIS VILLANI & FAMILY

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

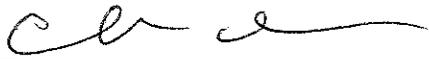
**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 1570 Silacci Dr. and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature

Chris Givens

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

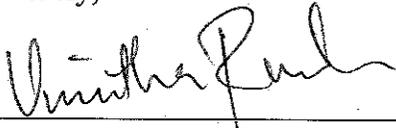
**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 755 Loyaltan Dr and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature

VINUTHA RUMBLE

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 775 Harriet Ave and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature

ZAVEN AHARONIAN

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 785 HARRIET AVE. and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

William Pierce

Signature

William Pierce

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 805 HARRIET AV. and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature

STEVE SALCIDO

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

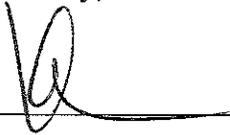
**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 880 Harriet Ave Campbell and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



---

Signature

Kiley Demaree

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 916 LOYALTON DR. and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

  
Signature

MICHIKO OGATA  
Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 280 HARRIET AVE and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature

CORBIN DEMARIBE

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 798 Loyalton Dr. and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature



Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 938 LOYALTON DR. and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature



Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

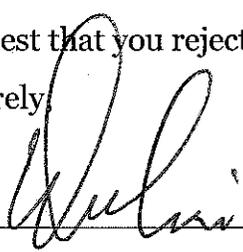
**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 905 LOYALTON DR and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely

  
\_\_\_\_\_

Signature

DAVE GARIBACDI

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 815 Harriet Ave and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

Alice Olivo

Signature

Alice Olivo

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

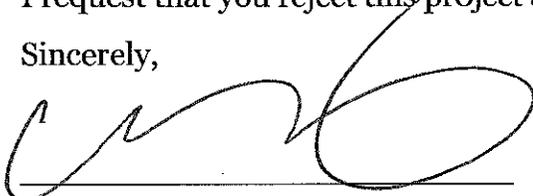
**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 1570 Silacci Drive and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature

Trink Vuong

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 755 HARRIET and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

maki egashira

Signature

Maki Egashira

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 801 Loyalty Dr. and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



---

Signature

Hongguang Gao

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 807 Hope Ave Dr and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature

David Sorenson

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 1578 Summerfield Drive and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

A handwritten signature in cursive script that reads "John Panelli". The signature is written in black ink and is positioned above a horizontal line.

Signature

John Panelli

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

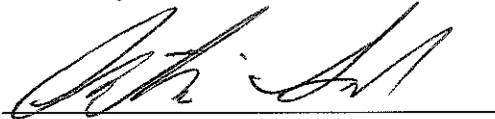
**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 879 HARRIET AVE and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature

CHRISTIAN FRANK

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

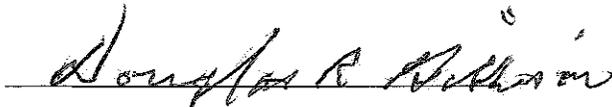
**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 800 HARRIET and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature

DOUGLAS R GILLISON

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

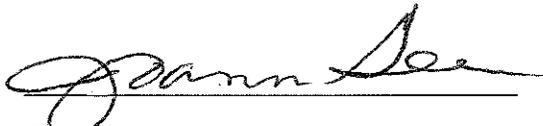
**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 1575 Silacci Dr and I am <sup>totally</sup> against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

  
Signature

Joann Gee  
Name

We do not need this light.  
Add speed bumps and stick  
police there in the morning + after  
school to give tickets to speeding cars.  
This will curb the problem + earn \$ for  
the city!

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 1569 Silacci Drive and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

Jennifer A. Kron

Signature

Jennifer Kron

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 1590 Summerfield Dr <sup>Campbell, CA 95008</sup> and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



A handwritten signature in cursive script, appearing to read "Loren + Darren Sach". The signature is written over a horizontal line.

Signature



A handwritten name in cursive script, appearing to read "Loren + Darren Sach". The name is written over a horizontal line.

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 6111 Inwood dr Campbell CA 95008 and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature

Shannon Gomez

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 701 Margaret Lane and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

Ken Sisemore

Signature

Kim Sisemore

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 712 Margaret Ln and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

Brian Leech

Signature

BRIAN Leech

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

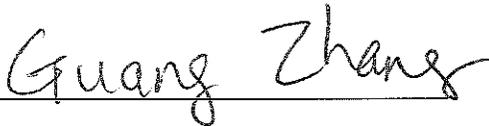
I live at 1588 Summerfield Dr. and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature



Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 635 Inwood Drive and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

  
Signature

Wilson Wong, Liz Wong  
Name

Inwood is parallel to Harriet Ave in the section where the new traffic signal is proposed. I believe installing the traffic signal will route impatient drivers along our street to bypass the signal, significantly increasing the risk of an accident with one of the many toddlers & children that live along Inwood. Please do not let the money override sound judgment and the safety of our community. As an alternative, ~~perh~~ perhaps a roundabout or pedestrian island (similar to that along Westmont Ave) would be effective. The high speeds, in my opinion are a result of the very wide lanes, the roadway alignment, and the nearby high school. Thank you

Wilson Wong  
Ase Chen

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 1584 SUMMERFIELD DR. and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature

ERIKA VOLK

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 1471 INSKIP DR. and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

J Black  
Signature

Judith Black  
Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 1472 GINDEN CT and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

Terry Nocera  
Signature

TERRY NOCERA  
Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

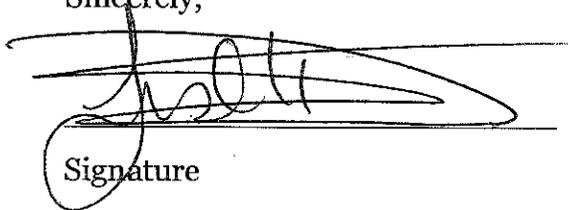
**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at Tisha Hartman and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

  
Signature

Tisha Hartman  
Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

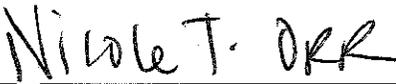
I live at 485 ELAM AVE Campbell, CA and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature



Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

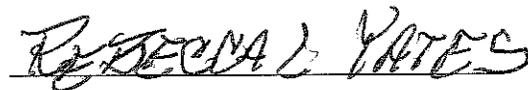
I live at 867 Harriet Ave and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature



Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 1455 CLAM AVE and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature

ARUN VENKATARAMAN

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 800 Harriet Ave. and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

A Gillison

Signature

Ana Gillison

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 639 Lamont Ct. and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature

Victoria Fubini

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 820 HARRIET AVE and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike deHoo", written over a horizontal line.

Signature

The name "MIKE deHOO" written in black ink, with "deHOO" in a cursive style, written over a horizontal line.

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

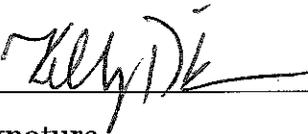
**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 913 Harriet Ave. and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

  
\_\_\_\_\_  
Signature

Kelly Dickson  
Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

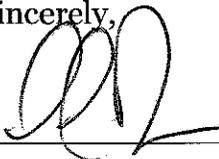
**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 1450 INSKIP DR and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



---

Signature

LEMUEL NORIEGA

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 1465 Elam Ave and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

Ton Velasco

Signature

Ton Velasco

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

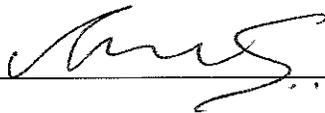
**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 819 Loyaltan Dr, and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

  
\_\_\_\_\_

Signature

Akhila Naveez.

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

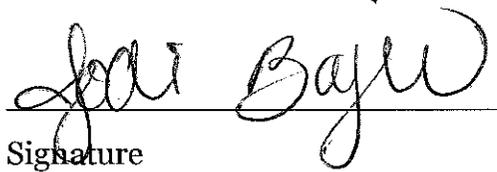
**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 1475 Linden Ct. and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

  
Signature

Jodi Bajet  
Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 1470 INXSIP DR and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature

---

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

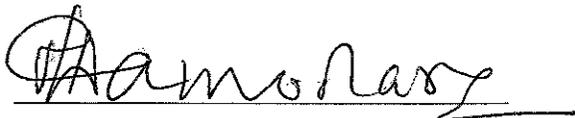
**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 674 Harriet Ave and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

 (Damodara N. Poojary &  
P. R. Dronpadi)

Signature

DAMODARA N. POOJARY

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

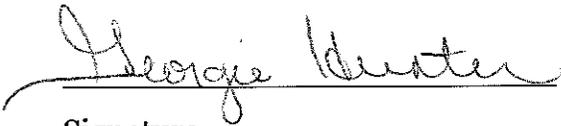
**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

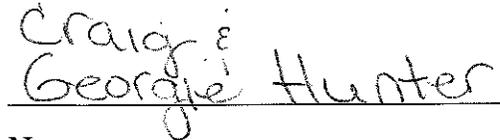
I live at 724 Harriet Ave (since 1978) and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature



Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

*He*  
I live at 1631 W. Hacienda Avenue and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely

*R. Regata*  
*Christopher J. Case*  
*Mauraen Regata Webb*

Signature

*Rommie P. Regata*  
*Mauraen Regata Webb*  
*Christopher J. Case*

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

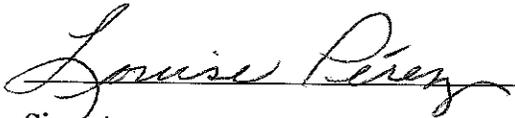
**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 690 So. San Tomas Aquino and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature

LOUISE PEREZ

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

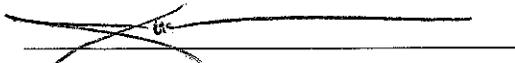
**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 770 SOUTH SAN TOMAS AQUINO and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

  
\_\_\_\_\_  
Signature

JEFFREY HATTAN  
\_\_\_\_\_  
Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 1470 Ginden Ct and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature

Kirsten Peryer

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

<sup>We</sup> I live at 1186 Harriet Avenue <sup>we are</sup> and ~~I am~~ against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

<sup>we</sup> I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

David B. Bowers

Signature

Amy N. Bowers

Name

David B. Bowers

Amy N. BOWERS

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 685 INWOOD DR and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature

SCOTT + GRACE KIELER

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 661 WEST PARR AVE and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature



Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

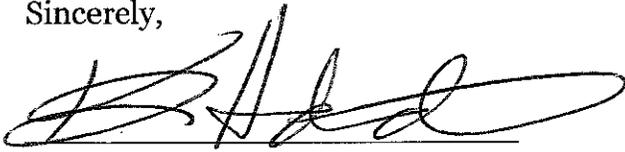
**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 795 Harriet Ave and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

A handwritten signature in black ink, appearing to read 'Karen Hidde', written over a horizontal line.

Signature

Karen Hidde

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

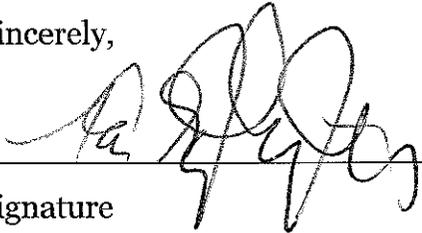
**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 1596 Summerfield Dr. and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

  
\_\_\_\_\_

Signature

Ken Gullicksen

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 1565 W. Hacienda Ave and I am against the ~~public works~~  
~~proposal to install~~ a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd.  
intersections.

I request that you ~~reject this project at the~~ *consider other safety controls.* October 4<sup>th</sup> council meeting.

Sincerely,



Signature

J.A. FAIRBANKS

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

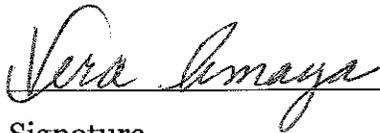
**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 751 S. SAN TOMAS AQUINO RD. and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

  
\_\_\_\_\_  
Signature

VERA AMAYA  
\_\_\_\_\_  
Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

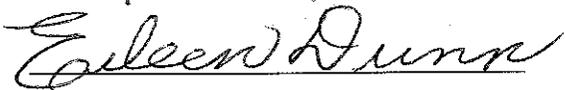
**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 78050 San Tomas Ave. <sup>campbell,</sup> and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature



Name

**MEMORANDUM**



**City of Campbell**  
**City Clerk's Office**

**To:** Honorable Mayor and City Council

**Date:** October 3, 2016

**From:** *AS* Andrea Sanders, Deputy City Clerk

**Via:** Mark Linder, City Manager *ML*

**Subject:** Desk Item 10 – Letter from Marylyn Scott

---

On October 3, 2016, a letter was received from Marylyn Scott as part of the public record in regards to Item 10.



San Tomas Area Community Coalition  
Member Letter

Marylyn Scott



9/30/16

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attention:**

Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department  
City Council Members  
Todd Capurso, Public Works  
Matthew Jue, Public Works

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members and Staff:

Please accept this as my formal opinion that the city plan for a traffic light will only make matters worse with the following:

- Stop and back up traffic on Harriet Ave 24 hours a day
- Increase noise and exhaust pollution
- Send "feeder street" traffic down quieter streets with less capacity
- Will encourage drivers to hit the gas pedal when encountering a yellow light

I urge you to look at alternative solutions brought forth by the community in lieu of the current city plan.

Best regards,

STACCmemberName

**MEMORANDUM**



**City of Campbell**

**City Clerk's Office**

**To:** Honorable Mayor and City Council

**Date:** October 3, 2016

**From:** *AS* Andrea Sanders, Deputy City Clerk

**Via:** Mark Linder, City Manager *ML*

**Subject:** **Desk Item 10 – Letter from Scott Bang**

---

On October 3, 2016, a letter was received from Scott Bang as part of the public record in regards to Item 10.



San Tomas Area Community Coalition

Scott Bang

10-03-16

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attention:**

Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department  
City Council Members  
Todd Capurso, Public Works  
Matthew Jue, Public Works

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members and Staff:

I am a resident in the area of Campbell near the proposed stoplight for Harriet and McCoy Ave. I am opposed to this idea for the following reasons:

1. It will stop and back up traffic on Harriet Ave 24 hours a day, thus increasing noise and exhaust pollution.
2. It will encourage drivers to go down other side streets that are quieter, and have less capacity to handle large amounts of traffic.
3. It will encourage drivers to speed up when they see a yellow light, thus causing more potential danger to residents and pedestrians.
4. It will use up more electricity that is unnecessary and wasteful
5. It will be an eyesore and create "light pollution" for the nearby residents.
6. It can potentially cause more noise pollution, due to more cars stopping, and perhaps honking, etc. when lights are not working.

While I understand as much as anyone about the safety of pedestrians, especially young school children, since I am a Father of a 5-year old daughter myself, I believe there are better solutions to making this intersection safer:

1. Put in speed bumps to slow drivers down.

2. Make the crosswalk striping on the roads better and further away from the curbs, indicating drivers to stop earlier before the intersection than they normally would.
3. Install a small island for the right turn from Harriet onto McCoy that separates it from the rest of the road, and perhaps put one of the same for McCoy turning right onto Harriet Ave.

As a resident in the San Tomas / Harriet area of Campbell, I ask you to please reconsider putting up a signal there, as I believe that may potentially solve one problem, but would bring on several new, and unwanted other problems to the area. There are other solutions that can solve the safety issue that will avoid these new, unwanted problems.

Thank you for time and consideration.

Sincerely,

Scott Bang

MEMORANDUM



City of Campbell

City Clerk's Office

To: Honorable Mayor and City Council

Date: October 3, 2016

From: *AS* Andrea Sanders, Deputy City Clerk

Via: Mark Linder, City Manager *ML*

Subject: **Desk Item 10 – Responses received in opposition to the Harriet/McCoy Signalization Project**

---

On October 3, 2016, the following responses were received as part of the public record in regards to Item 10.

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 598 Inwood Dr and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature

STEVE Gibbons

Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

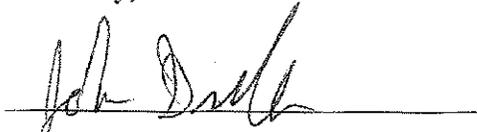
**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 733 S. San Tomas Aquino Rd and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,

  
\_\_\_\_\_  
Signature

John Dreller  
\_\_\_\_\_  
Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 702 Binden Dr and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature



Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

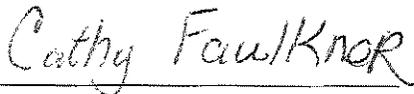
I live at 1135 Harriet Ave. and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections. *I am also against speed tables. I love idea of bump outs.*

I request that you reject this project at the October 4<sup>th</sup> council meeting. *Thank you!*

Sincerely,



Signature



Name

City of Campbell  
70 N. First Street  
Campbell CA 95008

**Attn:** City Council Members  
Mark Linder, City Manager  
Paul Kermoyan, Director Community Development Department

**Subj:** Public Works Project 14-GG Signal Light McCoy/Harriet/San Tomas Aquino Rd.

Dear City Council Members:

I live at 783 Loynton Dr. and I am against the public works proposal to install a traffic signal at the McCoy/Harriet/San Tomas Aquino Rd. intersections.

I request that you reject this project at the October 4<sup>th</sup> council meeting.

Sincerely,



Signature

Charles B. Martin

Name

**MEMORANDUM**



**City of Campbell  
City Clerk's Office**

**To:** Honorable Mayor and City Council

**Date:** October 4, 2016

**From:** Andrea Sanders, Deputy City Clerk *AS*

**Via:** Mark Linder, City Manager *ML*

**Subject:** Desk Item 10 – Letter from Yuan-Pin Yu

---

On October 4, 2016, a letter was received from Yuan-Pin Yu as part of the public record in regards to Item 10.

Yuan-Pin Yu  
[REDACTED]  
[REDACTED]  
[REDACTED]

Sep 3, 2016

City of Campbell  
70 N. First Street  
Campbell, CA 95008

Attn: Mark Linder, City Manager  
Todd Capurso, Public Works  
City Council Members

Subj: Proposed traffic signal at Harriet, McCoy, and San Tomas Aquino

Dear City Council Members and Staff:

Around the Harriet Ave and McCoy Ave, there are two major paramount growing public issues; car speeding and pedestrian safety. Car speeding issues have been existent for many years and are getting worse year after year. Everyday residents on Harriet Ave have to deal with car speeding issues, including danger, noise, and pollution. Pedestrian safety is getting worse with the speeding cars, insufficient beacon street crossing, wide-open roads, and no effective traffic calming measures on Harriet Ave.

After attending the hearing proposing installation of traffic light and alternative measurement on Harriet Ave, McCoy Ave, and San Tomas Aquino Rd., I strongly disagree that the traffic light will solve these two issues. In fact, I think it will make the issues worse and create new issues such as pollution, noise, and a longer queue of cars. A longer queue of cars might cause the cars to speed even more to catch up with time lost due to the traffic light. The pedestrians will be exposed to drivers paying more attention to the traffic light than the pedestrians, especially when cars making turns onto Harriet Ave or McCoy Ave. The traffic light system does not take into good consideration of residents directly impacted in the intersection and along the queuing of cars as well as new problem that might be introduced to by pass the traffic light by driving cars through streets to get around the traffic light..

The proposed alternative measurements are simple solutions to address these two issues upon obtaining the agreement from the directly impacted residents. I urge the City Council to reject the traffic light proposal and take the alternative measurements such as enhancing the existing beacon flashing street crossing to make it more obvious and turning on the red flash light only when pushed by the pedestrians crossing the street, adding a crossing guard, narrowing the Harriet Street, adding speed hump on Harriet

St. before the crossing after the park and before McCoy, before Silacci Dr and another one between Silacci Dr and Westmont Ave. If the speed hump is not acceptable, replace them with stop signs. When the traffic is dramatically slowed, the problem is alleviated and solved with a crossing guard and improved street crossing hump and beacon system. A simple solution could solve the problems without introducing new issues.

I demand the Council to send this proposal back to staff with instructions to reject the idea of building traffic lights and to present and implement alternatives as well as to solve the hazard prone water clogging issue in my driveway as described in Supplement I.

**Supplement I:**

Below are the photos showing water clogging my driveway forward the center of the road, two days after the peak of the clogging which is worse than what's shown in these two photos. There were a couple of instances that bikers turned suddenly toward the center of the street to avoid the water and almost hit by cars. After Street Maintenance Supervisor Mr. Ron Taormina contacted me on August 2, he promised to cut through the side of the road to direct water through to drain the water effectively, there is no further action taken to solve this issue yet. The raining season is coming soon, I really need your help to solve this issue before an accident occurs due to this.





# City Council Report

Item: 11.  
Category: Public Hearing  
Meeting Date: October 4, 2016

**TITLE: Housing Impact Fees Nexus Study (Resolution / Roll Call Vote)**

## **RECOMMENDATION**

That the City Council take the following action:

1. Adopt a Resolution, accepting the methodology and findings of the Nexus Study.
2. Continue the meeting to November 1<sup>st</sup> and:
  - a. Direct staff to prepare a Resolution adopting the recommended residential and non-residential housing mitigation fees.
  - b. Direct staff to prepare a Zoning text amendment, amending Chapter 21.24 to implement the necessary changes to the provisions related to residential projects (rental and ownership), non-residential projects, in-lieu fees, and impact fees.

## **ENVIRONMENTAL DETERMINATION**

The adoption of fees is not subject to the California Environmental Quality Act. Pursuant to CEQA Guidelines Section 15378(b)(4), the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment is not a project under CEQA.

## **BACKGROUND**

The City's Inclusionary Housing Ordinance requires 15% of all units in a residential project of ten or more living units or residential lots, to be made available at an affordable ownership cost, unless an alternative is approved<sup>1</sup>. Requiring builders of new housing to include a percentage of affordable units bears a reasonable relationship to the public welfare, not only because the City has a Housing Element policy that supports the provision of affordable housing (Policy H-3.1a), but also because new development without affordable units contributes to the shortage of affordable housing.

While inclusionary zoning is legal in California, the City does not have the ability to require inclusionary units in rental projects pursuant to case law<sup>2</sup>. Furthermore, the City does not currently have housing impact fees or an affordable housing requirement that applies to residential projects with fewer than 10-units or to non-residential projects.

<sup>1</sup> The Inclusionary Ordinance is located in Campbell Municipal Code Chapter 21.24. *Affordable Ownership Cost* is defined in Section 21.24.030. Alternatives are defined in Section 21.24.070.

<sup>2</sup> The 2009 *Palmer* court decision is described further in the Residential Nexus Analysis

Several factors, including the elimination of Redevelopment Agencies in 2012, have increased the need for new policies to address affordable housing. Housing prices have increased in Campbell with many homes approaching or exceeding the \$1 million sales price, making owning a home unaffordable to many of the City's workforce. The shortage of affordable housing particularly affects lower-income renters and first-time homebuyers.

On July 21, 2015, staff provided the City Council with a comprehensive overview of case law affecting affordable housing, alternatives for complying with the City's Inclusionary Ordinance, the difference between an in-lieu fee and a housing impact fee, and an overview of the Nexus Study concept as a means to implement housing impact fees and commercial linkage fees (**Attachment 5**). While staff had recommended that the City Council authorize preparation of a Nexus Study at that time, the vote was split 2-to-2 with one member absent (Baker), resulting in a "no-action" vote. However on October 6, 2015, the City Council reconsidered the issue and authorized preparation of a Nexus Study with a 3-2 vote (**Attachment 6**).

In an effort to save time and money and provide a stronger basis to support consideration of housing impact fees, the City collaborated with other jurisdictions in Santa Clara County and Alameda County to acquire the services of Keyser Marston Associates (KMA) to prepare a Nexus Study (**Attachment 7**). Individual Nexus Studies were then prepared for each participating jurisdiction. Campbell's cost to participate was \$25,000 with a total contract amount not to exceed \$40,000. Staff recommended that up to \$15,000 in additional funds be set-aside for any subsequent analysis<sup>3</sup> that may be requested by the Council following their initial review of the Nexus findings.

Many cities have implemented impact fees to support affordable housing. The basic rationale for imposing a housing impact fee is that all new development, whether it is residential or non-residential, contributes to a need for affordable housing. The City of Campbell can levy impact fees on new development, provided that there is a rational and proportional link between the fee and the impact the fee is addressing. In order to impose such a fee, the City must determine the amount of the impact, and the consequent fee that is legally justifiable based on that impact.

## DISCUSSION

The purpose of this Public Hearing is to present the findings of the Nexus Study and provide a recommendation for fee adoption and associated policy changes. A summary of the maximum nexus-based fees and consultant recommended fees can be found in **Tables 1 and 2** of this report. A summary of staff's recommended policy changes and fee levels can be found in **Tables 3 and 4** of this report.

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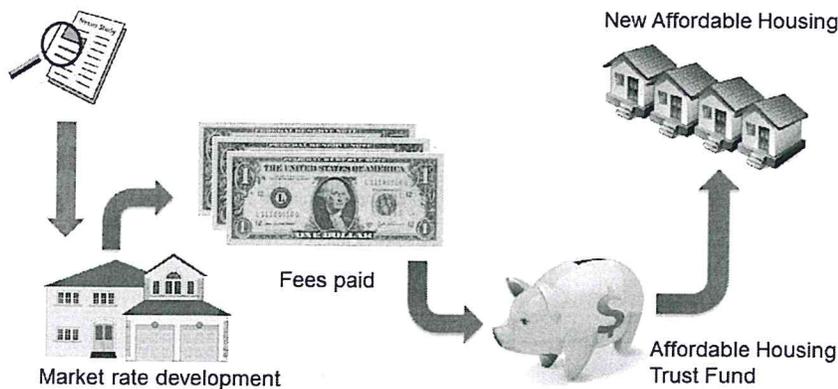
<sup>3</sup> A discussion of the alternative analysis is located on page 31 of **Attachment 7**.

**Nexus Study Content:** The attached Nexus Study includes a Summary, Context Materials, and Recommendations Report (“Summary Report”) (**Attachment 2**) and two appendices; the Residential Nexus Analysis (**Attachment 3**) and the Non-Residential Nexus Analysis (**Attachment 4**). The Summary Report includes an introduction (page 1), findings and recommendations (page 4), and a summary of the nexus analyses (page 13). The Summary Report also includes context analyses for policy decisions including a Multifamily Apartment Financial Feasibility Analysis (page 20), an on-site compliance cost analysis (page 27), a summary of residential affordable housing requirements in other jurisdictions (page 31), a non-residential development costs analysis (page 38), and a summary of jobs-housing linkage fee programs in other jurisdictions (page 41). The two appendices provide the technical analyses and documentation to support adoption of affordable housing impact fees on residential and non-residential (commercial) development in the City of Campbell.

**Nexus Study Overview:** A nexus study assesses the connection between new development and the need for new affordable housing. Basically, every person who moves into a market-rate home will generate a need for services typically provided by employees paid less than the median income. The nexus study calculates the number, type and salaries of jobs that will result from a new development and determines how many affordable homes will be needed to house the new workers. Providing an adequate supply of affordable homes for these new low-wage workers requires a subsidy. The subsidy per unit is the difference between the cost to develop the affordable unit and the affordable price or unit value (the “affordability gap”) and will depend on the affordability level in question (i.e. Very Low, Low, and Moderate).

The nexus analysis assumes there is no excess supply of affordable housing available to absorb or offset new demand. Fees are used to mitigate the new demand by financing new affordable units. Some cities allow developers to voluntarily provide affordable units instead of paying a fee. A developer would *not* be required to build the required number of affordable housing units and also pay a housing impact fee.

## Affordable Housing Impact Fee



**In-lieu Fees versus Impact fees:** A discussion of the difference between in-lieu fees and impact fees can be found in **Attachment 5**. In general, an in-lieu fee is an *alternative* to building on-site units, while an impact fee is a *required* mitigation for the affordable housing impacts of new development. An “in-lieu fee” is based on the cost to the City of providing an affordable home if the developer does not build it on site.

Currently the City has an in-lieu fee option for low density (six or fewer units per acre) projects with 10 or more units<sup>4</sup>; however, staff is not aware of any projects that have triggered the in-lieu fee option. This is possibly due to the fact that the low-density land use areas in the City are built-out. If the City Council wants to maintain an in-lieu fee option for low-density projects, the fee schedule should be updated to reflect the findings of the on-site compliance cost analysis indicating that the cost of providing affordable units on-site significantly exceeds current in-lieu fees. The current \$34.50 per square foot fee has only increased by one dollar (\$1)<sup>5</sup> since it was adopted by the City in 2007. At the time, KMA (who completed the in-lieu fee analysis) recommended that a re-evaluation be performed every five years.

**Amount of Fees:** A nexus study establishes the maximum fee that can legally be charged to a developer for each type of development being studied. The maximum fee is based on the subsidy required to bridge the “affordability gap” between the cost to build the unit and the affordable ownership price charged to the household. A discussion of the equivalent cost of complying with the City’s Inclusionary Ordinance can be found on page 12 of this report.

While a city could legally charge the full nexus-based fee amount (i.e., the cost for the City to build the unit itself), fees are often set below the maximum justified amounts. In other words, developers are not required to fully mitigate the need to house the low-income workers that serve the new market rate households (e.g., coffee baristas, gardeners, cleaners, etc.). This is primarily due to various policy considerations, such as comparisons with other cities, local housing market conditions, and the jurisdiction’s current fee structure.

A feasibility study addresses the potential impacts that new housing impact fees could have on the feasibility of new development. A Multifamily Apartment Financial Feasibility Analysis was prepared for the City (pages 20 through 26 of **Attachment 2**)<sup>6</sup>. The financial feasibility analysis estimates the costs to develop a new apartment project and the rental income that could be generated by the project upon completion. If the rental income is sufficient to support the development costs and generate a sufficient profit margin, the project is considered feasible. The analysis indicates that the economics of multifamily rental projects are strong under current market conditions and that projects are generally feasible in Campbell.

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<sup>4</sup> The in-lieu fee and other alternatives to the Inclusionary Ordinance are described in **Attachment 5**.

<sup>5</sup> 2007/2008: \$33.50 (owner) and \$20.70 (rental) / 2015/2016: \$34.50 (owner) and \$21.50 (rental)

<sup>6</sup> A feasibility study of for-sale projects was not analyzed because developers have already factored in the cost of complying with the City’s existing inclusionary housing policy.

**Residential Nexus Analysis:** The residential nexus study analyzes the relationship between new residential development and the resultant new jobs that service the new homes and residents. Landscapers, childcare workers and food service worker jobs will be created as a result of new development. Because many of these jobs pay low income wages, there will be a resulting demand for new affordable housing. The relationship between new homes, the jobs created, and the need for affordable housing is summarized in the graphic below.



Rental projects (apartments) and ownership projects (condominiums, townhomes, and single-family detached homes) were evaluated in the Nexus Study. The Residential Nexus Analysis Appendix (**Attachment 3**) provides detailed information on the methodology, assumptions, and market surveys that were used to determine appropriate in-lieu and impact fee levels.

**Rental projects:** While it is possible that new legislation<sup>7</sup>, or case law, will restore the ability to apply inclusionary requirements to rental projects in the future, impact fees are currently the only available mechanism for jurisdictions to require affordable “rental housing” in California. If this ability is restored in the future, the City Council could amend the Ordinance such that requirements for rental projects would be similar to the requirements for ownership projects (i.e., require on-site affordable units). In the meantime, the Nexus Study allows the City to implement housing impact fee requirements on rental projects. As shown in **Table 1**, the nexus study supports fees up to \$48 per square foot for rentals; however KMA suggests a fee in the \$20 to \$25 per square foot range. The recommended fee is in line with fees in Cupertino, but above the \$17 fee in Fremont, Mountain View, San Jose, and Sunnyvale. If the City wants to encourage affordable rental units to be built on-site as an alternative to payment of the fee, a higher fee might be helpful.

The City will also need to decide the unit threshold that will trigger fees, if adopted. The minimum size rental project subject to the fee in nearby cities ranges from five (5) units in Mountain View to one (1) unit in Cupertino. A summary of rental impact fees and unit thresholds in other select jurisdictions can be found on page 5 of **Attachment 2**.

<sup>7</sup> The most recent effort to “fix” the Palmer ruling failed to get a majority vote in the legislature.

**Ownership projects:** The Nexus Study allows the City to choose to either charge in-lieu fees or require on-site units (or suitable alternatives). On-site affordable unit construction has the advantage of delivering affordable units concurrently with market rate units; however, the cost of monitoring and enforcing affordability covenants can be a disadvantage. On the other hand, fees can be used by non-profit providers to build and manage affordable projects, often at a deeper level of affordability than units produced by for-profit developers. However, it may take time to accumulate sufficient funding as well as identify and acquire a suitable site for an affordable project.

Therefore, many cities require developers to build on-site ownership units in larger developments. For example, in Cupertino, fees are only permitted as an option for projects with fewer than seven (7) units. In other words, the developer must build the units<sup>8</sup> if a project has seven or more units. It should be noted that Cupertino's inclusionary requirements are applicable to residential ownership projects with as few as one unit, while Campbell's inclusionary ordinance currently only applies to projects with 10 or more units. A summary of requirements in other jurisdictions can be found on page 6 of **Attachment 2**.

**Residential Projects with 10 or more Units:** KMA reviewed the City's Inclusionary Ordinance and recommended that the City continue to require a 15% on-site affordable unit requirement for residential ownership projects (condominiums, townhomes, and single-family detached homes) with 10 or more units. Thus, a developer would still be required to build the on-site units in larger residential ownership projects, as opposed to paying a fee. The City also has the option of charging fees when the computation for the number of required affordable units results in a fraction. Currently, the City requires applicants to construct another unit when the fraction is 0.5 or greater, while gaining nothing when the fraction is 0.49 or less. A recommendation to charge fees on fractional units or allow the applicant to build a unit regardless of the fractional amount is included in the recommendations summary table on page 9 of this report.

If the City Council prefers fees that can be leveraged with other funds to do stand-alone affordable projects, the City could create a fee alternative for all projects. However, fees would need to be set very high for on-site units to be a competitive choice. If given the choice, a for-profit developer will choose to pay the fee if the cost is lower than building the unit (see discussion on page 4 and 12 of this report). Alternatively, the City could adopt an "add on" fee in addition to the on-site requirement, as implemented in Fremont and San Ramon<sup>9</sup>. While not recommended, KMA suggests that, if adopted, add-on fees should be kept in the \$2 to \$5 per square foot range.

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<sup>8</sup> Although it may not be allowed by right, Cities typically allow developers to seek Council approval of fee payment instead of on-site units, with sufficient evidence supporting their request.

<sup>9</sup> Add-on fees would likely be structured as an additional inclusionary percentage requirement with a modest in-lieu fee alternative. Details of an add-on fee program were not provided but could be researched if the Council is interested.

**Small Residential Projects under 10 Units:** The City’s Inclusionary Ordinance currently only applies to residential projects with 10 or more ownership units. The City could require a developer to pay an impact fee or in-lieu fee for projects with fewer than 10 units (e.g., 5 to 9 units). This would procure funding for affordable housing that is not currently available and reduce the incentive for projects to stay just under the 10-unit threshold. KMA recommends that in-lieu fees be kept between \$15 and \$25 per square foot for smaller projects.

**Residential Additions:** The nexus analysis also enables the City to apply housing in-lieu fees to residential additions. While uncommon, San Carlos is an example of a city that applies a reduced fee for additions over 1,000 square feet<sup>10</sup>. However, staff does not recommend fees for additions, so as not to discourage homeowners from improving their homes. If the Council considers impact fees on additions, the KMA recommended fee level is the same or less than the fee for small projects (\$15 to \$25 per square foot).

**Residential Impact Fees:** The following table summarizes the KMA recommended fees and the maximum fee supported by the Nexus Study. Under state law, the City could, legally, levy the maximum fee on the types of development analyzed in the Nexus Study. However, the fact that a fee level is legally justified does not mean that such a fee is feasible or desirable. If adopted, fees should be set high enough to support a meaningful contribution to affordable housing, while being low enough to not discourage development given the strength of the local real estate market and fee levels in neighboring jurisdictions.

Table 1 – NEXUS STUDY - RESIDENTIAL IMPACT FEES			
Development Type	KMA Recommended Fee	Maximum Nexus-Based Fee	
	Per Square Foot	Per Square Foot	*Per Unit
Single Family (large lot)	KMA recommends that the City continue to require developers to build 15% on-site units for residential projects with 10 + units	\$27.10	\$81,200
Single Family (small lot)		\$36.60	\$65,700
Townhome		\$40.60	\$60,900
Condominium		\$45.70	\$45,700
Rental Apartment	\$20.00 to \$25.00	\$48.00	\$48,000
Small Projects (under 10 units)	\$15.00 to \$25.00	*The 'per unit fee' is based on an assumed average unit size (sq. ft.)	
Additions	\$15.00 to \$25.00 or less		

<sup>10</sup> A minimum threshold can avoid the administrative burden of calculating fees on very small additions.

**Non-Residential / Commercial Nexus Analysis:**

The relationship between commercial development and the need for new affordable housing is similar to the residential nexus, where some of the jobs created by new commercial development will pay low income wages and thus create a direct demand for new affordable housing, as shown in the graphic below.



The Nexus Study analyzed six (6) different commercial building types that either exist in Campbell or are expected to be built in the near future: office; high tech office; hotel; retail / restaurant / service; light industrial; and warehouse. The Non-Residential Nexus Analysis Appendix (**Attachment 4**) provides detailed information on the methodology, assumptions, and market surveys that were used to determine the non-residential (commercial) appropriate fee levels.

**Non-Residential (Commercial) Impact Fees:** The following table includes the KMA recommended fees and the maximum nexus-based fees for non-residential development. A summary of the commercial impact fees in other cities can be found beginning on page 42 of the Nexus Study (**Attachment 2**).

<b>Table 2 – NEXUS STUDY - NON-RESIDENTIAL (COMMERCIAL) FEES</b>		
<b>Development Type</b>	<b>KMA Recommended Fee</b>	<b>*Maximum Nexus-Based Fee</b>
	<b>Per Square Foot</b>	<b>Per Square Foot</b>
<b>Office</b>	\$10.00 to \$15.00	\$140.10
<b>High Tech Office</b>	\$10.00 to \$15.00	\$156.40
<b>Retail</b>	\$5.00 to \$10.00	\$260.70
<b>Hotel</b>	\$5.00 to \$10.00	\$125.50
<b>Light Industrial</b>	\$5.00 to \$10.00	\$146.50
<b>Warehouse</b>	\$5.00 to \$10.00	\$46.60

\*Maximum nexus-based fees are not recommended fee levels. See Non-Residential Nexus Analysis for detail.

KMA recommends fees within the \$10 to \$15 per square foot range for office and \$5 to \$10 per square foot for all other non-residential commercial development (hotel, retail, restaurant, light industrial). The City could further distinguish fee levels by building type (e.g., lower fees for retail) in order to remain competitive in attracting desired uses. Fees could also be structured relative to development costs. The table on page 40 of the Summary Report (**Attachment 2**) expresses fees as a percentage of total development cost. For example, a fee of \$12 per square foot is approximately 2% of the total development cost for office uses where the average development cost is \$575 per square foot. In general, non-residential impact fees range from 1% to 5% of total development costs, with the higher ratio generally reserved for cities with strong market conditions.

### STAFF RECOMMENDATIONS

A summary of staff’s recommended policy changes (**Table 3**) and fee levels (**Table 4**) are shown below and on the next page.

<b>Table 3 - STAFF RECOMMENDED POLICIES</b>	
<b>Development Type</b>	<b>Policy Recommendation</b>
<b>Rental projects</b>	<p><b>New:</b> Require an applicant to pay an affordable housing impact fee per the discussion on page 5.</p> <p><b>New Fee Alternative:</b> Alternatively, the applicant can make 6% of the rental units available to very low-income households and 8% of the units available to low-income households. Where the calculation results in a fraction, the applicant has the choice to provide the unit or pay an in-lieu fee for the fractional amount.</p>
<b>Residential Ownership Projects with 10 or more Units</b>	<p><b>No change:</b> Applicant shall continue to make 15% of all new ownership units available to lower-income households and moderate-income households.</p> <p><b>No change:</b> Where the calculation results in a fraction of 0.5 or greater, the applicant shall construct an additional unit.</p> <p><b>New:</b> Where the fraction is 0.49 or less, the owner may build the unit or pay an in-lieu fee for the fractional amount.</p>
<b>Small Residential Ownership Projects (5-9 units)</b>	<p><b>New:</b> Require an applicant to pay an affordable housing impact fee per the discussion on page 7.</p> <p><b>New Fee Alternative:</b> Alternatively, the applicant can make one of the ownership units available to a moderate-income household.</p>

<b>Table 3 continued – STAFF RECOMMENDED POLICIES</b>	
<b>Development Type</b>	<b>Policy Recommendation</b>
<b>Residential Additions</b>	No fee or requirement recommended.
<b>Non-Residential Development</b>	<b>New:</b> Non-Residential / Commercial Development projects shall pay an affordable housing impact fee to mitigate the impacts of the project on the need for affordable housing. Fees are scaled based on a combination of estimated development costs and policy objectives (e.g., not discouraging retail from locating in Campbell). Staff's recommended fees are equal to approximately 2% of the development cost for office, restaurant, hotel, and light industrial, and approximately 1% of retail development cost.

The following fee recommendations are based on a review of fees in other jurisdictions, consideration of total development costs, and City objectives for attracting retail uses. A summary of non-residential housing impact fees in Santa Clara County and along the Peninsula as well as fees as a percentage of development costs can be found on pages 10 and 11 of **Attachment 2**. Staff's recommended fee levels fall within the range recommended by Keyser Marston Associates.

<b>Table 4 - STAFF RECOMMENDED FEES</b>	
<b>Development Type</b>	<b>Fee</b>
<b>Large Residential Ownership Projects with 10 or more Units</b>	n/a
<b>Small Residential Ownership Projects under 10 Units</b>	\$15.00 / sq. ft.
<b>Residential Rental Projects</b>	\$25.00 / sq. ft.
<b>Office (including high technology)</b>	\$12.00 / sq. ft.
<b>Restaurant</b>	\$8.00 / sq. ft.
<b>Hotel</b>	\$9.00 / sq. ft.
<b>Retail / Warehouse / Light Industrial</b>	\$5.00 / sq. ft.

## OTHER CONSIDERATIONS

If fees are considered (either as recommended or modified by the Council), the following information may further help inform the Council's decision.

***Fees and Policies in Other Jurisdictions:*** While the City of Campbell is the first of the 12 participating jurisdictions to consider fees based on the Nexus Study prepared by KMA, the City Council may find it informative to review existing policies and fees in other cities and counties. A discussion of impact fees and policies in other jurisdictions can be found throughout the Nexus Study (**Attachment 2**). Residential fees and requirements in other jurisdictions are summarized on pages 34 – 37, while non-residential fees are summarized on pages 45 - 49.

***Use of Fees:*** Affordable housing impact fees require new construction to pay money into a fund that is used to support affordable housing development. The justification for nexus-based fees is that new development creates new jobs with employees that need affordable housing. Consequently, housing impact/in-lieu fees need to be used for housing that benefits this workforce. The fees should not be used for housing where residents may not be employed (e.g., senior housing, shelters, or supportive housing). Although there are studies that can be done to determine eligibility, staff recommends that fees not be used for these types of projects. Furthermore, while funds may be used for administrative purposes, reimbursement should be held to a modest percentage of revenue, and administrative expenses should be directly related to increasing the supply of affordable housing. That being said, housing impact fees can be used in a variety of ways to support affordable housing capital improvements including, for example, the following:

- Loans or grants to subsidize construction cost of new units
- Acquisition of existing housing and implementation of new affordability covenants
- Housing rehabilitation programs

In accordance with the Mitigation Fee Act (MFA), fees must be deposited into a separate account or fund to avoid any commingling of the fees with other City funds and may be spent only for the purpose for which the fee was originally collected. An annual report is required and the city must make findings every five years to retain unexpended funds and continue to collect the fees. If the five-year findings are not made, the City may have to refund the housing impact fees to the then current record owner(s) of the development project(s) on a prorated basis<sup>11</sup>.

While not part of the Nexus Study discussion before the City Council, the City of Campbell could explore a regional effort whereby impact fees from participating jurisdictions could be combined into a regional pool of funds in order to leverage

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<sup>11</sup> Whether or not the requirements of the MFA apply to affordable housing impact fees is a legal grey area which has not been considered by the courts.

resources, meet RHNA obligations, and potentially achieve a greater number of new affordable units than any one city could build on their own.

**Implementation:** Per the MFA, fees are not effective until 60 days after adoption (Gov't Code §66017). In general, impact fees must be paid in full at the time of building permit issuance. If the City would like to waive fees for projects that have been submitted to the City (but not yet approved) or were previously reviewed as part of a pre-application, an exemption could be considered. Likewise, the Council could phase-in fees over a certain amount of time to minimize impacts to development in the City. The disadvantage of an exemption or phase-in period is the potential forgone revenue for affordable housing.

**Fees Per Square Foot:** KMA recommends that all fees should be calculated on a per square foot basis as opposed to a per unit flat fee. The use of square foot fees appears to be more equitable in that larger units pay larger fees. The fees would apply to the net rentable / sellable area exclusive of garage space, external corridors, and other common areas. Alternatively, the City could express fees as a percent of sales price as is done in Mountain View, Palo Alto and Sunnyvale (reference pages 6 and 32 of **Attachment 2**). However, fees as a percent of sales price would need to be collected during escrow, which may occur after permits have been issued and construction is complete, potentially creating an administrative burden to collect the fees. For these reasons, staff recommends that fees be calculated on a per square foot basis.

**Inclusionary Compliance Equivalent Cost:** In determining the appropriate impact fee, the Council may find it useful to review KMA's analysis of the equivalent cost of complying with the City's existing Inclusionary Ordinance, as provided on Pages 27 and 28 of the Summary Report (**Attachment 2**).

Example: a developer proposes a 100-unit residential condominium project where the average number of bedrooms is 1.5 and the average unit size is 1,000 sq. ft. For simplicity we will assume that 15% of the units are to be set-aside for moderate income households. We will also assume that the average market rate sales price is \$650,000 and the average affordable price is \$330,625 creating a \$319,375 affordability gap. In this scenario, the equivalent cost of building 15 moderate income units is \$4,790,625. When the \$319,375 gap per affordable unit is distributed across all 100 units in the project, the cost is equal to \$47,906 per unit. With an average unit size of 1,000 square feet, this cost equates to approximately \$48 per square foot of building area. If an in-lieu fee option were permitted the fee would need to be set at approximately \$48 per square foot<sup>12</sup>, in this condominium example, to be equivalent to the cost the project would incur in complying the 15% inclusionary requirement on-site. If fees are set at or below \$48 per square foot, it is likely that developers would elect to pay the fee rather than build the units if given the choice.

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<sup>12</sup>  $\$650,000 - \$330,625 = \$319,375$ ;  $\$319,375 * 15 = \$4,790,625$ ;  $\$47,906 / 1,000 \text{ SF} = \$48 \text{ PSF}$ .

## DISCUSSION POINTS

The City Council has several options regarding the establishment of housing impact fees. The first major policy decision is whether to charge housing impact fees on residential development, commercial development or both. There are also many details to consider when implementing housing impact fees. A short list of questions is provided below along with a reference to pages in the Nexus Study and this report where further discussion points can be found.

- **Should the fee be similar to neighboring jurisdictions?**
  - See pages 31 and 41 of the Nexus Study Summary Report.
- **Should the fee be similar in cost to the inclusionary ordinance?**
  - See discussion on page 12 of this report and page 27 of the Nexus Study Summary Report.
- **Should the fee be phased-in or applied immediately?**
  - See implementation discussion on page 12 of this report.
- **Should applicants be required to build units in large residential ownership projects (10 or more units) or should they be allowed to pay an in-lieu fee?**
  - See discussion on page 6 of this report.
- **Should small residential developments (under 10 units) pay a fee?**
  - See discussion on page 7 of this report.
- **Should in-lieu fees be collected on residential additions?**
  - See discussion on page 7 of this report.
- **Should all commercial developments pay the same fee or should there be a more tailored fee structure?**
  - See discussion on page 9 of this report and beginning on page 9 of the Nexus Study Summary Report.
- **Should the fee be per square foot, per unit, as a percent of sale price, or some other method?**
  - See discussion on page 12 of this report.
- **How will the money be spent?**
  - See discussion on page 11 of this report.

**FISCAL IMPACT**

There are costs associated with collecting and administering fees. Staff would collect the fees and the Senior Planner would work with the BMR Administrator and/or non-profit developers on the administration of fees including developing new housing programs and/or acquiring sites, as directed by the Council. Staff calculated the fees for three example developments<sup>13</sup>; an office development, a residential development, and a mixed-use development. The amount of funds acquired in the future would likely vary widely depending on economic cycles, the availability of land, the timing of particular applications, and whether applicants build units or pay the fee.

Development Type	Square Feet	Rate per Foot	Total Fee
<b>Office</b>	172,772	\$12	\$2,073,264
<b>Residential</b> (or sale)	33,549 (living area)	\$15	\$503,235
<b>Mixed-Use</b> (residential rental)	Non-Res.: 3,200 Res.:16,510	~\$8* \$25**	\$25,600 \$412,750
*\$8 is an approximate average fee for retail/ restaurant./office uses			<b>Total Fees: \$3,014,849</b>

**PUBLIC NOTICE AND COMMENT**

Notice was published twice in the Campbell Express (September 21<sup>st</sup> and 28<sup>th</sup>), and provided to residential and commercial developers and brokers, the Building Industry Association, housing advocates, and the Chamber of Commerce. Notice was also provided through the City’s E-News and website.

**ALTERNATIVES**

1. Direct staff to prepare an Ordinance with modifications to the recommended residential and non-residential housing mitigation fees.
2. Continue the item to a date certain for further discussion.
3. Request additional analysis by the consultant and/or staff.
4. Table the item until the new City Council convenes in January 2017.

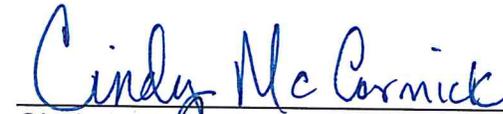
If the Council requests additional analysis, this analysis could be completed during the month of October and potentially presented to the City Council on November 15th, or if needed or recommended it could be presented to the new City Council in January 2017.

<sup>13</sup> The example developments include the 5-story Creekside office development, the 9-unit Abbott residential project (2014), and the 16-unit Winchester Station Mixed-Use development.

**ATTACHMENTS**

1. Resolution
2. Nexus Study
3. Residential Nexus Analysis Appendix
4. Non-Residential Nexus Analysis Appendix
5. Affordable Housing / Nexus Analysis - Report (July 21, 2015)
6. Nexus Study Consultant Contract - Report and Resolution (October 6, 2015)
7. Keyser Marston Associates Proposal (July 21, 2015)

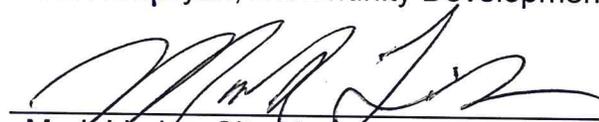
Prepared by:

  
Cindy McCormick, Senior Planner

Reviewed by:

  
Paul Kernoyan, Community Development Director

Approved by:

  
Mark Linder, City Manager

RESOLUTION NO. \_\_\_\_\_

**BEING A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAMPBELL  
ACCEPTING THE METHODOLOGY AND FINDINGS OF THE NEXUS STUDY  
PREPARED FOR THE CITY BY KEYSER MARSTON ASSOCIATES**

**WHEREAS**, housing affordability is a major issue in the Bay Area, with a shortage of affordable housing for lower-income renters, impacting the City’s ability to maintain civic workforce occupations such as public safety workers and teachers; and

**WHEREAS**, on October 6, 2015, the City Council authorized the City Manager to execute a consultant contract with the Silicon Valley Community Foundation for the preparation of a nexus study and feasibility study by Keyser Marston Associates; and

**WHEREAS**, the Nexus Studies use widely used, appropriate methodology to determine the maximum amount needed to fully mitigate the burdens created by residential and non-residential development on the need for affordable housing; and

**WHEREAS**, the Nexus Studies provides context for policy decisions and the technical analyses and documentation to support adoption of affordable housing impact fees on residential and non-residential development in the City of Campbell.

**WHEREAS**, the adoption of fees is not subject to the California Environmental Quality Act. Pursuant to CEQA Guidelines Section 15378(b)(4), the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment is not a project under CEQA.

**NOW THEREFORE, BE IT RESOLVED**, that the City Council of the City of Campbell herby accepts the methodology and findings of the Nexus Study.

**PASSED AND ADOPTED**, this 4th day of October, 2016 by the following roll call vote:

AYES:           COUNCILMEMBERS:  
NOES:           COUNCILMEMBERS:  
ABSTAIN:       COUNCILMEMBERS:  
ABSENT:        COUNCILMEMBERS:

APPROVED: \_\_\_\_\_

Jason T. Baker, Mayor

ATTEST: \_\_\_\_\_

Wendy Wood, City Clerk



# KEYSER MARSTON ASSOCIATES

## **SUMMARY, CONTEXT MATERIALS AND RECOMMENDATIONS AFFORDABLE HOUSING NEXUS STUDIES**

*Prepared for:*  
**City of Campbell**

*Prepared by:*  
**Keyser Marston Associates, Inc.**

**August 2016**

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**ATTACHMENT B – NON-RESIDENTIAL NEXUS ANALYSIS REPORT**

## I. INTRODUCTION

This Summary, Context Materials, and Recommendations report (“Summary Report”) provides a concise version of the affordable housing nexus studies prepared by KMA and presents analyses designed to provide context for policy decisions. It also outlines recommendations for the City of Campbell regarding updates to the City’s affordable housing requirements for residential development and consideration of a potential new affordable housing impact fee for non-residential development.

The report has been prepared by Keyser Marston Associates, Inc. (KMA) for the City of Campbell, pursuant to contracts both parties have with the Silicon Valley Community Foundation. The report was prepared as part of a coordinated work program for twelve jurisdictions in Alameda and Santa Clara Counties. Silicon Valley Community Foundation with Baird + Driskell Community Planners organized and facilitated this multi-jurisdiction effort. Silicon Valley Community Foundation, which engaged KMA to prepare the analyses, serves as the main contracting entity with each participating jurisdiction, and has provided funding support for coordination and administration of the effort.

Two separate nexus technical reports are attached to this Summary Report, Attachment A: Residential Nexus Analysis and Attachment B: Non-Residential Nexus Analysis. The two nexus reports provide the technical analyses and documentation to support adoption of affordable housing impact fees on residential and non-residential development in the City of Campbell.

### A. Background and Context

The City of Campbell has an existing inclusionary housing policy requiring residential projects in the City to include a 15% share of units as affordable. The City of Campbell’s Affordable Housing Ordinance was adopted in 2006 and incorporated in Code Section 21.24. The Ordinance applies to projects with ten or more units. An in lieu fee alternative of \$34.50 per square is available only to projects at a density of six units per acre or less. Since the 2009 *Palmer* court decision (described further in the Residential Nexus Analysis), the City has not had the ability to apply its inclusionary requirements to rental projects. The analyses summarized in this report will enable the City to consider adoption of an affordable housing impact fee applicable to rental apartments and other updates to its affordable housing requirements for residential development.

The City currently does not have an affordable housing requirement that applies to non-residential projects; however, the analyses that have been prepared for the City will enable consideration of a new affordable housing impact fee applicable to non-residential development in the City as well.

## *Implementation Options for Rental and Ownership Affordable Housing Requirements*

For rental projects, following the 2009 *Palmer* decision, impact fees supported by a nexus analysis are the only mechanism available to California jurisdictions to implement an affordable housing requirement. A bill pending in the California Legislature, Assembly Bill 2502, referred to as the “Palmer Fix” would, if adopted, restore the ability of California cities to apply inclusionary requirements to rental projects.

For ownership projects, jurisdictions have a choice on whether to implement affordable housing requirements through an inclusionary housing program, as Campbell currently does, or through impact fees. Inclusionary requirements are land use regulations that require a percentage of units in new residential projects to be made affordable<sup>1</sup>. An in-lieu fee option is sometimes made available as an alternative to providing units on-site within a project. Depending on how the in-lieu fee option is structured, it may be rarely used, used mainly for higher-value projects where it is costlier to deliver affordable units on-site, or it may serve as the “default” option that most projects select. Impact fees, on the other hand, are fees required as mitigation for the affordable housing impacts of new residential development. Impact fees must be supported by a nexus study, such as the one that has been prepared for Campbell. With an impact fee program, alternatives may be offered but fee payment is the default.

On-site affordable requirements have the advantage of delivering affordable units concurrently with market rate units. On site units are integrated within projects and generally result in affordable units dispersed throughout the community. The cost of monitoring and enforcement of affordability covenants for below market rate units is sometimes cited as a disadvantage. Fees (either in-lieu or impact) have the advantage that they can be used to assist stand-alone affordable projects, leveraging tax credits and other financing sources in the process, to produce affordable units, often at a deeper level of affordability than the low and moderate income units usually delivered through an on-site requirement. Monitoring and enforcement of covenants is generally the responsibility of a non-profit partner. Fees are permitted for use in funding administrative expenses but should be directly related to increasing the supply of affordable housing and held to a modest percentage of revenue. A disadvantage of fees is that it can take time to accumulate sufficient funds to complete an affordable project, creating a time lag between completion of market rate units that pay fees and delivery of affordable units. Some communities also face challenges in identifying and acquiring suitable sites for stand-alone all affordable projects, a challenge avoided with an on-site requirement.

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<sup>1</sup> The recent California Supreme Court case referred to as the “San Jose case” (California Building Industry Association v. City of San Jose, California Supreme Court Case No. S212072, June 15, 2015) affirmed that inclusionary requirements are land use regulations, not “exactions.” See Residential Nexus Report for additional discussion.

## B. Organization of this Report

This report is organized into the following sections:

- Section I provides an introduction;
- Section II presents a summary of KMA's findings and recommendations;
- Section III summarizes the nexus analyses;
- Section IV presents analyses and materials prepared to provide context for policy decisions, including:
  - A. Multifamily Apartment Financial Feasibility Analysis – presents the analysis and findings of the real estate financial feasibility analysis for apartments;
  - B. On-site compliance cost analysis – analysis of the forgone revenue experienced by market rate residential projects in complying with the City's inclusionary requirements;
  - C. Residential affordable housing requirements in other jurisdictions – provides a summary of existing inclusionary and impact fee requirements for 18 jurisdictions in Alameda and Santa Clara counties;
  - D. Non-Residential Development Costs - Analysis of development costs for various types of non-residential development as context for consideration of potential impact fee levels for non-residential development; and
  - E. Jobs housing linkage fee programs in other jurisdictions – provides information regarding 34 adopted linkage fee programs in jurisdictions throughout the Bay Area and elsewhere in California.

## II. SUMMARY OF FINDINGS AND RECOMMENDATIONS

In this section, KMA provides a summary of the analysis findings and recommendations for the City's consideration for updates to the City's affordable housing requirements applicable to residential and non-residential development. Recommendations reflect consideration of the following factors:

1. The findings of the nexus analysis. The nexus study establishes the maximum fee that may be charged to mitigate the impacts of new development on the need for affordable housing. Impact fees for rentals and non-residential development are limited to the maximums identified by the nexus. For-sale inclusionary requirements are generally not bound by nexus findings.
2. The City's policy objectives specified in the Housing Element.
3. The current requirements in neighboring jurisdictions.
4. Setting a fee high enough to support a meaningful contribution to affordable housing in Campbell.
5. Setting a fee low enough to not discourage development.

### A. Residential Findings and Recommendations

KMA's recommendations for updates to the City's Affordable Housing Ordinance, including a new impact fee for rentals, are presented in this section, along with a summary of the factors considered by KMA.

#### 1. Nexus Analysis Findings

The findings of the residential nexus analysis are summarized below.

<b>Maximum Supported Residential Impact Fees, City of Campbell</b>					
	<i>Single Family - Large Lot</i>	<i>Single Family - Small Lot</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments</i>
Per Market Rate Unit	\$81,200	\$65,700	\$60,900	\$45,700	\$48,000
Per Square Foot*	\$27.10	\$36.60	\$40.60	\$45.70	\$48.00

\* Applies to net rentable / sellable area exclusive of garage space, external corridors and other common areas.

Source: Keyser Marston Associates [Residential Nexus Analysis](#).

KMA recommends that impact fees for rental projects be set below the levels shown above and that in-lieu fees applicable to for-sale projects that have six or fewer units in the project be set below the levels identified above.

## 2. Affordable Housing Requirements in Other Jurisdictions

KMA assembled and summarized the affordable housing requirements for 18 jurisdictions in Santa Clara and Alameda Counties including those participating in the multi jurisdiction work program plus nine additional cities selected by the participants. The following is a condensed version focusing on selected comparisons. A complete summary is provided in Section IV and Table 3 (page Table 34).

### *Rentals: Overview of Adopted Rental Housing Impact Fees in Santa Clara County*

The chart below shows selected examples of cities who have adopted impact fees for rental development following the 2009 *Palmer* decision (which eliminated the ability to apply inclusionary requirements to rental projects). Requirements are clustered around \$17 per square foot, with Mountain View, Sunnyvale, and Fremont all following San Jose's lead in establishing a rental impact fee requirement at this level. Cupertino's fees are \$20 per square foot for projects up to 35 dwelling units per acre and \$25 per square foot for projects over 35 units per acre. The minimum size project subject to the fee ranges from five units for Mountain View down to single units for Cupertino. Campbell does not currently have an impact fee for rentals.

<b>Impact Fees in Other Jurisdictions – Rental Units</b>		
<i>City</i>	<i>Impact Fee</i>	<i>Min. Project Size Subject to Fee</i>
Cupertino	\$20 / sq. ft. (\$25 for projects over 35 du/acre)	1 unit
San Jose	\$17/sq. ft.	3 units
Mountain View	\$17/sq. ft.	5 units
Sunnyvale	\$17/sq. ft. (\$8.50 for projects with 4 – 7 units)	4 units
Fremont	\$17.50/sq. ft.	2 units

\*See Table 3 (page 34) for more detail.

### *Ownership Affordable Housing Requirements*

For ownership projects, Campbell's onsite requirements are fairly consistent with the other cities in Silicon Valley. The onsite requirements for the cities analyzed are in the 10% – 15% range, with the exception of Fremont, which has a combined onsite obligation and fee payment. The table below briefly summarizes the programs.

<b>Affordable Housing Requirements in Other Jurisdictions – Ownership Units</b>				
<i>City</i>	<i>Percent</i>	<i>Affordability Level</i>	<i>Fee**</i>	<i>Fee by Right?***</i>
Campbell	15%	Low and Moderate	\$34.50	Only projects 6 du/ ac. or less
Los Altos	10%	Low and Moderate	None	N/A
Santa Clara	10% (voluntary but encouraged)	Very Low to Moderate	None	N/A
Cupertino	15%	½ Moderate, ½ Median	\$15 detached; \$16.50 attached \$20 multifamily	Projects under 7 units only
San Jose*	15%	Moderate	Affordability gap based on attached unit re-sales.	Yes
Mountain View	10%	Median	3% of sales price****	Projects under 10 units only
Sunnyvale	12.5%	Moderate	7% of sales price****	Projects under 20 units only
Fremont	Attached 3.5% + fee  Detached: 4.5% + fee	Moderate	With on-site units: Attached: \$18.50 psf Detached: \$17.50 psf  If no on-site units: Attached: \$27 psf Detached: \$26 psf	Yes

\*Suspended during litigation but to be reinstated in 2016

\*\*Of the identified fees for ownership units, all are implemented as in-lieu fees except Fremont which is implemented as a combination in-lieu and impact fee.

\*\*\*The term "fee by right" refers to an ordinance feature permitting payment of an in-lieu fee by right as an alternative to providing affordable units on-site without the need for special approval from the City Council.

\*\*\*\*In-lieu fees computed as a percent of sales price are usually paid out of escrow at the time of sale.

See Table 3 (page 34) for more detail.

### **3. Multifamily Apartment Financial Feasibility**

The analysis indicates that the economics of multifamily rental projects is currently robust and projects are generally feasible in the West Valley. Even in a strong market, rising land costs tend to absorb any "surplus" projects may have in their pro formas; however, the market is able to adjust to new costs such as increased fees in a variety of ways. One way markets can adjust is through downward pressure on land prices created when developers price new fees into the economics of their projects and adjust what they can afford to pay for land. When market rents are rising, this condition helps projects absorb increased fees. The table below illustrates how relatively modest improvements in project economics are sufficient to absorb illustrative fee levels of \$10, \$20, \$30 and \$40 per square foot. Calculations are also shown for each \$1 in new fees so calculations can be made for any fee level that may be considered.

## Potential Market Adjustments to Absorb New Fees

Potential Market Adjustments to Absorb Illustrative Fee Levels					
	Each \$1 Fee	\$10 Fee	\$20 Fee	\$30 Fee	\$40 Fee
Increase in Rents/Income	0.11%	1.1%	2.2%	3.3%	4.5%
Decrease in Direct Costs*	0.43%	4.3%	8.7%	13.0%	17.4%
Decrease in Land Values (based on \$119/sf)**	0.42%	4.2%	8.5%	12.7%	16.9%

\*Please refer to Page 22 for a definition of direct costs of construction.

\*\* \$119 /sf land value is the estimated land value supported by the economics of new market rate apartment projects. Please see Section IV. A for more information.

Adjustments are not additive. Each would independently be sufficient to absorb new fees. Depending on the market cycle and other factors, a combination of the above market adjustments would be expected to contribute in absorbing a new fee.

Rising rents over the past few years have led to strong conditions for apartment development. Should rents remain on an upward trajectory, it could help absorb the cost of a new fee. As illustration, an additional 2.2% increase in market rents, about \$86 per month, is estimated to be sufficient to absorb a new \$20 per square foot fee. This only works when rents are being pushed upwards by strong market demand. Of course, rents are always set by the market and landlords can only charge what the market will bear.

### 4. Market Context

The City of Campbell has strong housing market conditions. The median price of all units sold in 2015 was nearly \$1 million, following substantial increases since the recession, particularly over the past five years. The KMA survey of sales of newly built units found that sales prices of detached units were in the \$530 to \$556 per square foot range. Townhome and condominium units have been built in smaller sizes but priced higher per square foot, or \$583 to \$650 per square foot. Where sales data for new construction<sup>2</sup> was sparse, an examination of resale prices of units built since 2005 confirmed the current pricing.

The survey of rental units yielded similarly strong market conditions. The recently built Revere Campbell was surveyed along with some older properties, leading to conclusions that a new project could likely achieve rents averaging \$3.60 per square foot for 1,000 square foot units.

### 5. Program Recommendations

Following are KMA's recommendations for updating Campbell's affordable housing requirements. These recommendations are based on Campbell's strong residential market, the multifamily financial feasibility analysis, nexus analysis results, and programs in nearby jurisdictions.

<sup>2</sup> For purposes of this Report, new construction is defined as a project adding a new residential unit, as distinguished from projects such as additions, remodels and teardown / rebuilds that do not add a net new residential unit.

- a. *For-Sale On-site Requirement* – Campbell’s 15% on-site requirement applied to for-sale projects should be maintained. The program appears to have been working well and represents a moderate to strong requirement.
- b. *Small Projects Under 10 Units* – Consider a fee for projects under ten units, the current threshold for application of the City’s Affordable Housing Ordinance. The nexus analysis supports an impact fee requirement for smaller projects, potentially down to one or two units as is done in some neighboring jurisdictions. Since projects under ten units are currently exempt, there can be an incentive for projects to stay just under the threshold to avoid the requirement. While a higher fee level is supported by the nexus for prototypes other than large-lot single family, we recommend consideration of fees at the \$15 to \$25 psf level for smaller projects consistent with other nearby jurisdictions such as Cupertino and Fremont.
- c. *Additions* – The nexus analysis enables the City to consider applying affordable housing impact fees to additions to existing structures and the incremental residential area resulting from “Teardown / Rebuild” activity. San Carlos is an example of a program that applies a reduced fee for large additions over 1,000 square feet. However, charging for additions is not common. If the City applies fees to additions, consider fee levels similar to small projects (see above) or perhaps a reduced rate. Inclusion of a minimum size threshold for fee application will avoid the administrative burden of charging very small additions.
- d. *Fees versus on-site units* – A basic parameter for an inclusionary program is whether fees or on-site units are preferred. Currently the City has an in-lieu fee option that is available only to low density projects and few projects have triggered it. If the City would prefer fees that can be leveraged with other funds to do stand-alone affordable projects, options include introducing a fee alternative for all projects, or introducing an “add on” fee in addition to the on-site requirement. In general, fees have to be set very high for on-site units to be at all a competitive choice. Section IV, Table 2 (page 28), provides information on fee levels that would be equivalent to the cost of complying with the City’s existing inclusionary policy, information potentially useful if fee alternatives are considered. San Ramon offers an alternative model in that a modest fee is layered on top of an on-site inclusionary requirement (the fee is structured as an added on-site obligation with a modest in-lieu fee alternative). If added on top of on-site requirements, we suggest fees be kept modest, say \$2 to \$5 psf.
- e. *Rentals* – for rental units, the City could either take a “wait and see” approach on proposed legislation to restore the ability to apply inclusionary requirements to rentals, or proceed with adopting an impact fee. While the nexus analysis supports fees up to \$48 psf for rentals, we suggest a fee in the \$20 to \$25 psf range. This is above the prevailing \$17 psf of neighboring jurisdictions but is supported by the strength of the rental market.

The City should evaluate whether it will want to encourage affordable units to be provided on-site as an alternative to payment of the fee, in which case a higher fee would be helpful. If the City would like to minimize the burden of paying a new fee for projects in the pipeline, a phase in period could be considered or potentially a pipeline exemption process. Of course, the disadvantage of a phase in or pipeline exemption is the potential forgone revenue for affordable housing.

- f. *Density Bonus* – Under State law, projects may exceed local zoning by up to 35% when affordable units are provided on-site. Campbell's high residential real estate values coupled with the allowable densities under the City's zoning code have created an incentive for some projects to utilize the State Density Bonus. City staff noted four recent projects utilizing the State Density Bonus, of which two were rentals, one was a mix of rental and ownership units,<sup>3</sup> and one was a senior project. This experience demonstrates that the ability to achieve a density bonus will be an added incentive for affordable units to be provided on-site for some projects, if offered as an alternative to payment of a new impact fee for rentals. Should the City wish to incentivize projects to build to the local zoning instead of taking a density bonus, a potential new rental impact fee and any alternatives to provide units on-site would need to be structured with the desired incentives in mind. If incentivizing projects to build to local zoning is an objective, additional analysis to understand the value for projects associated with taking the density bonus may be helpful.
- g. All fees should use the per square foot (psf) format as opposed to a fixed fee per unit. Per square foot fees are simple and fair in that larger units pay larger fees, consistent with impacts and on-site equivalent costs. With for-sale units, expressing fees as a percentage of sales price is also a workable option that several local jurisdictions including Mountain View, Palo Alto and Sunnyvale currently utilize.

## **B. Non-Residential Affordable Housing Impact Fees**

The analysis prepared by KMA will enable the City of Campbell to consider adoption of a new affordable housing fee applicable to non-residential development in the City. The following section provides KMA's recommendations regarding a fee range should the City choose to move forward with establishing a new jobs housing linkage fee, along with a summary of the factors considered by KMA.

### **1. Nexus Analysis Findings**

The KMA non-residential nexus analysis found very high supportable fee levels. The high fee levels supported by the analysis are not unusual for high cost areas such as Campbell. The nexus analysis establishes only the maximums for impact fees and will bear little relationship to the fee levels the City may ultimately select. The table below indicates the nexus analysis results.

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<sup>3</sup> With the project with a mix of ownership and rental units (St. Anton's), all affordable units were provided as rentals.

Building Type	Maximum Supported Fee Per Square Foot
Office	\$140.10
High Tech Office	\$156.40
Retail	\$260.70
Hotel	\$125.50
Light Industrial	\$146.50
Warehouse	\$46.60

Note: Nexus findings are not recommended fee levels. See Non-Residential Nexus Analysis for detail.

In our opinion, fee levels for cities should be selected based on a combination of the strength of the local real estate for the building types that will pay the fee, and local policy objectives. We also believe it is appropriate to take into account the fee levels in neighboring jurisdictions and cities that are comparable to Campbell in real estate demand.

## 2. Fees in Other Jurisdictions

The chart below summarizes fee levels for jurisdictions in Santa Clara County and the Peninsula that have adopted non-residential fees. The jurisdictions with the highest fees tend to be in areas with very strong demand for non-residential space, such as Palo Alto, Menlo Park and Mountain View. Other nearby cities that do not currently have affordable housing fees on non-residential development but may consider a new fee as part of this multi-jurisdiction effort include Santa Clara, Los Altos, Saratoga, Fremont, Milpitas, and Santa Clara County. San Jose, neighbor to Campbell and by far the largest city in Santa Clara County, has voted not to pursue a non-residential fee at this time. More details can be found in Section IV and Table 4 (Page 45).

### Non-Residential Housing Impact Fees – Santa Clara Co. & Peninsula

Non-Residential Linkage Fees	Office \$/SF	Retail \$/SF	Hotel \$/SF	Industrial \$/SF
Mountain View	\$25.00	\$2.68	\$2.68	\$25.00
Cupertino	\$20.00	\$10.00	\$10.00	\$20.00
Palo Alto	\$19.85	\$19.85	\$19.85	\$19.85
Sunnyvale	\$15.00	\$7.50	\$7.50	\$15.00
San Francisco	\$24.61	\$22.96	\$18.42	\$19.34
Redwood City	\$20.00	\$5.00	\$5.00	N/A
Menlo Park	\$15.57	\$8.45	\$8.45	\$8.45
average*	\$20.00	\$10.92	\$10.27	\$17.94

See Table 4 (page 45) for more details including features such as exemptions and size thresholds. \*average is for cities that have a fee in the applicable category.

As shown in the table above, some jurisdictions have adopted similar fees across all building types while others have adopted reduced fees for certain building types such as retail and hotel. Lower fees are sometimes adopted for retail and hotel uses as a function of a variety of local policy considerations such as market strength relative to office and other uses, a desire to scale fees relative to development costs (see discussion below), or a desire to remain competitive in attracting uses seen as providing fiscal and other benefits, etc. An average is provided for informational purposes; however, immediate neighbors and cities seen as having similar real estate conditions may provide more meaningful comparisons.

### 3. Total Development Costs

KMA estimated the total development cost associated with each building type and examined fee levels in the context of total costs. Total costs include construction, all permits and fees, land, financing and other indirect costs (a definition of indirect costs is provided on page 22). This facilitates an evaluation of whether the amount is likely to affect development decisions. Four non-residential prototype projects were selected for review of total development costs. The prototypes include office, hotel, retail, and light industrial. The cost estimates were prepared based on local information and our firm’s extensive work with real estate projects throughout Silicon Valley and the Bay Area. More detail on the analysis can be found in Section IV. The results are summarized below:

Total Development Costs – Non-Residential	
Building Type	Cost
Office	\$525 - \$625 per sq.ft.
Hotel	\$325 - \$425 per sq.ft.
Retail / Restaurant / Service	\$400 - \$500 per sq.ft.
Light Industrial	\$250 - \$300 per sq.ft.

One useful way to evaluate alternative fee levels is to examine them as a percent of total development costs. For example, at 2% to 3% of costs, we would see the following fee levels:

Fees as a Percent of Development Costs		
Building Type	2%	3%
Office	\$11 psf	\$17 psf
Hotel	\$7 psf	\$11 psf
Retail / Restaurant	\$9 psf	\$13 psf
Light Industrial	\$5 psf	\$8 psf

### 4. Market Context

From the Bay Area regional perspective, market conditions for non-residential uses are strong. Within the context of Silicon Valley, the Campbell location is more moderate, commanding lower values than locations to the north and west, but stronger than its neighbors in the further south

and east. This is particularly true for the office and tech sectors, uses for which Campbell attracts ongoing development interest. New projects appear to be supporting higher density development and the associated higher costs. Campbell also continues to attract some light industrial and warehouse activity.

Retail and service uses are primarily local serving with some locations, such as the Pruneyard, serving a broader area. Hotels serve the local visitor base generated by the office and industrial activity of the local region.

### **5. Recommended Fee Levels for Non-Residential**

Given the maximums established by the nexus analysis, the strength of Campbell's office, retail and hotel markets, and the fees in neighboring jurisdictions, should the City decide to proceed with a non-residential affordable housing fee, KMA recommends consideration of fees within the range of \$10 to \$15 per square foot for office and \$5 to \$10 per square foot for all other non-residential development. Depending on City policy priorities, the City may wish to further distinguish fee levels by building type (hotel, retail, restaurant, light industrial, etc.). While higher fees could probably be sustained without significantly affecting development activity, we believe the recommended range represents a good starting point for a new adoption.

The table below presents the recommended range:

<b>KMA Recommended Fee Range, Non-Residential, City of Campbell</b>	
<i>Land Use</i>	<i>Recommended Fee</i>
Office	\$10.00 to \$15.00 psf
Other Non-Residential	\$5.00 to \$10.00 psf

### III. SUMMARY OF NEXUS ANALYSES

This section provides a concise summary of the residential and non-residential nexus analyses prepared for the City of Campbell. The analyses provide documentation necessary for adoption of new affordable housing impact fees applicable to residential and non-residential development. The analyses establish maximum supportable impact fee levels based on the impact new residential and non-residential development has on the need for affordable housing. Findings represent the results of an impact analysis only and are not recommended fee levels.

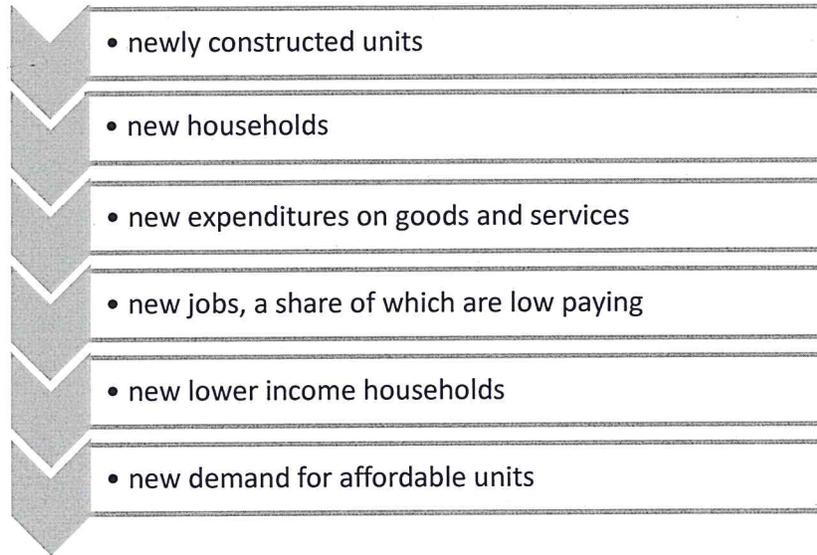
While nexus findings represent upper limits for impact fee-type requirements, inclusionary program requirements, including applicable in-lieu fees, are not bound by nexus findings based on the ruling by the California Supreme Court in the San Jose inclusionary housing case. Under current law, inclusionary requirements cannot be applied to rental units; however, this could change if currently proposed legislation is enacted (AB 2502).

Full documentation of the analyses can be found in the reports titled Residential Nexus Analysis and Non-Residential Nexus Analysis.

#### A. Residential Nexus Analysis Summary

The residential nexus analysis establishes maximum supportable impact fee levels applicable to residential development. The underlying concept of the residential nexus analysis is that the newly constructed units represent net new households in Campbell. These households represent new income in the City that will consume goods and services, either through purchases of goods and services or "consumption" of governmental services. New consumption generates new local jobs; a portion of the new jobs are at lower compensation levels; low compensation jobs relate to lower income households that cannot afford market rate units in Campbell and therefore need affordable housing.

## Nexus Analysis Concept



### 1. Market Rate Residential Prototypes

In collaboration with City staff, a total of five market rate residential prototypes were selected: four ownership prototypes and one rental prototype. The intent of the selected prototypes is to identify representative development prototypes likely to be developed in Campbell in the immediate to mid-term future.

A summary of the five residential prototypes is presented below. Market survey data, City planning documents and other sources were used to develop the information. Market sales prices and rent levels were estimated based on KMA's market research.

Prototypical Residential Units for City of Campbell					
	<i>Single Family - Single Family -</i>				
	<i>Large Lot</i>	<i>Small Lot</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments</i>
Avg. Unit Size	3,000 SF	1,800 SF	1,500 SF	1,000 SF	1,000 SF
Avg. No. of Bedrooms	4.00	3.25	3.00	1.50	1.50
Avg. Sales Price / Rent	\$1,590,000	\$1,000,000	\$875,000	\$650,000	\$3,600 /mo.
Per Square Foot	\$530 /SF	\$556 /SF	\$583 /SF	\$650 /SF	\$3.60 /SF

### 2. Household Expenditures and Job Generation

Using the sales price or rent levels applicable to each of the five market rate residential prototypes, KMA estimates the household income of the purchasing/renting household.

Household income is then translated to income available for expenditures after deducting taxes, savings and household debt, which becomes the input to the IMPLAN model. The IMPLAN model is used to estimate the employment generated by the new household spending. The IMPLAN model is an economic model widely used for the past 35 years to quantify the impacts of changes in a local economy. For ease of presentation the analysis is conducted based on an assumed project size of 100 market rate units.

A 20% downward adjustment is made to the IMPLAN employment estimates based on the expectation that a portion of jobs may be filled by existing workers who already have housing locally. The 20% adjustment is based upon job losses in declining sectors of the local economy over a historic period. “Downsized” workers from declining sectors are assumed to fill a portion of the new jobs in sectors that serve residents.

The translation from market rate sales prices and rent levels for the prototypical units to the estimated number of jobs in sectors such as retail, restaurants, health care and others providing goods and services to new residents is summarized in the table below.

<b>Household Income, Expenditures, Job Generation, and Net New Worker Households</b>					
	<i>Single Family - Large Lot</i>	<i>Single Family - Small Lot</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments</i>
Avg. Sales Price / Rent	\$1,590,000	\$1,000,000	\$875,000	\$650,000	\$3,600
Gross Household Income	\$270,000	\$189,000	\$175,000	\$132,000	\$147,000
Net Annual Income available for expenditure	\$156,600	\$126,600	\$117,300	\$89,800	\$94,000
Total Jobs Generated [from IMPLAN] (100 Units)	94.4	76.3	70.7	53.3	55.8
Net New Jobs after 20% reduction for declining industries (100 units)	75.5	61.1	56.6	42.7	44.7

See [Residential Nexus Analysis](#) report for full documentation.

### **3. Compensation Levels of Jobs and Household Income**

The output of the IMPLAN model – the numbers of jobs by industry – is then entered into the Keyser Marston Associates jobs housing nexus analysis model to quantify the compensation levels of new jobs and the income of the new worker households. The KMA model sorts the jobs by industry into jobs by occupation, based on national data, and then attaches local wage distribution data to the occupations, using recent Santa Clara County data from the California Employment Development Department (EDD). The KMA model also 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 in demand for new workers is reduced. For purposes of the adjustment from jobs to housing units, the average of 1.72 workers per working household in Santa Clara County is used.

<b>Adjustment from No. of Workers to No. of Households</b>					
	<i>Single Family - Large Lot</i>	<i>Single Family - Small Lot</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments</i>
Net New Jobs (100 Units)	75.5	61.1	56.6	42.7	44.7
Divide by No. of Workers per Worker Household	1.72	1.72	1.72	1.72	1.72
Net new worker households (100 Units)	44.0	35.6	32.9	24.9	26.0

The output of the model is the number of new worker households by income level (expressed in relation to the Area Median Income, or AMI) attributable to the new residential units and new households in Campbell. Four categories of addressed: Extremely Low (under 30% of AMI), Very Low (30% to 50% of AMI), Low (50% to 80% of AMI) and Moderate (80% to 120% of AMI).

Following are the numbers of worker households by income level associated with the Campbell prototype units.

<b>New Worker Households per 100 Market Rate Units, City of Campbell</b>					
	<i>Single Family - Large Lot</i>	<i>Single Family - Small Lot</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments</i>
Extremely Low (0%-30% AMI)	7.9	6.4	5.9	4.5	4.7
Very Low (30%-50% AMI)	11.9	9.6	8.9	6.7	7.0
Low (50%-80% AMI)	10.1	8.2	7.6	5.6	5.9
Moderate (80%-120% AMI)	6.5	5.2	4.8	3.6	3.8
<b>Total, Less than 120% AMI</b>	<b>36.3</b>	<b>29.4</b>	<b>27.2</b>	<b>20.4</b>	<b>21.4</b>
Greater than 120% AMI	7.7	6.2	5.7	4.4	4.6
<b>Total, New Households</b>	<b>44.0</b>	<b>35.6</b>	<b>32.9</b>	<b>24.9</b>	<b>26.0</b>

See [Residential Nexus Analysis](#) report for full documentation.

Housing demand is distributed across the lower income tiers. The finding that the greatest number of households occurs in the Very Low and Low income tiers is driven by the fact that jobs associated with consumer spending tend to be low-paying, such as food preparation, administrative, and retail sales occupations.

#### **4. Nexus Supported Maximum Fee Levels**

The next step in the nexus analysis takes the number of households in the lower income categories associated with the market rate units and identifies the total subsidy required to make housing affordable. This is done for each of the prototype units to establish the 'total nexus cost,'

which is the Maximum Supported Impact Fee conclusion of the analysis. For the purposes of the analysis, KMA assumes that affordable housing fee revenues will be used to subsidize affordable rental units for households earning less than 80% of median income, and to subsidize affordable ownership units for households earning between 80% and 120% of median income. Affordability gaps are calculated for each of the income tiers; the nexus costs are calculated by multiplying the affordability gaps by the number of households in each income level.

The Maximum Supported Impact Fees are calculated at the per-unit level and the per-square-foot level and are shown in the table below.

<b>Maximum Supported Residential Impact Fees, City of Campbell</b>					
	<i>Single Family - Large Lot</i>	<i>Single Family - Small Lot</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments</i>
Per Market Rate Unit	\$81,200	\$65,700	\$60,900	\$45,700	\$48,000
Per Square Foot*	\$27.10	\$36.60	\$40.60	\$45.70	\$48.00

\* Applies to net rentable / sellable area exclusive of garage space, external corridors and other common areas.

These costs express the maximum supported impact fees for the five residential prototype developments in Campbell. These findings are **not** recommended fee levels.

## **B. Non-Residential Nexus Analysis Summary**

The non-residential nexus analysis quantifies and documents the impact of the construction of new workplace buildings (office, retail, hotels, etc.) on the demand for affordable housing. It is conducted to support the consideration of a new affordable housing impact fee or commercial linkage fee applicable to non-residential development in the City of Campbell.

Full documentation of the nexus analysis is contained in the report entitled Non-Residential Nexus Analysis.

The workplace buildings that are the subject of this analysis represent a cross section of typical commercial buildings developed in Campbell in recent years and expected to be built in the near term future. For purposes of the analysis, the following six building types were identified:

- Office
- High Tech Office
- Hotel
- Retail / Restaurant / Service
- Light Industrial
- Warehouse

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. The analysis begins by assuming a 100,000 square foot building for each of the six building types and then makes the following calculations:

- The total number of employees working in the building is estimated based on average employment density data.
- Occupation and income information for typical job types in the building are used to calculate how many of those jobs pay compensation at the levels addressed in the analysis. Compensation data is from California EDD and is specific to Santa Clara County. Worker occupations by building type are derived from the 2014 Occupational Employment Survey by the U.S. Bureau of Labor Statistics.
- New jobs are adjusted to new households, using Santa Clara County demographics on the number of workers per household. We know from the Census that many workers are members of households where more than one person is employed and there is also a range of household sizes; we use factors derived from the Census to translate the number of workers into households of various size. Household income is calculated depending on the number of workers per household.
- The number of Extremely Low-, Very Low-, Low-, and Moderate-Income households generated by the new development is calculated and divided by the 100,000 square foot building size to arrive at coefficients of housing units per square foot of building area. The household income categories addressed in the analysis are the same as those in the Residential Nexus Analysis.
- The number of lower income households per square foot is multiplied by the affordability gap, or the cost of delivering housing units affordable to these income groups. This is the Maximum Supported Impact Fee for the non-residential land uses.

The Maximum Supported Impact Fees for the six building types are as follows:

Building Type	Maximum Supported Fee Per Square Foot
Office	\$140.10
High Tech Office	\$156.40
Retail	\$260.70
Hotel	\$125.50
Light Industrial	\$146.50
Warehouse	\$46.60

Note: Nexus findings are not recommended fee levels. See Non-Residential Nexus Analysis for detail.

The results of the analysis are heavily driven by the density of employees within buildings in combination with the occupational make-up of the workers in the buildings. Retail has both high employment density and a high proportion of low paying jobs.

These figures express the maximum supported impact fee per square foot for the six building types. They are not recommended levels for fees; they represent only the maximums established by this analysis, below which impact fees may be set.

### **Overlap Analysis**

There is a potential for some degree of overlap between jobs counted in the Non-Residential Nexus Analysis and jobs counted in the Residential Nexus Analysis. The potential for overlap exists in jobs generated by the expenditures of City residents, such as expenditures for food, personal services, restaurant meals and entertainment. Retail is the building type that has the greatest potential for overlap to occur because it is often oriented to serving local residents. On the other hand, the potential for overlap is far less with office, industrial, warehouse and hotel buildings that often house businesses that serve a much broader, sometimes national or international, market and that are not focused on services to local residents. Appendix B to the Non-Residential Nexus Analysis provides additional discussion and an analysis demonstrating that, even in the improbable and theoretical case of complete overlap between jobs counted in the two nexus analyses, impact fees at the recommended levels would remain below the maximums supported by the nexus.

## IV. CONTEXT MATERIALS

The purpose of this section is to provide information that may be useful to policy makers in considering potential amendments to the City's affordable housing requirements for residential development and potential adoption of a new affordable housing impact fee applicable to non-residential development. The following analyses and summary materials are included:

- **Multifamily Apartment Feasibility Analysis** – Section A. presents the analysis and findings regarding the financial feasibility of new multifamily market rate apartments;
- **Inclusionary Program Compliance Costs** – Section B. analyzes the cost to a market rate residential project of complying with the City's existing inclusionary requirements on-site;
- **Residential Affordable Housing Requirements in Other Jurisdictions** – Section C. provides a summary of inclusionary and impact fee requirements in other Santa Clara and Alameda county jurisdictions;
- **Non-Residential Development Cost Context** – Section D. evaluates total development costs associated with four prototypical building types to facilitate an evaluation of whether fee amounts are likely to affect development decisions; and
- **Jobs Housing Linkage Fee Programs in Other Jurisdictions** – Section E. provides information regarding adopted linkage fee programs in jurisdictions throughout the Bay Area and elsewhere in California.

### A. Multifamily Apartment Financial Feasibility Analysis

In adopting or amending affordable housing requirements, cities typically consider a variety of public policy goals including seeking a balance between producing a meaningful amount of new affordable units and establishing requirements at a level that can be sustained by new market rate projects. This section addresses the potential impacts that new housing impact fees could have on the feasibility of new multi-family apartment projects. The analysis is specific to the West Valley cities of Campbell, Saratoga, and Los Altos.

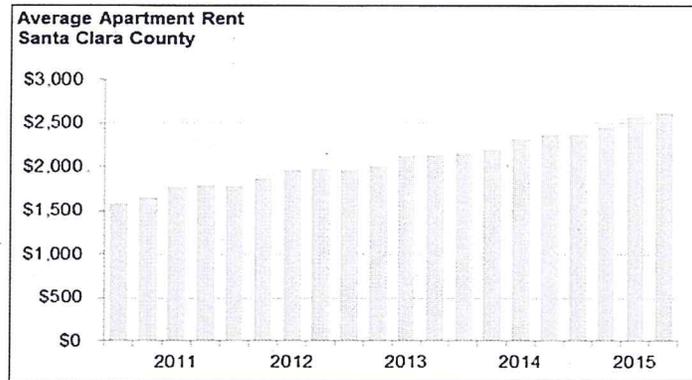
The financial feasibility analysis is focused on rental projects because the City's inclusionary housing requirements for rental projects have not been enforceable since the 2009 *Palmer* decision and adoption of a new rental impact fee would represent an additional cost that would need to be absorbed within the economics of rental projects. In contrast, feasibility of for-sale projects was not analyzed as the City's inclusionary housing policy is already reflected in development economics of new for-sale projects.

Before describing the feasibility analysis, it is useful to put the feasibility analysis into perspective by summarizing how it can be used and where limitations exist in its ability to inform a longer-term policy direction:

- **Prototypical Nature of Analysis** – This financial feasibility analysis, by its nature, can only provide a general assessment of development economics because it is based on prototypical projects rather than specific projects. Every project has unique characteristics that will dictate rents supported by the market as well as development costs and developer return requirements. This feasibility analysis is intended to reflect prototypical apartment projects in the cities of Campbell, Saratoga, and Los Altos but it is recognized that the economics of some projects will likely look better and some likely worse than those of the prototype analyzed.
- **Near Term Time Horizon** – This feasibility analysis is a snapshot of real estate market conditions as of early 2016. The analysis is most informative regarding near term implications a housing impact fee could have for projects that have already purchased sites and are currently in the pre-development stages. Real estate development economics are fluid and are impacted by constantly changing conditions regarding rent potential, construction costs, land costs, and costs of financing. A year or two from now, conditions will undoubtedly be different.
- **Adjustments to Land Costs over Time** – Developers purchase development sites at values that will allow for financially feasible projects. If a housing fee is put in place, developers will “price in” the requirement when evaluating a project’s economics and negotiating the purchase price for development sites. Given that the requirements will apply to all or most projects, it is possible that downward pressure on land costs could result as developers adjust what they can afford to pay for land. This downward pressure on land prices can, at least to some degree, bring costs back into better balance with the overall economics supported by projects.

### *Apartment Market Context*

Like most parts of the Bay Area, Santa Clara County has experienced improving apartment market conditions (for new development) in recent years as exhibited by rising rents and occupancy rates. The improvement in market conditions is attributable to robust regional job growth and the overall strength of the regional economy.



Source: RealAnswers

Many parts of Santa Clara County have experienced significant new investment in market rate apartment development in recent years due to the rapid rise in job growth and apartment rental rates as well as the availability of low cost investment capital (debt and equity).

### *Financial Feasibility Analysis*

The financial feasibility analysis estimates the costs to develop a new apartment project and the rental income that could be generated by the project upon completion. If the rental income is sufficient to support the development costs and generate a sufficient profit margin, the project is considered feasible. This approach to financial feasibility, known as a pro forma approach or income approach, is common practice in the real estate industry and is utilized in one form or another by all developers when analyzing new construction projects.

This analysis organizes the pro forma as a “land residual analysis”, meaning the pro forma solves for what the project can afford to pay for a development site based on the income projections and the non-land acquisition costs of the project. It then compares the residual land values with land costs in the current market in order to test whether developers can afford to buy land and develop projects. The following describes the assumptions utilized in the analysis and the conclusions drawn therefrom.

- The direct construction costs of development include all contractor labor and material costs to construct the project including general requirements, contractor fees, and contingencies. As shown in Table 1 (page 24), the direct construction costs are estimated at \$253,000/unit. This estimate has been made based on third party construction data sources, such as RS Means, and by cost estimates for similar building types elsewhere in the market. Indirect costs of development include architecture and engineering (A&E) costs, municipal fees and permits costs, taxes, insurance, overhead, and debt financing costs. These costs have been estimated at \$103,000/unit.
- Rental income for the apartment prototype has been estimated based on apartment rent comps. Rents are estimated at \$3,900/month, or \$3.55/square foot/month. After a

vacancy factor, operating expenses, and property taxes, the net operating income (NOI) is estimated at \$33,900/unit/year. Using this NOI and applying a 5.5% project return, the project value/supported investment is estimated at \$616,000/unit.

- The residual land value is derived by subtracting the development costs before land acquisition from the project value/supported investment. As shown in Table 1 (page 24), the residual land value without a housing fee for the apartment prototype at 20 units per acre is approximately \$260,000/unit or \$119/square foot of land area.

Once the residual land values have been estimated, the values can be compared to prevailing land values in the market to determine whether the prototypes are financially feasible. In other words, if the residual land values are equal to or higher than market land values, then projects are generally feasible. Conversely, if the residual land values are less than market land values, some improvement in market conditions (lower development costs or higher housing values) will be needed for feasibility.

#### *Land Value Supported*

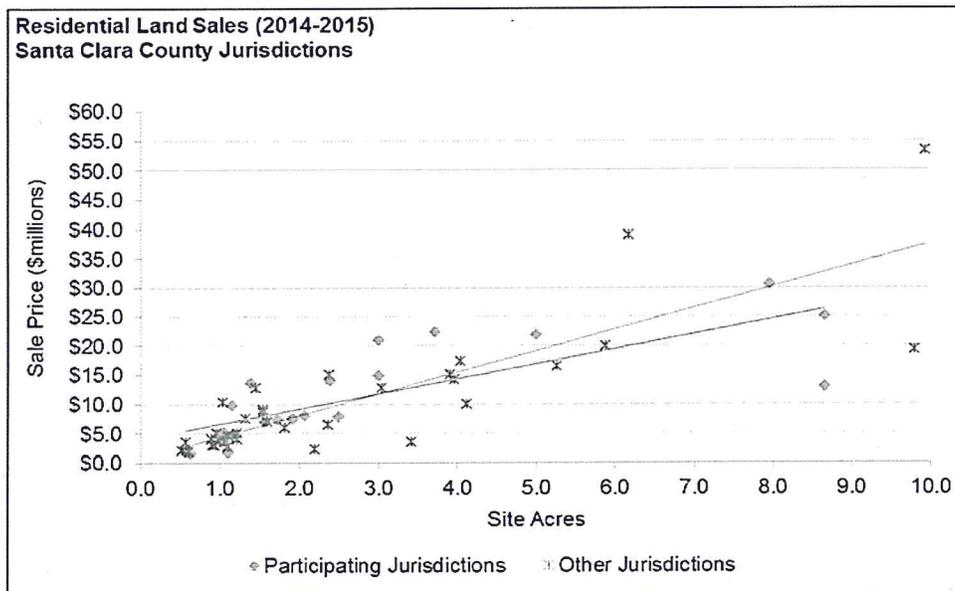
The feasibility analysis summarized in Table 1 on the next page indicates that apartment projects in the West Santa Clara County jurisdictions (cities of Campbell, Saratoga, and Los Altos), assumed at 20 units per acre on average, can afford to pay on average \$119/square foot for land with no affordable housing fee in place. The analysis also tested the land value supported with illustrative fee scenarios of \$10 to \$40 per net square foot. As shown, the supported land value decreases by approximately \$5 per square foot of land for each \$10 per square foot in fees added. The highest illustrative fee tested of \$40 per square foot, which is approaching the maximum supported by the nexus, is estimated to bring the residual land values to just under \$100 per square foot.

**Table 1. Summary of Apartment Feasibility Analysis  
West Santa Clara County Jurisdictions**

Program		
Average Unit Size	1,100 sf (NSF)	
Average Bedrooms	2 bedrooms	
Density	20 du/acre	
Parking	Surface	
Development Costs	\$/NSF	\$/Unit
<u>Directs</u>	\$230	\$253,000
<u>Indirects</u>		
A&E	\$12	\$13,000
Fees & Permits (excl. Affordable)	\$36	\$40,000
Overhead & Administration	\$9	\$10,000
Other Indirects	\$21	\$23,000
Debt Financing Costs	\$15	\$17,000
Total Indirects	\$94	\$103,000
Total Costs before Land	\$324	\$356,000
Operating Income	\$/NSF	\$/Unit
Gross Income (\$3,900 rent + other income)	\$44	\$48,100
(Less) Vacancy (5%)	(\$2)	(\$2,400)
(Less) Operating Expenses & Taxes	(\$11)	(\$11,800)
Net Operating Income (NOI)	\$31	\$33,900
Threshold Return on Cost	5.50% ROC	
Total Supported Private Investment	\$560	\$616,000
Residual Land Value with Illustrative Fees	\$/Land SF	\$/Unit
Land Value: No Affordable Housing Fee	\$119	\$260,000
<u>Land Values With Illustrative Fee Scenarios</u>		
<i>Illustrative Fee at \$10/square foot</i>	<i>\$114</i>	<i>\$249,000</i>
<i>Illustrative Fee at \$20/square foot</i>	<i>\$109</i>	<i>\$238,000</i>
<i>Illustrative Fee at \$30/square foot</i>	<i>\$104</i>	<i>\$227,000</i>
<i>Illustrative Fee at \$40/square foot</i>	<i>\$99</i>	<i>\$216,000</i>

## Prevailing Land Values

In order to assess prevailing land values for residential development in the Santa Clara County jurisdictions, KMA reviewed relevant land sale comparables (comps) in 2014 and 2015 as well as recent residential land appraisals. The median sale price of the land comps located within the participating Santa Clara County jurisdictions was \$92/square foot. In general, land values will be higher in superior locations such as those with convenient proximity to job centers, public transit, retail and commercial services, and freeway access, as well as for sites that are of ideal size and configuration and have appropriate entitlements for near-term residential development.



Land sales in participating jurisdictions include cities of Santa Clara, Milpitas, Campbell, and Saratoga. Median sale price in participating jurisdictions = \$92/square foot. Land sales in other jurisdictions include Mountain View, Sunnyvale, San Jose, and Cupertino.

Based on the fact that the land sales reviewed for this analysis occurred in 2014 and 2015, the values today would be higher after accounting for land value appreciation. In general, values for the West County jurisdictions of Campbell, Los Altos, and Saratoga will also likely be higher than in Santa Clara and Milpitas given the higher residential values in these cities; however, information is limited due to the very few recorded land transactions occurring in these cities. We estimate land values are in the \$100 to \$120 per square foot range for a vacant or developable site, which is within the same range as the \$119 per square foot land value supported by the economics of new multifamily apartment projects as estimated in Table 1 (page 24). As noted in the beginning of this section, due to the prototype approach to this analysis, some apartment projects will probably support a somewhat higher land value and some projects will support a somewhat lower land value based on location, site, and other individual project considerations.

### *Feasibility Conclusion*

The analysis indicates that the economics of multifamily rental projects are strong under current market conditions and that projects are generally feasible. This finding is consistent with recent development activity in Campbell and Los Altos which includes several recently completed and approved apartment projects.

### *Potential Market Adjustments to Absorb New Fees*

In a strong market, developers are often faced with increasing competition for building sites. These conditions can drive up the cost of land and will have a tendency to absorb any "surplus" projects might have had in their economics. Construction costs can also rise when development activity is strong. As a result, even under the strongest of conditions, projects usually do not have a "surplus" in their pro formas available to absorb new fees. However, markets are able to adjust to new fees just as they adjust to other changing market conditions such as rents and construction costs. Just as strong feasibility conditions contribute to increasing land prices, a new fee can contribute to downward pressure on land prices as developers must build the new fee into the economics of their projects and may adjust what they are willing to pay for land as a result. This can help offset, at least to some degree, the increased cost of a new fee.

Since the feasibility analysis is a snapshot in time analysis based on current market conditions, it can be instructive to consider how relatively modest improvements in project economics (e.g. continued strong increases in rents paired with more moderated increases in construction costs) can help to absorb a new fee. By way of illustration, a \$20/square foot fee could be absorbed by any of the following market adjustments:

- An approximately 2% increase in rents
- An approximately 8.7% decrease in direct construction costs
- An approximately 8.5% decrease in land costs

Additional examples of potential market adjustments at illustrative fee levels of \$10, \$30 and \$40 per square foot are shown in the table below. These calculations can be made for any fee level that may be considered.

#### **Potential Market Adjustments to Absorb New Fees**

Potential Market Adjustments to Absorb Illustrative Fee Levels					
	<u>Each \$1 Fee</u>	<u>\$10 Fee</u>	<u>\$20 Fee</u>	<u>\$30 Fee</u>	<u>\$40 Fee</u>
Increase in Rents/Income	0.11%	1.1%	2.2%	3.3%	4.5%
Decrease in Direct Costs	0.43%	4.3%	8.7%	13.0%	17.4%
Decrease in Land Values (based on \$119/sf)	0.42%	4.2%	8.5%	12.7%	16.9%

## **B. On-Site Compliance Cost Analysis**

The inclusionary program in Campbell requires developers of new for-sale projects to set aside 15% of units for low and moderate income households. KMA estimated the foregone revenue for the developer when units are sold at affordable prices; this is referred to as the 'onsite compliance costs.' KMA notes that the 'cost' is compared to the hypothetical condition of no requirement. As Campbell has long had its inclusionary program in place, land values for residential development have adjusted to absorb this cost, as any developer acquiring land knows how the obligation will affect their project's economics. A primary purpose of the onsite compliance analysis is to enable an understanding of the cost associated with complying with the City's existing inclusionary requirements, which is often useful as context for consideration of potential fee obligations.

KMA modeled the onsite compliance costs for two scenarios: 15% of units at Moderate and 15% of units at Low. The City typically requires developers to provide a mix of Moderate and Low Income units; the two scenarios KMA modeled represent the low and high ends of onsite compliance costs given the City's current requirements. Table 2 (page 28) presents our estimates of onsite compliance costs for ownership units. With current market rate sales prices, the cost to a developer associated with designating 15% of units at Moderate ranges from \$48,000 to \$170,000 per market rate unit or \$47 to \$57 per net square foot, depending on the prototype. The cost to a developer associated with designating 15% of units at Low Income ranges from \$77,000 to \$207,000 per market rate units, or \$67 to \$77 per net square foot. Rental projects were not included in the analysis because inclusionary requirements for rentals have not been enforceable since the 2009 Palmer decision. These figures should not be interpreted as recommended fee levels.

**TABLE 2  
COST OF ONSITE COMPLIANCE AND EQUIVALENT IN-LIEU FEES  
CITY OF CAMPBELL, CA**

		Prototype 1 Large Lot Single Family Detached 3,000 sq ft 4		Prototype 2 Small Lot Single Family Detached 1,800 sq ft 3.25		Prototype 3 Townhome 1,500 sq ft 3		Prototype 4 Condominium 1,000 sq ft 1.5	
Unit Size <sup>1</sup>									
Number of Bedrooms <sup>1</sup>									
<b>Market Rate</b>		<b>Per SF</b>	<b>Per Unit</b>	<b>Per SF</b>	<b>Per Unit</b>	<b>Per SF</b>	<b>Per Unit</b>	<b>Per SF</b>	<b>Per Unit</b>
Sales Prices <sup>1</sup>		\$530	\$1,590,000	\$556	\$1,000,000	\$583	\$875,000		\$650,000
<b>Affordable Prices<sup>2</sup></b>			<b>Per Unit</b>		<b>Per Unit</b>		<b>Per Unit</b>		<b>Per Unit</b>
At Moderate Income (110%)			\$454,650		\$431,025		\$401,250		\$330,625
At Low Income (70%)			\$210,150		\$200,100		\$174,750		\$138,200
<b>Affordability Gap<sup>3</sup></b>			<b>Per Unit</b>		<b>Per Unit</b>		<b>Per Unit</b>		<b>Per Unit</b>
Per Affordable Moderate Unit			\$1,135,350		\$568,975		\$473,750		\$319,375
Per Affordable Low Unit			\$1,379,850		\$799,900		\$700,250		\$511,800
<b>Cost of Onsite Compliance</b>		<b>Per SF</b>	<b>Per Unit</b>	<b>Per SF</b>	<b>Per Unit</b>	<b>Per SF</b>	<b>Per Unit</b>	<b>Per SF</b>	<b>Per Unit</b>
Inclusionary Percentage @	15% Mod	\$57	\$170,303	\$47	\$85,346	\$47	\$71,063	\$48	\$47,906
Inclusionary Percentage @	15% Low	\$69	\$206,978	\$67	\$119,985	\$70	\$105,038	\$77	\$76,770

1. See Residential Nexus Analysis Table A-1.

2. Estimate calculated by KMA based on standard affordable pricing assumptions and may not reflect City's methodology.

3. The difference between the market rate sales prices and the restricted affordable price.

**TABLE 2A**  
**ESTIMATED AFFORDABLE HOME PRICE - Moderate Income**  
**CITY OF CAMPBELL, CA**

Unit Size Household Size	Condo	Condo	Townhome	SFD	SFD
	1-Bedroom Unit 2-person HH	2-Bedroom Unit 3-person HH	3-Bedroom Unit 4-person HH	3-Bedroom Unit 4-person HH	4-Bedroom Unit 5-person HH
Area Median Income, Santa Clara County 2016	\$85,700	\$96,400	\$107,100	\$107,100	\$115,650
Annual Income at 110%	\$94,270	\$106,040	\$117,810	\$117,810	\$127,215
% for Housing Costs	35%	35%	35%	35%	35%
Available for Housing Costs	\$32,995	\$37,114	\$41,234	\$41,234	\$44,525
(Less) Property Taxes	(\$3,696)	(\$4,236)	(\$4,812)	(\$5,076)	(\$5,460)
(Less) HOA	(\$4,200)	(\$4,200)	(\$3,300)	\$0	\$0
(Less) Utilities	(\$1,116)	(\$1,116)	(\$1,776)	(\$3,144)	(\$3,552)
(Less) Insurance	(\$500)	(\$700)	(\$800)	(\$800)	(\$900)
(Less) Mortgage Insurance	(\$3,956)	(\$4,523)	(\$5,144)	(\$5,427)	(\$5,832)
Income Available for Mortgage	\$19,527	\$22,340	\$25,402	\$26,787	\$28,781
Mortgage Amount	\$293,000	\$335,200	\$381,200	\$402,000	\$431,900
Down Payment (homebuyer cash)	\$15,400	\$17,650	\$20,050	\$21,150	\$22,750
Supported Home Price	\$308,400	\$352,850	\$401,250	\$423,150	\$454,650
<b>Key Assumptions</b>					
- Mortgage Interest Rate <sup>(1)</sup>	5.30%	5.30%	5.30%	5.30%	5.30%
- Down Payment <sup>(2)</sup>	5.00%	5.00%	5.00%	5.00%	5.00%
- Property Taxes (% of sales price) <sup>(3)</sup>	1.20%	1.20%	1.20%	1.20%	1.20%
- HOA (per month) <sup>(4)</sup>	\$350	\$350	\$275	\$0	\$0
- Utilities (per month) <sup>(5)</sup>	\$93	\$93	\$148	\$262	\$296
- Mortgage Insurance (% of loan amount)	1.35%	1.35%	1.35%	1.35%	1.35%

<sup>(1)</sup> Mortgage interest rate based on 15-year Freddie Mac average; assumes 30-year fixed rate mortgage.

<sup>(2)</sup> Down payment amount is an estimate for Moderate Income homebuyers.

<sup>(3)</sup> Property tax rate is an estimated average for new projects.

<sup>(4)</sup> Homeowners Association (HOA) dues is an estimate for the average new project.

<sup>(5)</sup> Utility allowances from Santa Clara County Housing Authority (2016).

**TABLE 2B**  
**ESTIMATED AFFORDABLE HOME PRICE - Low Income**  
**CITY OF CAMPBELL, CA**

Unit Size Household Size	Condo		Townhome	SFD	SFD
	1-Bedroom Unit 2-person HH	2-Bedroom Unit 3-person HH	3-Bedroom Unit 4-person HH	3-Bedroom Unit 4-person HH	4-Bedroom Unit 5-person HH
Area Median Income, Santa Clara County 2016	\$85,700	\$96,400	\$107,100	\$107,100	\$115,650
Annual Income at 70%	\$59,990	\$67,480	\$74,970	\$74,970	\$80,955
% for Housing Costs	30%	30%	30%	30%	30%
Available for Housing Costs	\$17,997	\$20,244	\$22,491	\$22,491	\$24,287
(Less) Property Taxes	(\$2,064)	(\$2,400)	(\$2,772)	(\$3,036)	(\$3,252)
(Less) HOA	(\$4,200)	(\$4,200)	(\$3,300)	\$0	\$0
(Less) Utilities	(\$1,116)	(\$1,116)	(\$1,776)	(\$3,144)	(\$3,552)
(Less) Insurance	(\$500)	(\$700)	(\$800)	(\$800)	(\$900)
(Less) Mortgage Insurance	(\$2,201)	(\$2,565)	(\$2,970)	(\$3,240)	(\$3,483)
Income Available for Mortgage	\$7,917	\$9,263	\$10,873	\$12,271	\$13,100
Mortgage Amount	\$118,800	\$139,000	\$163,200	\$184,100	\$196,600
Down Payment (homebuyer cash)	\$8,600	\$10,000	\$11,550	\$12,650	\$13,550
Supported Home Price	\$127,400	\$149,000	\$174,750	\$196,750	\$210,150
<b>Key Assumptions</b>					
- Mortgage Interest Rate <sup>(1)</sup>	5.30%	5.30%	5.30%	5.30%	5.30%
- Down Payment <sup>(2)</sup>	5.00%	5.00%	5.00%	5.00%	5.00%
- Property Taxes (% of sales price) <sup>(3)</sup>	1.20%	1.20%	1.20%	1.20%	1.20%
- HOA (per month) <sup>(4)</sup>	\$350	\$350	\$275	\$0	\$0
- Utilities (per month) <sup>(5)</sup>	\$93	\$93	\$148	\$262	\$296
- Mortgage Insurance (% of loan amount)	1.35%	1.35%	1.35%	1.35%	1.35%

(1) Mortgage interest rate based on 15-year Freddie Mac average; assumes 30-year fixed rate mortgage.  
(2) Down payment amount is an estimate for Low Income homebuyers.  
(3) Property tax rate is an estimated average for new projects.  
(4) Homeowners Association (HOA) dues is an estimate for the average new project.  
(5) Utility allowances from Santa Clara County Housing Authority (2016).

## C. Residential Affordable Housing Requirements in Other Jurisdictions

The affordable housing requirements adopted by other jurisdictions are almost always of interest to decision making bodies. Cities inevitably want to know what their neighbors have in place for affordable housing requirements, and often want to examine other cities that are viewed as comparable on some level. The body of information on other programs not only presents what others are adopting, but also illustrates the broad range in program design and customized features available to meet local needs.

The work program design for Multi Jurisdiction Nexus Studies anticipated wide interest in the comparison jurisdictions to be covered. To keep the comparison task manageable, the participating cities and counties voted as to which cities were of greatest interest for inclusion in the comparison survey. For the most part, the participants selected their neighbors and the larger cities of the local region as being of most interest. It was a given that the existing requirements of all participant cities and counties would also be included. Ultimately, eight cities in Santa Clara County and ten cities in Alameda County were selected for inclusion in the comparison material.

A four-page chart summarizes the key features of the eighteen cities in the survey (Table 3, page 34). Neither of the two participating counties have yet adopted affordable housing requirements. The chart was designed to focus on the major components of each city's program that would be most relevant to decision making by the participating jurisdictions, primarily the thresholds, the fee levels and on-site affordable unit requirements.

### 1. Findings from the Survey

#### *Thresholds for On-Site Affordable Requirement*

- Whether or not for-sale development projects have the choice “as of right” between paying a fee or doing on-site units is a critical feature of any program. In the eight Santa Clara jurisdictions, six require on-site units and offer no fee “buy out” without a special City Council procedure. Only San Jose and Milpitas offer the fee choice at this time. In contrast, of the ten Alameda jurisdictions, most offer fee payment “as of right.”
- Most fee options are less costly to the developer than providing on-site units. High fees are necessary if the choice between building units or paying fees is to be at all competitive. The high fee cities, such as Fremont, aim to present a real choice and achieve some on-site compliance units as well as fee revenues.
- With the loss of redevelopment and tax increment resources dedicated to housing, many cities have revised their programs to generate more fee revenues. Programs can be

revised to so as to alter options or incentives for projects to provide on-site units versus pay a fee based on the City's preferences.

- The loss of redevelopment has also motivated some cities to lower minimum project sizes to collect fees on very small projects, even single units. Several Santa Clara cities in the chart have adjusted their thresholds down to three to five units for fee payment, and the recently updated Cupertino program goes down to single units. The nexus analysis fully demonstrates the impact generated by single units, and as a result, some cities view charging very small projects and single units a matter of fairness and equity in an "everybody contributes" approach to meeting affordable housing challenges.
- Following the *Palmer* decision, impact fees have been the only avenue for instituting affordable housing requirements on rentals. On-site affordable units are sometimes permitted or encouraged as an alternative to fee payment.

#### *Fee Levels*

- Impact fee levels for rentals in the cities of north and west Santa Clara County cluster in the \$15 to \$20 per square foot range for rentals, notably San Jose, Mountain View, Sunnyvale, and Cupertino. Most other cities have not yet adopted impact fees on rentals.
- Fees on for sale units, where permitted, in the Santa Clara cities reflect a range of approaches and levels. Several Silicon Valley cities charge fees as a percent of sales price, a practice not used much outside of Silicon Valley. The percent of sales prices reflects the higher impacts of higher priced units, borne out in the nexus analysis. The approach also scales fees in proportion to the revenue projects would forgo were a portion of units to be made affordable on-site.
- In the East Bay, Fremont is notable for its higher fees and obligation to provide both units and pay fees. To the north of Fremont, the cities of Hayward and Union City have lower fee structures. Oakland is a new adoption that will phase in fees up to \$23,000 per market rate unit, less than Berkeley but higher than neighbors to the south.
- East of the hills, some programs like Pleasanton, have been in place for decades but are more modest than most of the newer ones. Dublin is, in many ways, its own special case, with vigorous development activity and affordable unit requirements.

#### *On-Site Requirements*

- The Santa Clara cities (excluding Milpitas) have programs in the 10% to 20% range, with 15% most common.

- For the Santa Clara County programs, the affordability level applicable to for-sale projects is usually in the moderate income range, with pricing of on-site units ranging from 90% to 120% AMI, depending on the city. A few cities, including Campbell and Los Altos, do seek some units down to Low Income.
- In Alameda cities, on-site requirements are most commonly at the 15% level. Berkeley has a 20% requirement, while Hayward and Oakland have lower requirements. The Fremont percentage is lower but a fee is owed in addition to on-site units.

## 2. Other General Comments

- Impact / in-lieu fees are presented at adopted levels. Where a multi-year phase-in has been adopted, such as the new Oakland program, the full phase in amount is shown with clarification in the bottom comment section of the chart. Fees on rentals are included only when they have been adopted as impact fees, following the *Palmer* California Supreme Court ruling which precludes on-site requirements and their in-lieu fee alternatives.
- Fees are expressed in different ways from one city to the next. Some fees are charged per square foot, some are a flat fee per market rate unit, and some are charged per affordable unit owed, which is almost always over \$100,000 in the Bay Area.
- On-Site Requirement/Option for Rentals. Many city codes continue to include on-site requirement language for rental projects because codes have not been updated since the *Palmer* ruling and requirements are not being applied (except through negotiation). These requirements are not included in the chart.
- The income levels of the affordable units that are required are summarized in terms of both “eligibility” or “qualifying” levels and the pricing level that is used to establish the purchase price or rent level of the unit. The pricing level is the critical one insofar as the developer’s obligation is concerned. The most typical choice for pricing level is to be consistent with the affordable housing cost definitions in the California Health & Safety Code 50052.5 and 50053.
- Virtually all cities that have on-site requirements for for-sale residential projects without the choice of fee payment, do allow fee payment with special City Council approval. Therefore, the chart notes this feature only by way of a footnote. The City’s practice in granting such approvals may be more consequential than what may be written.

For more complete information on the programs, please consult the website and code language of the individual cities.

**TABLE 3  
COMPARISON OF AFFORDABLE HOUSING REQUIREMENTS - RESIDENTIAL  
PARTICIPATING JURISDICTIONS: SANTA CLARA COUNTY<sup>1</sup>  
AFFORDABLE HOUSING NEXUS ANALYSES**

	<b>Campbell</b> 2006	<b>Los Altos</b> Est. 1995, update 2009	<b>Milpitas</b> 2015	<b>Santa Clara City</b> Est. 1991, update 2006
<b>Year Adopted / Updated</b>				
<b>Minimum Project Size</b>				
For In-lieu/Impact Fee	FS, <6du/Ac: 10 units FS, >6 du/Ac: n/a	n/a	FS/R: 5 units	n/a
For Build Requirement	FS, <6du/Ac: n/a FS, >6du/Ac: 10 units	FS: 5 units	no build req.	FS: 10 units
<b>Impact / In-Lieu Fee</b>	FS: \$34.50 /sf	none	FS/R: 5% building permit value	FS: Fractional units only (Market Value - Affordable Price) x fractional unit
<b>Onsite Requirement/Option</b>				
Percent of Total Units	FS: 15%	FS: 10%	FS/R: 5%	FS: 10%
Income Level for Qualification	FS: Low and Moderate	FS: Moderate If <10 units, one unit at Low.	FS/R: Low and Very Low	FS: Very Low to Moderate
Income Level for Pricing(% AMI) [homeowner or renter housing cost]	FS: Moderate @ 110% Low @ 70%	Not Specified.	Not specified.	Not specified.
<b>Fractional Units</b>	<0.5: round down, >0.5: round up	provide unit	not specified	pay fee or provide unit
<b>Comments</b>	code does not specify allocation between Low and Moderate; staff indicates approximately 50/50 allocation has been the experience.	<4 du/Ac: no requirement. Also, requirements may be waived by City Council for projects of 9 units or less.	In-lieu/impact fee introduced as temporary measure while City prepares formal nexus study. Fee has not yet been assessed.	Policy established in the City's General Plan; compliance voluntary but encouraged.

**Abbreviations:**

R = Rental  
du = Dwelling Unit

FS = For Sale  
Ac = Acre

/sf = per square foot  
AMI =Area Median Income

MF = Multi-Family  
SF = Single Family

1. Santa Clara County and Saratoga do not currently have an inclusionary housing requirement.

Notes: This chart presents an overview, and as a result, terms are simplified. For use other than general comparison, please consult the code and staff of the jurisdiction.

Virtually all cities that do not allow fee payment by right allow developers to seek Council approval of fee payment instead of on-site units, in addition to providing options for off-site construction and land dedication.

**TABLE 3  
COMPARISON OF AFFORDABLE HOUSING REQUIREMENTS - RESIDENTIAL  
NON-PARTICIPATING JURISDICTIONS: SANTA CLARA COUNTY  
AFFORDABLE HOUSING NEXUS ANALYSES**

	<b>Cupertino</b>	<b>Mountain View</b>	<b>San Jose</b>	<b>Sunnyvale</b>
<b>Year Adopted / Updated</b>	Est. 1992, update 2015	Est. 1999, rental impact fee in 2012, update 2015	Est. 2010. Rental Fee 2014.	Update 2015
<b>Minimum Project Size</b> For In-lieu/Impact Fee	FS/R: 1 unit	FS: 3 units R: 5 units <b>Mixed FS/R: 6 units</b>	FS: 20 units R: 3 units	FS: 8 units R: 4 units
For Build Requirement	FS: 7 units	FS: 10 units	no build req.	FS: 20 units
<b>Impact / In-Lieu Fee</b>	FS: <i>Detached</i> \$15/sf, <i>Attached</i> \$16.50/sf, <i>MF</i> \$20/sf R: <35 du/Ac \$20/sf, >35 du/Ac \$25/sf	FS: 3% of sales price R: \$17/sf	FS: based on affordability gap R: \$17 /sf	FS: 7% of sales price R: \$8.50/sf (4-7 units), \$17/sf (8+ units)
<b>Onsite Requirement/Option</b> Percent of Total Units	FS/R: 15%	FS/R: 10%	FS: 15%	FS: 12.5% R: On-site credits (see below)
Income Level for Qualification	FS: 1/2 Median 1/2 Moderate R: 40% Low, 60% Very Low	FS: Median R: Low	FS: Moderate	FS: Moderate
Income Level for Pricing(% AMI) [homeowner or renter housing cost]	FS: Moderate @ 110%, Median @ 90% R: Low @ 60%, Very Low @ 50% AMI	FS: One unit: 90% AMI Multiple units: 80 - 100% AMI R: Ranges btwn 50-80% AMI	Moderate @ 110% AMI	Moderate @ 100% AMI
<b>Fractional Units</b>	<.5 unit owed: pay fee .5+ unit owed: round up	pay fee or provide unit	R: pay fee FS: pay fee or provide unit	pay fee or provide unit
<b>Comments</b>			Inclusionary zoning to be reinstated 2016. Downtown highrises exempt from impact fee for five years.	On-site rental: developer credited \$300,000/du (Very Low), \$150,000/du (Low). Projects with fewer than 20 units are eligible to pay in-lieu fee.

Abbreviations:

R = Rental  
du = Dwelling Unit

FS = For Sale  
Ac = Acre

/sf = per square foot  
AMI =Area Median Income

MF = Multi-Family  
SF = Single Family

**Notes:** This chart presents an overview, and as a result, terms are simplified. For use other than general comparison, please consult the code and staff of the jurisdiction. Virtually all cities that do not allow fee payment by right allow developers to seek Council approval of fee payment instead of on-site units, in addition to providing options for off-site construction and land dedication.

**TABLE 3**  
**COMPARISON OF AFFORDABLE HOUSING REQUIREMENTS - RESIDENTIAL**  
**PARTICIPATING JURISDICTIONS: ALAMEDA COUNTY<sup>1</sup>**  
**AFFORDABLE HOUSING NEXUS ANALYSES**

	Albany	Fremont	Hayward	San Leandro	Union City
<b>Year Adopted / Updated</b>	2005	Est. 2002, update 2015, full phase-in 2017	Update 2015	2004	Est. 2001, update 2006
<b>Minimum Project Size</b>					
For In-lieu/Impact Fee	FS: 5 units	FS/R: 2 units	FS/R: 20 units	FS: 2 units	n/a
For Build Requirement	FS: 7 units	no build req.	no build req.	FS: 7 units	FS: 1 unit
<b>Impact / In-Lieu Fee</b>	FS: (Market Value - Affordable Price) x units owed	FS: Attached \$27.00 no units, \$18.50 w/ aff units Detached \$26.00 no units, \$17.50 w/ aff units,  R: \$17.50 no map, \$27.00 w/ map	FS: Attached \$3.24/sf, Detached \$4/sf R: \$3.24/sf	FS: (Median Sale Price - Affordable Price) x units owed	FS: <7 units: \$160,000 /du owed, 7+ units: \$180 /sf owed
<b>Onsite Requirement/Option</b>					
Percent of Total Units	FS: 15%	FS: Attached 3.5% plus \$18.50/sf Detached 4.5% plus \$17.50/sf R: 12.9%	FS: Attached 7.5%, Detached 10% R: Attached 7.5%, Detached 10%	FS: 15%	FS: 15%
<b>Income Level for Qualification</b>	FS: <10 units: Low 10+ units: 50% Low, 50% Very Low	FS: Moderate Income R: 19% Extremely Low, 33% Very Low, 25% Low, 24% Moderate	FS: Moderate Income R: 50% Low, 50% Very Low	FS: 60% Moderate, 40% Low	FS: 60% Moderate, 30% Median, 10% Low.
<b>Income Level for Pricing(% AMI)</b> [homeowner or renter housing cost]	Not specified.	FS: Moderate @ 110% AMI (120% w/approval) R: Low @ 60% AMI, Very Low @ 50% AMI, Extremely Low @ 30% AMI	FS: Moderate @ 110% AMI R: Low @ 60% AMI Very Low @ 50% AMI	FS: Moderate @ 110% AMI, Low @ 70% AMI	FS: Moderate @ 110% AMI, Median not specified (80-100%) Low @ 70% AMI
<b>Fractional Units</b>	<0.5: pay fee, >0.5: provide unit	pay fee or provide unit	pay fee or provide unit	<0.5: round down, >0.5: round up	pay fee or provide unit
<b>Comments</b>		Full phase-in levels shown. Rental projects with a subdivision map pay the higher fee. FS projects req. to provide onsite units and pay fee.		Fee calculated based on current median sales price. No fees owed since 2008.	Fee payment with City approval only. Single-unit, owner occupied projects exempt.

Abbreviations:

R = Rental  
du = Dwelling Unit

FS = For Sale  
Ac = Acre

/sf = per square foot  
AMI = Area Median Income

MF = Multi-Family  
SF = Single Family

1. Alameda County (not displayed) does not currently have an affordable housing requirement.

Notes: This chart presents an overview, and as a result, terms are simplified. For use other than general comparison, please consult the code and staff of the jurisdiction.

Virtually all cities that do not allow fee payment by right allow developers to seek Council approval of fee payment instead of on-site units, in addition to providing options for off-site construction and land dedication.

**TABLE 3**  
**COMPARISON OF AFFORDABLE HOUSING REQUIREMENTS - RESIDENTIAL**  
**NON-PARTICIPATING JURISDICTIONS: ALAMEDA COUNTY**  
**AFFORDABLE HOUSING NEXUS ANALYSES**

	Alameda (city)	Berkeley	Dublin	Oakland	Pleasanton
<b>Year Adopted / Updated</b>	2003	Est. 1986, rental fee 2011, update proposed 2016	Est. 1997, update 2005	2016	Est. 1978, update 2000.
<b>Minimum Project Size</b>					
For In-lieu/Impact Fee	FS: 5 units	FS/R: 5 units	FS/R: 20 units	FS/R: 1 unit	FS/R: 15 units
For Build Requirement	FS: 10 units	no build req.	FS/R: 20 units (partial)	no build req.	no build req.
<b>Impact / In-Lieu Fee</b>	FS: \$18,431/du	FS: 62.5% x (Sale Price - Affordable Price) x units owed R: Current \$28,000/du Proposed \$34,000/du	FS/R: \$127,061 per aff unit owed (in addition to on-site)	FS/R: MF \$12,000-\$22,000, SF Attached \$8,000-\$20,000, SF Detached \$8,000-\$23,000	FS/R: MF \$2,783/du, SF <1,500 sq ft: \$2,783/du, >1,500 sq ft: \$11,228/du
<b>Onsite Requirement/Option</b>					
Percent of Total Units	FS: 15%	FS: 20% R: Current 10%, Proposed 20%	FS/R: 7.5%, plus fee (12.5% without fee)	FS/R: Option A 5% or Option B 10%	FS/R: MF 15% SF 20%
Income Level for Qualification	FS: 47% Moderate, 27% Low, 27% Very Low	FS: Low R: Current Very Low Proposed 1/2 Very Low, 1/2 Low	FS: 60% Moderate, 40% Low R: 50% Moderate, 20% Low, 30% Very Low	FS/R: Option A Very Low Option B Low and Moderate	FS: MF Low SF Moderate
Income Level for Pricing(% AMI) [homeowner or renter housing cost]	FS: Moderate @ 110%, Low @ 70%, Very Low @ 50%	FS: Low @ 80% R: Low at 81%, Very Low at 50%.	FS: Moderate @ 110%, Low @ 70% R: Moderate @ 110%, Low @ 80%, Very Low @ 50%	FS: Moderate @ 110%, Low @ 70%, Very Low @ 50% R: Moderate 110%, Low @ 60%, Very Low @ 50%	FS: MF 80% AMI SF 120% AMI
<b>Fractional Units</b>	<0.5: round down, >0.5: round up	pay fee	<0.5: round down, >0.5: round up	pay fee or provide unit	<0.5: round down, >0.5: round up
<b>Comments</b>		Council has directed City Manager to draft ordinance with proposed changes to rental program.		Fees vary by neighborhood. Fees phased in through 2020. Full fee levels shown. On-site: May choose Option A or B. Based on draft ordinance prepared for April 19, 2016 council meeting.	

Abbreviations: R = Rental /sf = per square foot MF = Multi-Family  
du = Dwelling Unit Ac = Acre AMI =Area Median Income SF = Single Family

Notes: This chart presents an overview, and as a result, terms are simplified. For use other than general comparison, please consult the code and staff of the jurisdiction. Virtually all cities that do not allow fee payment by right allow developers to seek Council approval of fee payment instead of on-site units, in addition to providing options for off-site construction and land dedication.

## **D. Non-Residential Development Cost Context**

The non-residential development cost context analysis considers the impacts a new affordable housing fee could have on the cost of development for new office, retail, hotel, and light industrial projects in Santa Clara County. The analysis enables an understanding of the relative cost burdens new fees have on various types of commercial and industrial development projects and can be useful in scaling fees by type of project.

For commercial and industrial development, the analysis considers the potential fee as a percentage of total development costs rather than the full feasibility analysis included for the multi-family apartments. One of the primary reasons a full feasibility analysis is not performed for the commercial land uses is because there is typically greater variation in the cost and rent structures for commercial projects than for housing projects. Development costs and rents can vary widely for office and retail projects due to the specialized nature of tenant improvements and lease terms from one tenant to another. Costs and revenues also vary widely for hotel projects due to the fact that hotel products range from lower cost limited service and budget hotels to highly amenitized full service and boutique hotels. Finally, affordable housing requirements applicable to non-residential development typically represents a smaller percentage of overall project cost compared to residential requirements. For these reasons, the utility of a full feasibility analysis for commercial projects is generally more limited than for housing projects. Instead an understanding of the total development cost context has generally proved sufficient to guide the selection of fee levels on non-residential projects.

### **1. Commercial Market Context**

Like the residential market, commercial projects in Santa Clara County have experienced strengthening conditions in recent years due to robust job growth and the strength of the overall regional economy. According to a recent market report from Newmark Cornish & Carey, as of Q1 2016 there was about 9.5 million square feet of office development in construction in Silicon Valley out of a total office inventory of 75 million square feet. New retail, hotel and industrial projects are also being built or are in the planning stages in various parts of the county.

### **2. Development Cost Analysis**

For the development cost analysis, KMA utilized the following four commercial prototypes.

- Office development with structured parking at 1.00 floor area ratio (FAR)
- Hotel development with surface and structured parking at 1.00 FAR
- Retail development with surface parking at 0.30 FAR
- Light industrial development with surface parking at 0.40 FAR

In preparing these prototypes it is acknowledged that there could be some differences in overall density from one jurisdiction to another as these prototypes are intended to reflect averages for

the participating jurisdictions in Santa Clara County. However, for purposes of the development cost assessment it is not necessary to analyze every variation of project density or building prototype being built or proposed to be built. The utility of the analysis lies with an understanding of the general range of development costs for new commercial projects and the impact that a new fee can have relative to those costs.

In Campbell, the non-residential floor area ratios (FAR) of 1.0 assumed for office and hotel are permitted only within certain designated areas of the City including Pruneyard / Creekside, North of Campbell and South of Campbell areas and are subject to criteria regarding parcel size. For lower density projects with surface parking, development costs would generally be lower than the estimates for the higher density projects that were analyzed.

The estimates of total development costs for the commercial prototypes are shown in the following table. The costs include estimates for land acquisition, direct construction costs, and indirect and financing costs of development. In assembling the development cost estimates, KMA utilized a variety of data sources, including the following:

- Land appraisals, CoStar land comps;
- Third party construction cost data sources such as RS Means and Engineering News Record (ENR);
- Pro forma data for current non-residential projects in the Bay Area.

**Non-Residential Development Costs  
Santa Clara County Participating Jurisdictions**

	Office		Hotel		Retail		Light Industrial	
Building Square Feet	100,000		75,000		75,000		100,000	
Hotel Rooms			125 rooms					
Parking	Structure		Surface & Structure		Surface		Surface	
FAR	1.00 FAR		1.00 FAR		0.30 FAR		0.40 FAR	
Land Area	2.30 acres		1.72 acres		5.74 acres		5.74 acres	
	<u>\$/SF</u>	<u>Total</u>	<u>\$/SF</u>	<u>Total</u>	<u>\$/SF</u>	<u>Total</u>	<u>\$/SF</u>	<u>Total</u>
<u>Land Acquisition</u>	\$115	\$11,500,000	\$45	\$3,380,000	\$200	\$15,000,000	\$88	\$8,750,000
	\$115 /land sf		\$45 /land sf		\$60 /land sf		\$35 /land sf	
<u>Directs</u>	\$348	\$34,750,000	\$227	\$17,000,000	\$175	\$13,130,000	\$143	\$14,250,000
<u>Indirects</u>								
A&E	\$21	\$2,090,000	\$14	\$1,020,000	\$11	\$790,000	\$9	\$860,000
FF&E/Tenant Improvements	\$59	\$5,850,000	\$58	\$4,380,000	\$36	\$2,700,000	\$19	\$1,900,000
Fees & Permits (excl. Afford)	\$5	\$540,000	\$8	\$590,000	\$7	\$520,000	\$5	\$480,000
Other Indirects & Financing	\$33	\$3,280,000	\$21	\$1,580,000	\$26	\$1,930,000	\$16	\$1,570,000
Total Indirects & Financing	\$118	\$11,760,000	\$101	\$7,570,000	\$79	\$5,940,000	\$48	\$4,810,000
Total Costs	\$580	\$58,010,000	\$373	\$27,950,000	\$454	\$34,070,000	\$278	\$27,810,000
Total Cost Range	\$525 - \$625/sf		\$325 - \$425/sf		\$400 - \$500/sf		\$250 - \$300/sf	

As shown, total development costs for the non-residential prototypes range from a low of approximately \$250-\$300/square foot for the light industrial prototype to a high of approximately \$525-\$625 for the office prototype.

It should be noted that land costs in the table above are expressed two different ways: per square foot of building and per square foot of land. While office has the highest estimated land cost per square foot of land, retail has the highest land cost per square foot of building. Land costs are intended as broad averages and variation based on location can be expected. For example, a downtown location would generally be expected to have higher land costs. For this reason, total development costs are presented as ranges in recognition of expected site-specific and project-specific variations.

### 3. Affordable Housing Fees Supported

In general, affordable housing fees on non-residential projects fall within a range of 1% to 5% of total development costs, with the upper portion of the range generally reserved for cities that have very strong market conditions driving non-residential development projects. As noted in Section E., current affordable housing fees on non-residential projects are as high as \$20-\$25/square foot (for office projects) in Santa Clara County jurisdictions that have such fees. Current fees for other non-residential projects, such as retail and hotel, tend to be more in the \$5-\$10 / square foot range.

The table below summarizes the range of potential fees on non-residential projects expressed as a percentage of total development cost. As an example, at 3% of total development cost, a new housing fee would range from approximately \$8 / square foot for light industrial uses to \$17/square foot for office uses. As is common in jobs housing linkage fee programs, light industrial projects tend to have lower fees than higher intensity/higher value projects such as office projects because it is generally more difficult for lower cost projects to absorb new fees. Exceptions include some Silicon Valley cities where distinctions between office and industrial have become blurred and both are charged at the same rate.

**Relative Fee Burdens\***

	Office	Hotel	Retail	Light Industrial
Total Cost Range	\$525 - \$625/sf	\$325 - \$425/sf	\$400 - \$500/sf	\$250 - \$300/sf
Fee at 1% of Total Cost	\$5.75	\$3.75	\$4.50	\$2.75
Fee at 2% of Total Cost	\$11.50	\$7.50	\$9.00	\$5.50
Fee at 3% of Total Cost	\$17.25	\$11.25	\$13.50	\$8.25
Fee at 4% of Total Cost	\$23.00	\$15.00	\$18.00	\$11.00
Fee at 5% of Total Cost	\$28.75	\$18.75	\$22.50	\$13.75

\*Fees calculated at 1-5% of mid-point of cost range.

As was done in the apartment feasibility section of this report, the following table summarizes how newly adopted fees can be absorbed by relatively minor improvements in development

economics over time. For example, a newly added fee of \$20/square foot for the office prototype could be absorbed by a roughly 3% increase in rental income (\$20/square foot x 0.15%), a roughly 6% decrease in direct construction costs (\$20/square foot x 0.29%), or a roughly 17% decrease in land values (\$20/square foot x 0.87%). It is noted however that construction costs and rents tend to move in the same direction. Therefore, increases in rents would need to exceed increases in costs in order to produce a net gain in a project's economics.

**Potential Market Adjustments to Absorb Every \$1/SF Fee**

	Office	Hotel	Retail	Light Industrial
Increase in Rents/Income	0.15%	0.23%	0.19%	0.31%
Decrease in Direct Costs	0.29%	0.44%	0.57%	0.70%
Decrease in Land Values	0.87%	2.22%	0.50%	1.14%

### E. Jobs Housing Linkage Fees in Other Jurisdictions

Information on other jobs housing linkage fee programs in nearby or comparable cities is often helpful context in considering new or updated fees. The following section provides information assembled regarding other programs in the Bay Area and elsewhere in California including information on customized features such as size thresholds, exemptions, and build options.

More than 30 cities and counties in California have commercial linkage fees, with the majority of these programs within the Bay Area and greater Sacramento. In Southern California, a few cities have linkage fee programs, of which San Diego is the largest example. Several communities in Massachusetts have linkage fees, including Boston and Cambridge. Seattle recently expanded its linkage fee program city-wide. Boulder, Colorado adopted a new city-wide program last year. Portland and Denver are each in the process of exploring new linkage fee adoptions.

Silicon Valley and the Peninsula, which has some of the strongest real estate market conditions in the Bay Area, is where many of the jurisdictions with the highest fee levels are found. For office, fee levels range from \$15 (Sunnyvale) to \$25 per square foot (Mountain View). Several cities have recently updated fee levels (Cupertino, Mountain View, Sunnyvale), or newly adopted fees (Redwood City). For retail and hotel, fee ranges are much broader as some jurisdictions have adopted similar fee levels across all building types while others have lower fee levels for retail and hotel.

Within the East Bay, fees have been adopted at a more moderate range. For office, fee levels for communities in the inner East Bay (west of the hills) range from \$3.59 (Newark) to \$5.24 (Oakland). Retail fees range from \$2.30 (Alameda) to \$4.50 (Berkeley). Oakland's program covers only office and warehouse and exempts other uses such as retail.

The table on the following page provides an overview of fee levels for selected examples in

Santa Clara County, the Peninsula, and the East Bay. The table identifies those jurisdictions that have non-residential linkage fees in place, the numerous jurisdictions in the East Bay, Santa Clara County, and on the Peninsula without such fees have not been listed. A more complete overview of these programs, and many others, is presented on Table 4 (page 45).

**Affordable Housing Fee Levels in Selected Communities**

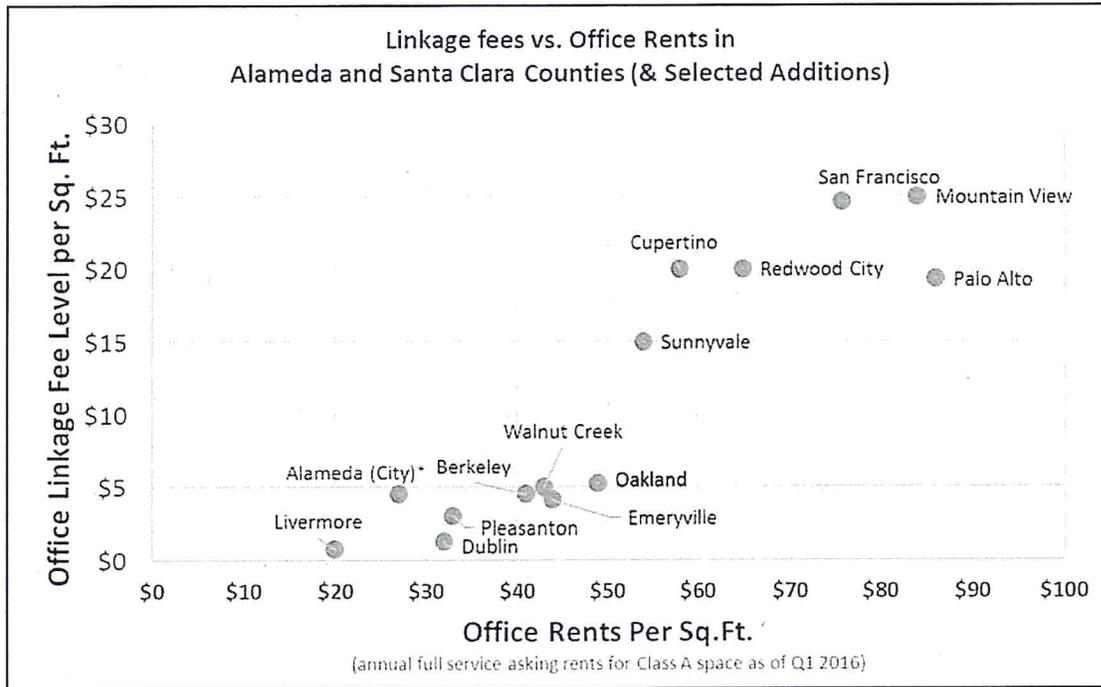
<b>Non-Residential Linkage Fees</b>	<b>Office \$/SF</b>	<b>Retail \$/SF</b>	<b>Hotel \$/SF</b>	<b>Industrial \$/SF</b>
<b><u>Santa Clara Co. &amp; Peninsula</u></b>				
Mountain View	\$25.00	\$2.68	\$2.68	\$25.00
Cupertino	\$20.00	\$10.00	\$10.00	\$20.00
Palo Alto	\$19.85	\$19.85	\$19.85	\$19.85
Sunnyvale	\$15.00	\$7.50	\$7.50	\$15.00
San Francisco	\$24.61	\$22.96	\$18.42	\$19.34
Redwood City	\$20.00	\$5.00	\$5.00	N/A
Menlo Park	\$15.57	\$8.45	\$8.45	\$8.45
average*	\$20.00	\$10.92	\$10.27	\$17.94
<b><u>East Bay: West of Hills</u></b>				
Oakland	\$5.24	N/A	N/A	N/A
Berkeley	\$4.50	\$4.50	\$4.50	\$2.25
Alameda (City)	\$4.52	\$2.30	\$1.85	\$0.78
Emeryville	\$4.10	\$4.10	\$4.10	\$4.10
average*	\$4.59	\$3.63	\$3.48	\$2.38
<b><u>East Bay: East of Hills</u></b>				
Walnut Creek	\$5.00	\$5.00	\$5.00	N/A
Pleasanton	\$3.04	\$3.04	\$3.04	\$3.04
Dublin	\$1.27	\$1.02	\$0.43	\$0.49
Livermore	\$0.76	\$1.19	\$1.00	\$0.24
average*	\$2.52	\$2.56	\$2.37	\$1.26

N/A = No fee or no applicable category.

\*Average is for cities that have a fee in the applicable category.

As a way to provide context in terms of the market conditions in each of the communities, the chart on the following page shows office linkage fees (the building type that usually has the highest fees) in relation to office rents by city. Office rents are an indicator of market strength and major driver of real estate values.

## Office Linkage Fees vs. Average Office Rents in Selected Communities



\*Rents for City of Alameda apply to Class B/C space (Class A rents not available)  
Sources: Office rents from market research reports prepared by Colliers International.

By way of comparison, asking rents for Class A office space in Campbell are currently around \$50 per square foot.

### Ordinance or Program Features

Linkage fee programs often includes features to address a jurisdiction's policy objectives or specific concerns. The most common are:

- *Minimum Threshold Size* – A minimum threshold sets a building size over which fees are in effect. Programs with low fees often have no thresholds and all construction is subject to the fee. Thresholds, which reduce fees for smaller projects, are more common for programs with more significant fees. Some jurisdictions establish a building size over which the fee applies. Sometimes the fee applies to the whole building, and sometimes the fee applies only to the square foot area over the threshold. Thresholds are often employed to minimize costs for small infill projects in older commercial areas, when such infill is a policy objective. There is also some savings in administrative costs. The disadvantage is lost revenue. Oakland and Berkeley are examples of communities employing thresholds while Alameda, Newark, and others do not. Mountain View has a reduced charge for the first 10,000 square feet of office space and the first 25,000 square feet of retail or hotel development.

- *Geographic Area Variations and Exemptions* – Some cities with linkage fee programs exclude specific areas such as redevelopment areas or have fees that vary based on geography. A geographic area variation can also be used to adjust the fee in jurisdictions where there is a broad difference in economic health from one subarea to the next. This is generally more common among large cities with a diverse range of conditions.
- *Specific Use Exemptions* – Some cities charge all building types while others choose to exempt specific uses. A common exemption is for buildings owned by non-profits which typically encompasses religious, educational/institutional, and hospital building types. Some programs identify specific uses as exempt such as schools and child care centers.

A more complete listing of the programs surveyed along with information about ordinance features such as exemptions and thresholds is contained in Table 4 on page 45.

**TABLE 4**  
**SUMMARY OF JOBS HOUSING LINKAGE FEE PROGRAMS, CALIFORNIA**

Jurisdiction	Yr. Adopted/ Updated	Fee Level (per Sq.Ft. unless otherwise noted)	Thresholds & Exemptions	Build Option/ Other	Market Strength	Comments
<b>SAN FRANCISCO, PENINSULA, SANTA CLARA COUNTY</b>						
San Francisco Population: 829,000	1981 Updated 2002, 2007	Retail / Entertainment \$22.96 Hotel \$18.42 Production Dist. Repair \$19.34 Office \$24.61 Research and Development \$16.39 Small Enterprise Workspace \$19.34	25,000 gsf threshold Exempt: freestanding pharmacy < 50,000 SF; grocery < 75,000	Yes, may contribute land for housing.	Very Substantial	Fee is adjusted annually based on the construction cost increases.
City of Palo Alto Population: 66,000	1984 Updated 2002	Nonresidential Dvlpmt \$19.85	Churches; universities; recreation; hospitals, private educational facilities, day care and nursery school, public facilities are exempt	Yes	Very Substantial	Fee is adjusted annually based on CPI.
City of Menlo Park Population: 33,000	1998	Office & R&D \$15.57 Other com./industrial \$8.45	10,000 gross SF threshold Churches, private clubs, lodges, fraternal orgs, public facilities and projects with few or no employees are exempt.	Yes, preferred. May provide housing on- or off-site.	Very Substantial	Fee is adjusted annually based on CPI.
City of Sunnyvale Population: 146,000	1984 Updated 2003 and 2015.	Industrial, Office, R&D: \$15.00 Retail, Hotel \$7.50	Office fee is 50% on the first 25,000 SF of building area. Exemptions for Child care, education, hospital, non-profits, public uses.	N/A	Very Substantial	Fee is adjusted annually based on CPI.
Redwood City Population: 80,000	2015	Office \$20.00 Hotel \$5.00 Retail & Restaurant \$5.00	5,000 SF threshold 25% fee reduction for projections paying prevailing wage. Schools, child care centers, public uses exempt.	Yes. Program specifies number of units per 100,000 SF.	Very Substantial	Fee is adjusted annually based on ENR.
City of Mountain View Population: 77,000	Updated 2002 / 2012 /2014	Office/High Tech/Indust. \$25.00 Hotel/Retail/Entertainment. \$2.68	Fee is 50% on building area under thresholds: Office <10,000 SF Hotel <25,000 SF Retail <25,000 SF	Yes	Very Substantial	Fee is adjusted annually based on CPI.
City of Cupertino Population: 60,000	1993, 2015	Office/Industrial/R&D \$20.00 Hotel/Commercial/Retail \$10.00	No minimum threshold.	N/A	Very Substantial	Fee is adjusted annually based on CPI.
Note: This chart has been assembled to present an overview, and as a result, terms are simplified. The information is recent but not all data has been updated as of the date of this report. In some cases, fees are adjusted by an index (such as CPI) which may not be reflected. For use other than general comparison, please consult the code and staff of the jurisdiction.						

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Jurisdiction	Yr. Adopted/ Updated	Fee Level (per Sq.Ft. unless otherwise noted)	Thresholds & Exemptions	Build Option/ Other	Market Strength	Comments
<b>EAST BAY</b>						
City of Walnut Creek Population: 66,000	2005	Office, retail, hotel and medical \$5.00	First 1,000 SF no fee applied.	Yes	Very Substantial	Reviewed every five years.
City of Oakland Population: 402,000	2002	Office/ Warehouse \$5.24	25,000 SF exemption	Yes - Can build units equal to total eligible SF times .00004	Substantial	Fee due in 3 installments. Fee adjusted with an annual escalator tied to residential construction cost increases.
City of Berkeley Population: 116,000	1993 2014	Office \$4.50 Retail/Restaurant \$4.50 Industrial/Manufacturing \$2.25 Hotel/Lodging \$4.50 Warehouse/Storage \$2.25 Self-Storage \$4.37 R&D \$4.50	7,500 SF threshold.	Yes	Substantial	Annual CPI increase. May negotiate fee downward based on hardship or reduced impact.
City of Emeryville	2014	All Commercial \$4.10	Schools, daycare centers.	Yes	Substantial	Fee adjusted annually.
City of Alameda Population: 76,000	1989	Retail \$2.30 Office \$4.52 Warehouse \$0.78 Manufacturing \$0.78 Hotel/Motel \$1,108	No minimum threshold	Yes. Program specifies # of units per 100,000 SF	Moderate	Fee may be adjusted by CPI.
City of Pleasanton Population: 73,000	1990	Commercial, Office & Industrial \$3.04	No minimum threshold	Yes	Moderate	Fee adjusted annually.
City of Dublin Population: 50,000	2005	Industrial \$0.49 Office \$1.27 R&D \$0.83 Retail \$1.02 Services & Accommodation \$0.43	20,000 SF threshold	N/A	Moderate	
City of Newark Population: 44,000		Commercial \$3.59 Industrial \$0.69	No min threshold Schools, recreational facilities, religious institutions exempt.	Yes	Moderate	Revised annually
City of Livermore Population: 84,000	1999	Retail \$1.19 Service Retail \$0.90 Office \$0.76 Hotel \$583/ rm Manufacturing \$0.37 Warehouse \$0.11 Business Park \$0.76 Heavy Industrial \$0.38 Light Industrial \$0.24	No minimum threshold Church, private or public schools exempt.	Yes; negotiated on a case-by-case basis.	Moderate	

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Jurisdiction	Yr. Adopted/ Updated	Fee Level (per Sq.Ft. unless otherwise noted)	Thresholds & Exemptions	Build Option/ Other	Market Strength	Comments
<b>MARIN, NAPA, SONOMA, SANTA CRUZ</b>						
County of Santa Cruz Population: 267,000	2015	All Non-Residential \$2.00	No minimum threshold	N/A	Substantial	
County of Marin Population: 257,000	2003	Office/R&D \$7.19 Retail/Rest. \$5.40 Warehouse \$1.94 Hotel/Motel \$1,745/rm Manufacturing \$3.74	No minimum threshold	Yes, preferred.	Substantial	
San Rafael Population: 59,000	2005	Office/R&D \$7.64 Retail/Rest./Pers. Services \$5.73 Manufacturing/LI \$4.14 Warehouse \$2.23 Hotel/Motel \$1.91	5,000 SF threshold. Mixed use projects that provide affordable housing are exempt.	Yes. Program specifies number of units per 1,000 SF.	Substantial	
Town of Corte Madera Population: 9,000	2001	Office \$4.79 R&D lab \$3.20 Light Industrial \$2.79 Warehouse \$0.40 Retail \$8.38 Com Services \$1.20 Restaurant \$4.39 Hotel \$1.20 Health Club/Rec \$2.00 Training facility/School \$2.39	No minimum threshold	N/A	Substantial	
City of St. Helena Population: 6,000	2004	Office \$4.11 Comm./Retail \$5.21 Hotel \$3.80 Winery/Industrial \$1.26	Small childcare facilities, churches, non-profits, vineyards, and public facilities are exempt.	Yes, subject to City Council approval.	Substantial	
City of Petaluma Population: 59,000	2003	Commercial \$2.19 Industrial \$2.26 Retail \$3.78	N/A	Yes, subject to City Council approval.	Moderate/ Substantial	Fee adjusted annually by ENR construction cost index.
County of Sonoma Population: 492,000	2005	Office \$2.64 Hotel \$2.64 Retail \$4.56 Industrial \$2.72 R&D Ag Processing \$2.72	First 2,000 SF exempt Non-profits, redevelopment areas exempt	Yes. Program specifies number of units per 1,000 SF.	Moderate	Fee adjusted annually by ENR construction cost index.
City of Cotati Population: 7,000	2006	Commercial \$2.08 Industrial \$2.15 Retail \$3.59	First 2,000 SF exempt Non-profits exempt.	Yes. Program specifies units per 1,000 SF	Moderate	Fee adjusted annually by ENR construction cost index.
County of Napa Population: 139,000	Updated 2014	Office \$5.25 Hotel \$9.00 Retail \$7.50 Industrial \$4.50 Warehouse \$3.60	No minimum threshold Non-profits are exempt	Units or land dedication; on a case by case basis.	Moderate / Substantial	
City of Napa Population: 79,000	1999	Office \$1.00 Hotel \$1.40 Retail \$0.80 Industrial, Wine Pdn \$0.50 Warehouse (30-100K) \$0.30 Warehouse (100K+) \$0.20	No minimum threshold Non-profits are exempt	Units or land dedication; on a case by case basis.	Moderate/ Substantial	Fee has not changed since 1999. Increases under consideration.

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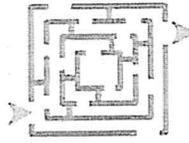
Jurisdiction	Yr. Adopted/ Updated	Fee Level (per Sq.Ft. unless otherwise noted)	Thresholds & Exemptions	Build Option/ Other	Market Strength	Comments
<b>SACRAMENTO AREA</b>						
City of Sacramento Population: 476,000	1989 Most recent update, 2005	Office \$2.25 Hotel \$2.14 R&D \$1.91 Commercial \$1.80 Manufacturing \$1.41 Warehouse/Office \$0.82	No minimum threshold Mortuary, parking lots, garages, RC storage, Christmas tree lots, B&Bs, mini-storage, alcoholic beverage sales, reverse vending machines, mobile recycling, and small recyclable collection facilities	Pay 20% fee plus build at reduced nexus (not meaningful given amount of fee)	Moderate	North Natomas area has separate fee structure
City of Folsom Population: 73,000	2002	Office, Retail, Lt Industrial, and Manufacturing \$1.54 Up to 200,000 SF, 100% of fee; 200,000-250,000 SF, 75% of fee; 250,000-300,000 SF, 50% of fee; 300,000 and up, 25% of fee.	No minimum threshold Select nonprofits, small child care centers, churches, mini storage, parking garages, private garages, private schools exempt.	Yes Provide new or rehab housing affordable to very low income households. Also, land dedication.	Moderate/ Substantial	Fee is adjusted annually based on construction cost index
County of Sacramento Population: 1,450,000	1989	Office \$0.97 Hotel \$0.92 R&D \$0.82 Commercial \$0.77 Manufacturing \$0.61 Indoor Recreational Centers \$0.50 Warehouse \$0.26	No minimum threshold Service uses operated by non-profits are exempt	N/A	Moderate	
City of Elk Grove Population: 158,000	1989 (inherited from County when incorporated)	Office none Hotel \$1.87 Commercial \$0.64 Manufacturing \$0.72 Warehouse \$0.77	No minimum threshold Membership organizations (churches, non- profits, etc.), mini storage, car storage, marinas, car washes, private parking garages and agricultural uses exempt	N/A	Moderate	Office fee currently waived due to market conditions.
Citrus Heights Population: 85,000	1989 (inherited from County when incorporated)	Office \$0.97 Hotel \$0.92 R&D \$0.82 Commercial \$0.77 Manufacturing \$0.61 Indoor Recreational Centers \$0.50 Warehouse \$0.26	No minimum threshold Membership organizations (churches, non- profits, etc.), mini storage, car storage, marinas, car washes, private parking garages and agricultural uses exempt	N/A	Moderate	
Rancho Cordova Population: 67,000	1989 (inherited from County when incorporated)	Office \$0.97 Hotel \$0.92 R&D \$0.82 Commercial \$0.77 Manufacturing \$0.61 Indoor Recreational Centers \$0.50 Warehouse \$0.26	No minimum threshold Membership organizations (churches, non- profits, etc.), mini storage, car storage, marinas, car washes, private parking garages and agricultural uses exempt	N/A	Moderate	

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<b>SOUTHERN CALIFORNIA</b>						
City of Santa Monica Population: 92,000	1984 Updated 2002, 2015	Retail \$9.75 Office \$11.21 Hotel/Lodging \$3.07 Hospital \$6.15 Industrial \$7.53 Institutional \$10.23 Creative Office \$9.59 Medical Office \$6.89	1,000 SF threshold Private schools, city projects, places of worship, commercial components of affordable housing developments exempt.	N/A	Very Substantial	Fees adjusted annually based on construction cost index.
City of West Hollywood Population: 35,000	1986	Non-Residential \$8.00 (per staff increase from \$4 to \$8 anticipated for FY16-17)	N/A	N/A	Substantial	Fees adjusted by CPI annually
City of San Diego Population: 1,342,000	1990 Updated 2014	Office \$1.76 Hotel \$1.06 R&D \$0.80 Retail \$1.06	No minimum threshold Industrial/ warehouse, non-profit hospitals exempt.	Can dedicate land or air rights in lieu of fee	Substantial	

Note: This chart has been assembled to present an overview, and as a result, terms are simplified. The information is recent but not all data has been updated as of the date of this report. In some cases, fees are adjusted by an index (such as CPI) which may not be reflected. For use other than general comparison, please consult the code and staff of the jurisdiction.



# KEYSER MARSTON ASSOCIATES

## ATTACHMENT A

### RESIDENTIAL NEXUS ANALYSIS

*Prepared for:*  
**City of Campbell**

*Prepared by:*  
**Keyser Marston Associates, Inc.**

**August 2016**

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## I. INTRODUCTION

The following report is a Residential Nexus Analysis, an analysis of the linkages between the development of new residential units and the need for additional affordable housing in the City of Campbell. The report has been prepared by Keyser Marston Associates, Inc. (KMA) for the City of Campbell, pursuant to contracts both parties have with the Silicon Valley Community Foundation.

The analysis was prepared as part of a coordinated work program for twelve jurisdictions in Alameda and Santa Clara Counties. Silicon Valley Community Foundation with Baird + Driskell Community Planners organized and facilitated this multi-jurisdiction effort. Silicon Valley Community Foundation, which engaged KMA to prepare the analyses, serves as the main contracting entity with each participating jurisdiction, and has provided funding support for coordination and administration of the effort. Analyses in support of affordable housing impact fees on non-residential development were also prepared as part of the multi-jurisdiction work program.

### **Background, Context and Use of the Analysis**

The analysis addresses market rate residential projects in Campbell and the various types of units that are subject to the City's Inclusionary Housing Ordinance at this time and potentially in the future. The nexus analysis quantifies the linkages between new market rate units and the demand for affordable housing in Campbell.

Campbell's Affordable Housing Ordinance was adopted in 2006 and incorporated in Code Section 21.24. The Ordinance requires that 15% of the total units in a new development be affordable to households at low and moderate income. The Ordinance applies to projects with ten or more units. An in lieu fee alternative of \$34.50 per square is available to projects at a density of six units per acre or less. Since the 2009 *Palmer* case (further described below), the City has not had the ability to apply its inclusionary requirements to rental projects.

The nexus analysis provided herein enables the City to proceed with enactment of affordable housing impact fees applicable to residential development in the City of Campbell. The conclusions of the analysis represent maximum supportable or legally defensible impact fee levels based on the impact of new residential development on the need for affordable housing. Findings are not recommended fee levels.

Should the City wish to maintain its inclusionary program, requirements need not be bound by the findings of this nexus analysis in accordance with the ruling in *C.B.I.A.*, discussed below. If the program is modified to apply to smaller projects of six or fewer units,<sup>1</sup> it is recommended

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<sup>1</sup> This recommended small project threshold may adjust if there were a change to the current 15% inclusionary requirement.

that applicable in-lieu fees be kept within nexus maximums given on-site compliance with inclusionary requirements may not be practical and so the fee becomes the default option for compliance. As of this writing, impact fees supported by a nexus study are the only option for implementation of affordable housing requirements for rental projects. This could change if the proposed “Palmer Fix,” described below, restores the ability to implement inclusionary requirements for rental projects.

### **Background on Key Legal Cases**

The following provides background regarding two key legal cases pertaining to inclusionary programs which in recent years have motivated many California cities to undertake residential nexus studies. This section is intended as general background only; nothing in this report should be interpreted as providing specific legal guidance, which KMA is not qualified to provide.

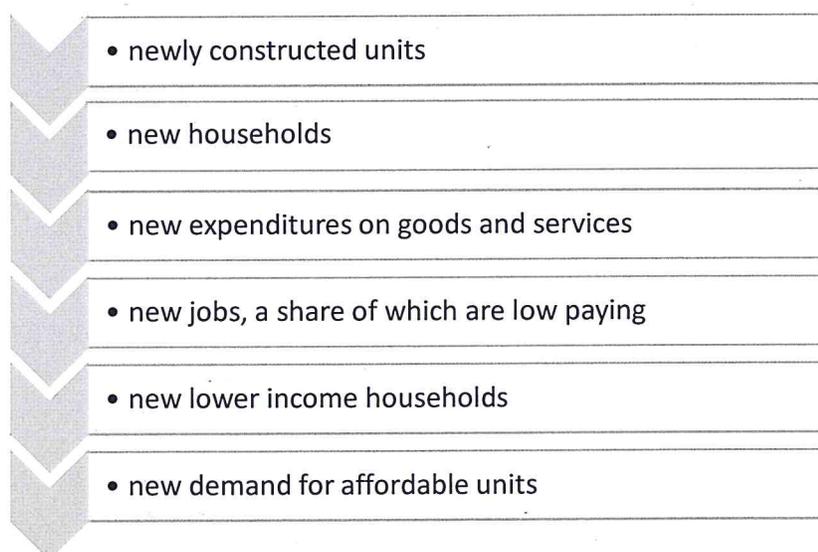
The *Palmer* case (*Palmer/Sixth Street Properties L.P. v. City of Los Angeles* [2009] 175 Cal. App. 4th 1396) was decided in 2009 and precluded California cities from requiring long term rent restrictions or inclusionary requirements on rental units. Since the *Palmer* ruling, many California cities have adopted affordable housing impact fees on rental projects supported by residential nexus studies similar to this one. At the current time, a bill pending in the California Legislature, Assembly Bill 2502, referred to as the “Palmer Fix” would, if adopted, restore the ability by California cities to apply inclusionary requirements to rental projects.

In *C.B.I.A.*, (*California Building Industry Association v. City of San Jose, California Supreme Court Case No. S212072, June 15, 2015*), also referred to as the San Jose Case, the California Building Industry Association challenged the City of San Jose’s newly adopted inclusionary program. A core contention of C.B.I.A. was that the City’s inclusionary program constituted an exaction that required a nexus study to support it. The case was pending in the courts from 2010 through February 2016. Ultimately, the case was decided by the California Supreme Court in favor of the City of San Jose, finding San Jose’s inclusionary program to be a valid exercise of the City’s power to regulate land use and not an exaction. The U.S. Supreme Court denied C.B.I.A.’s petition to review the case. While the case was pending, there was speculation that the courts would rule in favor of C.B.I.A. and this possibility was one of the motivations for cities to prepare residential nexus studies as an additional “backup” support measure for inclusionary programs.

## The Nexus Concept

A residential nexus analysis demonstrates and quantifies the impact of new market rate housing development on the demand for affordable housing. The underlying nexus concept is that the newly constructed market rate units represent net new households in Campbell. These households represent new income in Campbell that will consume goods and services, either through purchases of goods and services or 'consumption' of government services. New consumption translates to jobs; a portion of the jobs are at lower compensation levels; low compensation jobs relate to lower income households that cannot afford market rate units in Campbell and therefore need affordable housing.

### Nexus Analysis Concept



## Methodology and Models Used

The nexus analysis methodology starts with the sales price or rental rate of a new market rate residential unit, and moves through a series of linkages to the gross income of the household that purchased or rented the unit, the income available for expenditures on goods and services, the jobs associated with the purchases and delivery of those services, the income of the workers doing those jobs, the household income of the workers and, ultimately, the affordability level of the housing needed by the worker households. The steps of the analysis from household income available for expenditures to jobs generated were performed using the IMPLAN model, a model widely used for the past 35 years to quantify the impacts of changes in a local economy, including employment impacts from changes in personal income. From job generation by industry, KMA used its own jobs housing nexus model to quantify the income of worker households by affordability level.

To illustrate the linkages by looking at a simplified example, we can take an average household that buys a house at a certain price. From that price, we estimate the gross income of the household (from mortgage rates and lending practices) and the portion of income available for expenditures. Households will “purchase” or consume a range of goods and services, such as purchases at the supermarket or services at the bank. Purchases in the local economy in turn generate employment. The jobs generated are at different compensation levels. Some of the jobs are low paying and as a result, even when there is more than one worker in the household, there are some lower and middle-income households who cannot afford market rate housing in Campbell.

The IMPLAN model quantifies jobs generated at establishments that serve new residents directly (e.g., supermarkets, banks or schools), jobs generated by increased demand at firms which service or supply these establishments, and jobs generated when the new employees spend their wages in the local economy and generate additional jobs. The IMPLAN model estimates the total impact combined.

### **Net New Underlying Assumption**

An underlying assumption of the analysis is that households that purchase or rent new units represent net new households in Campbell. If purchasers or renters have relocated from elsewhere in the city, vacancies have been created that will be filled. An adjustment to new construction of units would be warranted if Campbell were experiencing demolitions or loss of existing housing inventory. However, the rate of housing unit removal is so low as to not warrant an adjustment or offset.

On an individual project basis, if existing units are removed to redevelop a site to higher density, then there could be a need for recognition of the existing households in that all new units might not represent net new households, depending on the program design and number of units removed relative to new units.

Since the analysis addresses net new households in Campbell and the impacts generated by their consumption expenditures, it quantifies net new demands for affordable units to accommodate new worker households. As such, the impact results do not address nor in any way include existing deficiencies in the supply of affordable housing.

### **Geographic Area of Impact**

The analysis quantifies impacts occurring within Santa Clara County. While much of the impact will occur within Campbell, some impacts will be experienced elsewhere in the county and beyond. The IMPLAN model computes the jobs generated within the county and sorts out those that occur beyond the county boundaries. The KMA Jobs Housing Nexus Model analyzes the income structure of jobs and their worker households, without assumptions as to where the worker households live.

In summary, the KMA nexus analysis quantifies all the job impacts occurring within Santa Clara County and related worker households. Job impacts, like most types of impacts, occur irrespective of political boundaries. And like other types of impact analyses, such as traffic, impacts beyond city boundaries are experienced, are relevant, and are important. See the Addendum: Additional Background and Notes on Specific Assumptions at the end of this report for further discussion.

### **Market Rate Residential Project Types**

Five prototypical residential project types were selected by the City and KMA for analysis in this nexus study. The prototypes were intended to represent the range of product types currently being built in Campbell or which are expected in the future including:

- Large Lot Single Family;
- Small Lot Single Family;
- Townhome;
- Condominium; and
- Apartments.

Not all of these prototypes are active at the time of report preparation but all have the potential to become active at some point over the next five to ten years.

### **Affordability Tiers**

The nexus analysis addresses the following four income or affordability tiers:

- Extremely Low Income: households earning up to 30% Area Median Income (AMI);
- Very Low Income: households earning over 30% AMI 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.

### **Report Organization**

The report is organized into the following sections:

- Section A presents information regarding the prototypical new market rate residential units and the estimated household income of purchases or renters of those units.
- Section B describes the IMPLAN model, which is used in the nexus analysis to translate household income into the estimated number of jobs in retail, restaurants, healthcare, and other sectors serving new residents.

- Section C presents the linkage between employment growth associated with residential development and the need for new lower income housing units required in each of the four income categories.
- Section D quantifies the nexus or mitigation cost based on the cost of delivering affordable units to new worker households in each of the four income categories.
- An Addendum section provides a supplemental discussion of specific factors in relation to the nexus concept.
- Appendix A contains the market survey.
- Appendix B includes detailed tables on worker occupations and compensation levels that are a key input into the analysis.

### **Disclaimers**

This report has been prepared using the best and most recent data available at the time of the analysis. Local data and sources were used wherever possible. Major sources include the U.S. Census Bureau's American Community Survey, California Employment Development Department (EDD) and the IMPLAN model. While we believe all sources utilized are sufficiently sound and accurate for the purposes of this analysis, we cannot guarantee their accuracy. Keyser Marston Associates, Inc. assumes no liability for information from these and other sources.

## II. RESIDENTIAL NEXUS ANALYSIS

### A. Market Rate Units and Household Income

This section describes the prototypical market rate residential units and the income of the purchaser and renter households. Market rate prototypes are representative of new residential units currently being built in Campbell or that are likely to be built in Campbell over the next five to ten years. Household income is estimated based on the amount necessary for the mortgage or rent payments associated with the prototypical new market rate units and becomes the basis for the input to the IMPLAN model. These are the starting points of the chain of linkages that connect new market rate units to additional demand for affordable residential units.

This section presents a summary of the market rate prototypes and the estimated household income of purchasers or renters of the market rate units.

#### ***Recent Housing Market Activity and Prototypical Units***

KMA worked with City staff to select five representative development prototypes envisioned to be developed in Campbell in the future. They are based on projects recently built or in the development pipeline in the City. A condominium prototype was included, although not currently being built in Campbell, due to the potential that this type of project may be built in the future. KMA then undertook a market survey of residential projects to estimate current pricing and rent levels. More details on the market survey can be found in Appendix A.

At the time of the market survey in late 2015 and early 2016, the housing market in Campbell was strong, fueled by high-quality residential neighborhoods, a strong public school system and proximity to high-tech employment. There are several recently built, under construction or proposed residential developments in Campbell at this time, including single family detached, townhome and apartments. Two new for-sale projects were being marketed in Campbell. To supplement this data, KMA analyzed recent resale prices of homes built since 2005 and resold since November 2013.

In order to inform achievable market rents for new apartment developments in Campbell, KMA performed a survey of asking apartment rents in select properties. The survey included one newly built property, Revere Campbell, and eight older properties.

The five residential prototypes are summarized in the table below. More detail can be found on Table A-1 (page 12) at the end of this section. The main objective of the survey was to review current market sales prices or rents, per unit and per square foot, for the various residential project types in Campbell.

In summary, the residential prototypes analyzed in the nexus analysis are as follows:

<b>Prototypical Residential Units for City of Campbell</b>					
	<i>Single Family - Single Family -</i>		<i>Townhome</i>	<i>Condominium</i>	<i>Apartments</i>
	<i>Large Lot</i>	<i>Small Lot</i>			
Avg. Unit Size	3,000 SF	1,800 SF	1,500 SF	1,000 SF	1,000 SF
Avg. No. of Bedrooms	4.00	3.25	3.00	1.50	1.50
Avg. Sales Price / Rent	\$1,590,000	\$1,000,000	\$875,000	\$650,000	\$3,600 /mo.
Per Square Foot	\$530 /SF	\$556 /SF	\$583 /SF	\$650 /SF	\$3.60 /SF

Source: KMA market study; see Appendix A.

It is important to note that the residential prototypes analysis is intended to reflect average or typical residential projects in the local market rather than any specific project. It would be expected that specific projects would vary to some degree from the residential prototypes analyzed.

### ***Income of Housing Unit Purchaser or Renter***

After the prototypes are established, the next step in the analysis is to determine the income of the purchasing or renting households in the prototypical units.

### ***Ownership Units***

To make the determination for ownership units, terms for the purchase of residential units used in the analysis are slightly less favorable than what can be achieved at the current time since current terms are not likely to endure. A down-payment of 20%<sup>2</sup> is assumed for ownership prototypes except the large lot single family unit for which a higher down payment of 30%<sup>3</sup> is estimated from local data on units valued over \$1.5 million. A 30-year fixed rate loan at a 5% interest is assumed. The interest rate at 5% reflects a longer term average rate based on data for the last fifteen years from 2001 to 2015.<sup>4</sup> A interest rate premium of 0.25% is added for non-conforming loans that exceed the \$625,000 limit established by the Federal Housing Finance Agency (FHFA). Tables A-2 to A-5 (beginning on page 13) at the end of this section provide the details.

<sup>2</sup> Down payment of 20% reflects the median for new purchase loans originated in zip codes corresponding to Alameda and Santa Clara Counties derived from Freddie Mac dataset for loans issued in the 1st Quarter of 2015.

<sup>3</sup> Down payment of 30% is based on Listsource data on mortgages for homes valued over \$1.5 Million that sold within Santa Clara County from Dec. 2015 to March 2016.

<sup>4</sup> Based on Freddie Mac Primary Mortgage Market Survey. Reflects weekly average rates for 30 year fixed rate mortgages during the period from 1/2001 through 12/2015 applicable to the West Region and rounded to the nearest whole percentage.

All ownership product types include an estimate of homeowners' insurance, homeowner association dues, and property taxes. These are included along with the mortgage payment as part of housing expenses for purposes of determining mortgage eligibility.<sup>5</sup> The analysis estimates gross household income based on the assumption that these housing costs represent, on average, approximately 35% of gross income. The assumption that housing expenses represent 35% of gross income is reflective of the local average for new purchase loans<sup>6</sup> and is consistent with criteria used by lenders to determine mortgage eligibility.<sup>7</sup>

### *Apartment Units*

Household income for renter households is estimated based on the assumption that housing costs, including rent and utilities, represents on average 30% of gross household income. The 30% factor was selected for consistency with the California Health and Safety Code standard for relating income to affordable rent levels.<sup>8</sup> The resulting relationship is that annual household income is 3.3 times annual rent.

The estimated gross household incomes of the purchasers or renters of the prototype units are calculated in Tables A-2 through A-6 (beginning on page 13) and summarized below.

<b>Gross Household Income</b>					
	<i>Single Family - Large Lot</i>	<i>Single Family - Small Lot</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments</i>
Gross Household Income	\$270,000	\$189,000	\$175,000	\$132,000	\$147,000

Estimates reflect the income required to afford each type of unit based upon the estimated price and rent levels. The larger single family prototype has the highest price and households in these units need to have correspondingly higher incomes. The household income estimate for the condominium is the lowest of the five prototypes at \$132,000, less than the apartment at

<sup>5</sup> Housing expenses are combined with other debt payments such as credit cards and auto loans to compute a Debt To Income (DTI) ratio which is a key criteria used for determining mortgage eligibility.

<sup>6</sup> Freddie Mac data on new purchase loans originated in zip codes corresponding to Santa Clara and Alameda Counties for the 1st Quarter of 2015 indicates an average debt to income ratio of 37%; however, most households have other forms of debt such as credit cards, student loans, and auto loans that are included as part of this ratio and the ratio considering housing costs only would be lower. While many purchasers of higher value homes such as the large lot single family prototype may spend less than 35% of their income on housing, the analysis conservatively assumes 35% of income is spent on housing for these households also. Selection of a lower percentage of income spent on housing would have resulted in a higher estimate of household income and greater impacts from expenditures. Application of a 35% ratio is also consistent with the California Health and Safety Code standard for relating income to housing costs for ownership units.

<sup>7</sup> Fannie Mae mortgage underwriting eligibility criteria establishes a debt to income threshold of 36% above which tighter credit standards apply. A debt to income ratio of up to 45% is permitted for borrowers meeting specified credit criteria; however, most households have other forms of debt such as credit cards, student loans, and auto loans that would be considered as part of this ratio.

<sup>8</sup> Health and Safety Code Section 50052.5 defines affordable rent levels based on 30% of income.

\$147,000. While households in new market rate apartments are estimated to have sufficient income to afford a condo purchase instead, many households have other reasons for renting. Insufficient savings for a down payment, plans to purchase a larger unit longer-term, temporary roommate situations, or a preference for the simplicity and flexibility of renting are potential reasons.

### ***Income Available for Expenditures***

The input into the IMPLAN model used in this analysis is the net income available for expenditures. To arrive at income available for expenditures, gross income must be adjusted for Federal and State income taxes, contributions to Social Security and Medicare, savings, and payments on household debt. Per KMA correspondence with the producers of the IMPLAN model (IMPLAN Group LLC), other taxes including sales tax, gas tax, and property tax are handled internally within the model as part of the analysis of expenditures. Payroll deduction for medical benefits and pre-tax medical expenditures are also handled internally within the model. Housing costs are addressed separately, as described below, and so are not deducted as part of this adjustment step. Table A-7 (page 18) at the end of this section shows the calculation of income available for expenditures.

Income available for expenditures is estimated at approximately 58% to 68% of gross income, depending on the market rate prototype. The estimates are based on a review of data from the Internal Revenue Service and California Franchise Tax Board tax tables. Per the Internal Revenue Service, households earning between \$100,000 and \$200,000 per year, or the residents of most of the prototypical ownership units, who itemize deductions on their tax returns will pay an average of 12.4% of gross income for federal taxes. Households in the large lot single family units are estimated to pay 19.5% of gross income for federal taxes, the average for households in the \$200,000 - \$500,000 range who itemize their deductions. Residents of the market rate rental units are estimated to pay an average of 13.4% of gross income in federal income taxes, the average for households in the \$100,000 to \$200,000 income range not itemizing deductions on their taxes. State taxes are estimated to average 4% to 6% of gross income based on tax rates per the California Franchise Tax Board. The employee share of FICA payroll taxes for Social Security and Medicare is 7.65% of gross income. A ceiling of \$118,500 per employee applies to the 6.2% Social Security portion of this tax rate.

Savings and repayment of household debt represent another necessary adjustment to gross income. Savings includes various IRA and 401 K type programs as well as non-retirement household savings and investments. Debt repayment includes auto loans, credit cards, and all other non-mortgage debt. Savings and repayment of debt are estimated to represent a combined 8% of gross income based on the 20-year average derived from United States Bureau of Economic Analysis data. Households in the large lot single family prototype are assumed to save 10% of their income estimated from savings rates for the last 20 years from data published by the National Bureau of Economic Research, "Wealth Inequality in the United States Since 1913: Evidence From Capitalized Income Tax Data," October 2014.

The percentage of income available for expenditure for input into the IMPLAN model is prior to deducting housing costs. The reason is for consistency with the IMPLAN model which defines housing costs as expenditures. The IMPLAN model addresses the fact that expenditures on housing do not generate employment to the degree other expenditures such as retail or restaurants do, but there is some limited maintenance and property management employment generated.

After deducting income taxes, Social Security, Medicare, savings, and repayment of debt, for purchasers of one of the new ownership prototypes, the estimated income available for expenditures is 58% – 68%. These are the factors used to adjust from gross income to the income available for expenditures for input into the IMPLAN model. As indicated above, other forms of taxation such as property tax are handled internally within the IMPLAN model.

Another adjustment made to spending is to account for standard operational vacancy in rental units of 5%, a level of vacancy considered average for rental units in a healthy market. A comparable adjustment is not applied to the ownership units as newly built ownership units are anticipated to have only a nominal level of vacancy.

Estimates of household income available for expenditures are presented below:

<b>Income Available for Expenditures</b>					
	<i>Single Family - Large Lot</i>	<i>Single Family - Small Lot</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments</i>
Gross Household Income	\$270,000	\$189,000	\$175,000	\$132,000	\$147,000
Percent Income available for Expenditures	58%	67%	67%	68%	67%
Spending Adjustment / Rental Vacancy	N/A	N/A	N/A	N/A	95%
Household Income Available for Expenditure <sup>(1)</sup>					
One Unit	\$156,600	\$126,600	\$117,300	\$89,800	\$94,000
100 Units [input to IMPLAN]	\$15,660,000	\$12,660,000	\$11,730,000	\$8,980,000	\$9,400,000

(1) Calculated as gross household income X percent available for expenditures X spending adjustment for rental vacancy. Result includes the share of income spent on housing as the required input to the IMPLAN model is income after taxes but before deduction of housing costs as described above.

The nexus analysis is conducted on 100-unit building modules for ease of presentation, and to avoid awkward fractions. The spending associated with 100 market rate residential units is the input into the IMPLAN model. Tables A-8 and A-9 (page 19 and 20) summarize the conclusions of this section and calculate the household income for the 100-unit building modules.

**TABLE A-1  
MARKET RATE RESIDENTIAL PROTOTYPES  
RESIDENTIAL NEXUS ANALYSIS  
CITY OF CAMPBELL**

	<u>Large Lot Single Family Detached</u>	<u>Small Lot Single Family Detached</u>	<u>Townhome</u>	<u>Condominium</u>	<u>Apartments</u>
<b>Example Projects</b>	140 S. Second St. 1181 Abbott St. 1411 & 1421 Westmont 1162 S. San Tomas Aquino	Palomar 1689 Bucknall Drive Cottage Place (SFDs)	258 - 268 Union Penny Lane (THs) Cottage Place (THs)	Penny Lane (Rentals) *condo mapped	Penny Lane (Rentals) Revere St. Anton
Density	7,000 - 11,000 sf lots	2,000 - 4,000 sf lots	12 - 20 dua	30 - 40 dua	14 - 20 dua
Building Type	Two stories	Two and Three stories	Three stories	Four stories (excl. garage)	Two to four stories
Unit Mix	3, 4 and 5 BRs	3 and 4BR	3 BR	1, 2 and 3 BR	1, 2 and 3 BR
Average Unit Size (excl. garage)	3,000 sf	1,800 sf	1,500 sf	1,000 sf	1,000 sf
Average No. of Bedrooms	4.0 BR	3.25 BR	3.0 BR	1.5 BR	1.50 BR
Parking Type	Attached garage	Attached garage	Attached garage	Ground-floor garage (podium), multi-story garage (wrap), or subterranean	Surface parking lot (carports)
Average Parking Spaces	2.0	2.0	2.0	1.5 - 2.0	1.5-2.0
Sales Price/Rent per square foot	\$1,590,000 \$530	\$1,000,000 \$556	\$875,000 \$583	\$650,000 \$650	\$3,600 \$3.60

**TABLE A-2**  
**PROTOTYPE 1 : SINGLE FAMILY - LARGE LOT**  
**SALES PRICE TO INCOME RATIO**  
**RESIDENTIAL NEXUS ANALYSIS**  
**CAMPBELL, CA**

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**Prototype 1**  
**Single Family - Large Lot**

Sales Price	\$530 /SF	3,000 SF <sup>1</sup>	\$1,590,000 <sup>1</sup>
<b>Mortgage Payment</b>			
Downpayment @ 30%		30% <sup>2</sup>	\$477,000
Loan Amount			\$1,113,000
Interest Rate			5.25% <sup>3</sup>
Term of Mortgage			30 years
Annual Mortgage Payment	\$6,200 /month		\$73,800
<b>Other Costs</b>			
Property Taxes	1.20% of sales price <sup>4</sup>		\$19,080
Homeowner Insurance	0.10% of sales price <sup>5</sup>		\$1,600
<b>Total Annual Housing Cost</b>	\$7,900 /month		<b>\$94,480</b>
<b>% of Income Spent on Hsg</b>			<b>35% <sup>6</sup></b>
<b>Annual Household Income Required</b>			<b>\$270,000</b>
<b>Sales Price to Income Ratio</b>			<b>5.9</b>

Notes

- (1) Based on KMA Market Survey.
- (2) Down payment percentages are estimated based on Listsource data on mortgages for homes valued over \$1.5 Million that sold within Santa Clara County from Dec. 2015 to March 2016.
- (3) Average mortgage interest rate for prior 15 years derived from Freddie Mac Primary Mortgage Market Survey, West Region (rounded to nearest whole percentage). Based on weekly average rates for 30 year fixed rate mortgages during the period from 1/2001 through 12/2015. Includes a 0.25% premium to reflect the non-conforming nature of the loan (jumbo loan).
- (4) Property tax rate is inclusive of ad valorem taxes and applicable voter approved rates, fixed charges, and assessments for the jurisdiction indicated. Source: ListSource.
- (5) Estimated from quotes obtained from Progressive Insurance.
- (6) While most purchasers of high value homes likely spend less than 35% of their income on housing, the analysis conservatively assumes 35% of income is spent on housing. Selection of a lower percentage of income spent on housing would have resulted in a higher estimate of household income and greater impacts from expenditures.

**TABLE A-3  
 PROTOTYPE 2 : SINGLE FAMILY - SMALL LOT  
 SALES PRICE TO INCOME RATIO  
 RESIDENTIAL NEXUS ANALYSIS  
 CAMPBELL, CA**

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			<b>Prototype 2 Single Family - Small Lot</b>
Sales Price	\$556 /SF	1,800 SF <sup>1</sup>	\$1,000,000 <sup>1</sup>
<b>Mortgage Payment</b>			
Downpayment @ 20%		20% <sup>2</sup>	\$200,000
Loan Amount			\$800,000
Interest Rate			5.25% <sup>3</sup>
Term of Mortgage			30 years
Annual Mortgage Payment	\$4,400 /month		\$53,000
<b>Other Costs</b>			
Property Taxes	1.20% of sales price <sup>4</sup>		\$12,000
Homeowner Insurance	0.10% of sales price <sup>5</sup>		\$1,000
<b>Total Annual Housing Cost</b>	\$5,500 /month		<b>\$66,000</b>
<b>% of Income Spent on Hsg</b>			<b>35% <sup>6</sup></b>
<b>Annual Household Income Required</b>			<b>\$189,000</b>
<b>Sales Price to Income Ratio</b>			<b>5.3</b>

**Notes**

(1) Based on KMA Market Survey.

(2) Reflects the median down payment for new purchase loans originated in zip codes corresponding to Alameda and Santa Clara Counties derived from Freddie Mac dataset for loans issued in the 1st Quarter of 2015.

(3) Average mortgage interest rate for prior 15 years derived from Freddie Mac Primary Mortgage Market Survey, West Region (rounded to nearest whole percentage). Based on weekly average rates for 30 year fixed rate mortgages during the period from 1/2001 through 12/2015. Includes a 0.25% premium to reflect the non-conforming nature of the loan (jumbo loan).

(4) Property tax rate is inclusive of ad valorem taxes and applicable voter approved rates, fixed charges, and assessments for the jurisdiction indicated. Source: ListSource.

(5) Estimated from quotes obtained from Progressive Insurance.

(6) Ratio is consistent with Fannie Mae mortgage underwriting eligibility criteria which establishes a debt to income threshold of 36% above which tighter credit standards apply. A debt to income ratio of up to 45% is permitted for borrowers meeting specified credit criteria. Ratio is also consistent with the California Health and Safety Code standard for relating income to housing costs for ownership units. Freddie Mac data on new purchase loans originated in zip codes corresponding to Santa Clara and Alameda Counties for the 1st Quarter of 2015 indicates an average debt to income ratio of 37%; however, most households have other forms of debt such as credit cards, student loans, and auto loans that are included as part of this ratio and the ratio considering housing costs only would be lower.

**TABLE A-4  
 PROTOTYPE 3 : TOWNHOME  
 SALES PRICE TO INCOME RATIO  
 RESIDENTIAL NEXUS ANALYSIS  
 CAMPBELL, CA**

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			<u>Prototype 3 Townhome</u>
Sales Price	\$583 /SF	1,500 SF <sup>1</sup>	\$875,000 <sup>1</sup>
<b>Mortgage Payment</b>			
Downpayment @ 20%		20% <sup>2</sup>	\$175,000
Loan Amount			\$700,000
Interest Rate			5.25% <sup>3</sup>
Term of Mortgage			30 years
Annual Mortgage Payment	\$3,900 /month		\$46,400
<b>Other Costs</b>			
Property Taxes	1.20% of sales price <sup>4</sup>		\$10,500
HOA Dues	\$275 per month <sup>1</sup>		\$3,300
Homeowner Insurance	0.10% sale price <sup>5</sup>		\$900
<b>Total Annual Housing Cost</b>	\$5,100 /month		<b>\$61,100</b>
<b>% of Income Spent on Hsg</b>			<b>35% <sup>6</sup></b>
<b>Annual Household Income Required</b>			<b>\$175,000</b>
<b>Sales Price to Income Ratio</b>			<b>5.0</b>

Notes

(1) Based on KMA Market Survey.

(2) Reflects the median down payment for new purchase loans originated in zip codes corresponding to Alameda and Santa Clara Counties derived from Freddie Mac dataset for loans issued in the 1st Quarter of 2015.

(3) Average mortgage interest rate for prior 15 years derived from Freddie Mac Primary Mortgage Market Survey, West Region (rounded to nearest whole percentage). Based on weekly average rates for 30 year fixed rate mortgages during the period from 1/2001 through 12/2015. Includes a 0.25% premium to reflect the non-conforming nature of the loan (jumbo loan).

(4) Property tax rate is inclusive of ad valorem taxes and applicable voter approved rates, fixed charges, and assessments for the jurisdiction indicated. Source: ListSource.

(5) Estimated from quotes obtained from Progressive Insurance.

(6) Ratio is consistent with Fannie Mae mortgage underwriting eligibility criteria which establishes a debt to income threshold of 36% above which tighter credit standards apply. A debt to income ratio of up to 45% is permitted for borrowers meeting specified credit criteria. Ratio is also consistent with the California Health and Safety Code standard for relating income to housing costs for ownership units. Freddie Mac data on new purchase loans originated in zip codes corresponding to Santa Clara and Alameda Counties for the 1st Quarter of 2015 indicates an average debt to income ratio of 37%; however, most households have other forms of debt such as credit cards, student loans, and auto loans that are included as part of this ratio and the ratio considering housing costs only would be lower.

**TABLE A-5  
 PROTOTYPE 4 : CONDOMINIUM  
 SALES PRICE TO INCOME RATIO  
 RESIDENTIAL NEXUS ANALYSIS  
 CAMPBELL, CA**

			<u>Prototype 4 Condominium</u>
Sales Price	\$650 /SF	1,000 SF <sup>1</sup>	\$650,000 <sup>1</sup>
Mortgage Payment			
Downpayment @ 20%		20% <sup>2</sup>	\$130,000
Loan Amount			\$520,000
Interest Rate			5.00% <sup>3</sup>
Term of Mortgage			30 years
Annual Mortgage Payment	\$2,800 /month		\$33,500
Other Costs			
Property Taxes	1.20% of sales price <sup>4</sup>		\$7,800
HOA Dues	\$350 per month <sup>1</sup>		\$4,200
Homeowner Insurance	0.10% sale price <sup>5</sup>		\$700
Total Annual Housing Cost	\$3,900 /month		<u>\$46,200</u>
% of Income Spent on Hsg			35% <sup>6</sup>
<b>Annual Household Income Required</b>			<b>\$132,000</b>
Sales Price to Income Ratio			4.9

Notes

(1) Based on KMA Market Survey.

(2) Reflects the median down payment for new purchase loans originated in zip codes corresponding to Alameda and Santa Clara Counties derived from Freddie Mac dataset for loans issued in the 1st Quarter of 2015.

(3) Average mortgage interest rate for prior 15 years derived from Freddie Mac Primary Mortgage Market Survey, West Region (rounded to nearest whole percentage). Based on weekly average rates for 30 year fixed rate mortgages during the period from 1/2001 through 12/2015.

(4) Property tax rate is inclusive of ad valorem taxes and applicable voter approved rates, fixed charges, and assessments for the jurisdiction indicated. Source: ListSource.

(5) Estimated from quotes obtained from Progressive Insurance.

(6) Ratio is consistent with Fannie Mae mortgage underwriting eligibility criteria which establishes a debt to income threshold of 36% above which tighter credit standards apply. A debt to income ratio of up to 45% is permitted for borrowers meeting specified credit criteria. Ratio is also consistent with the California Health and Safety Code standard for relating income to housing costs for ownership units. Freddie Mac data on new purchase loans originated in zip codes corresponding to Santa Clara and Alameda Counties for the 1st Quarter of 2015 indicates an average debt to income ratio of 37%; however, most households have other forms of debt such as credit cards, student loans, and auto loans that are included as part of this ratio and the ratio considering housing costs only would be lower.

**TABLE A-6  
 PROTOTYPE 5 : APARTMENTS  
 RENT TO INCOME RATIO  
 RESIDENTIAL NEXUS ANALYSIS  
 CAMPBELL, CA**

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		<u>Prototype 5 Apartments</u>
Market Rent	<u>Unit Size</u>	
Monthly	1,000 SF <sup>1</sup>	\$3,600 <sup>1</sup>
Utilities <sup>2</sup>		<u>\$80</u>
Monthly housing cost		\$3,680
Annual housing cost		\$44,160
% of Income Spent on Rent		30% <sup>3</sup>
<b>Annual Household Income Required</b>		<b>\$147,000</b>
Annual Rent to Income Ratio		3.3

Notes

- (1) Based on the results of the market survey. Represents rent levels applicable to new units.
- (2) Monthly utilities include direct-billed utilities and landlord reimbursements estimated based on County Housing Authority utility allowance schedule.
- (3) While landlords may permit rental payments to represent a slightly higher share of total income, 30% represents an average. This relationship is established in the California Health and Safety Code and used throughout housing policy to relate income to affordable rental housing costs.

**TABLE A-7**  
**INCOME AVAILABLE FOR EXPENDITURES<sup>1</sup>**  
**RESIDENTIAL NEXUS ANALYSIS**  
**CAMPBELL, CA**

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>	<i>Prototype 5</i>
	<b>Single Family - Single Family</b>				
	<b>Large Lot</b>	<b>- Small Lot</b>	<b>Townhome</b>	<b>Condominium</b>	<b>Apartments</b>
Gross Income	100%	100%	100%	100%	100%
<u>Less:</u>					
Federal Income Taxes <sup>2</sup>	19.5%	12.4%	12.4%	12.4%	13.4%
State Income Taxes <sup>3</sup>	6%	5%	5%	4%	4%
FICA Tax Rate <sup>4</sup>	6.12%	7.65%	7.65%	7.65%	7.65%
Savings & other deductions <sup>5</sup>	10%	8%	8%	8%	8%
<b>Percent of Income Available for Expenditures<sup>6</sup> [Input to IMPLAN model]</b>	<b>58%</b>	<b>67%</b>	<b>67%</b>	<b>68%</b>	<b>67%</b>

Notes:

- <sup>1</sup> Gross income after deduction of taxes and savings. Income available for expenditures is the input to the IMPLAN model which is used to estimate the resulting employment impacts. Housing costs are not deducted as part of this adjustment step because they are addressed separately as expenditures within the IMPLAN model.
- <sup>2</sup> Reflects average tax rates (as opposed to marginal) based on U.S. Internal Revenue Services, Tax Statistics, Tables 1.1 and 2.1 for 2013. Homeowners are assumed to itemize deductions. Renter households are assumed to take the standard deduction. Tax rates reflect averages for applicable income range.
- <sup>3</sup> Average tax rate estimated by KMA based on marginal rates per the California Franchise Tax Board and ratios of taxable income to gross income estimated based on U.S. Internal Revenue Service data.
- <sup>4</sup> For Social Security and Medicare. Social Security taxes estimated based upon the current ceiling on applicability of Social Security taxes of \$118,500 (ceiling applies per earner not per household) and the average number of earners per household.
- <sup>5</sup> Household savings including retirement accounts like 401k / IRA and other deductions such as interest costs on credit cards, auto loans, etc, necessary to determine the amount of income available for expenditures. The 8% rate used in the analysis for households earning less than \$225,000 is based on the average over the past 20 years computed from U.S. Bureau of Economic Analysis data, specifically the National Income and Product Accounts, Table 2.1 "Personal Income and Its Disposition." Households earning more than \$225,000 are assumed to save a higher percentage of their income, based on savings rates for the last 20 years from data published by the National Bureau of Economic Research, "Wealth Inequality in the United States Since 1913: Evidence From Capitalized Income Tax Data," October 2014.
- <sup>6</sup> Deductions from gross income to arrive at the income available for expenditures are consistent with the way the IMPLAN model and National Income and Product Accounts (NIPA) defines income available for personal consumption expenditures. Income taxes, contributions to Social Security and Medicare, and savings are deducted; however, property taxes and sales taxes are not. Housing costs are not deducted as part of the adjustment because they are addressed separately as expenditures within the IMPLAN model.

**TABLE A-8  
FOR SALE PROTOTYPES: SALES PRICE TO INCOME SUMMARY  
RESIDENTIAL NEXUS ANALYSIS  
CAMPBELL, CA**

	<u>Per Unit</u>	<u>Per Sq.Ft.</u>	<u>100 Unit Building Module</u> <i>(Per 100 Units)</i>
<b>PROTOTYPE 1 : SINGLE FAMILY - LARGE LOT</b>			
Building Sq.Ft. (excludes garage)	3,000		300,000
Sales Price	\$1,590,000	\$530	\$159,000,000
Sales Price to Income Ratio	5.9		5.9
Gross Household Income	\$270,000		\$27,000,000
Income Available for Expenditure <sup>1</sup> 58% of gross	\$156,600		<b>\$15,660,000</b>
<b>PROTOTYPE 2 : SINGLE FAMILY - SMALL LOT</b>			
Building Sq.Ft. (excludes garage)	1,800		180,000
Sales Price	\$1,000,000	\$556	\$100,000,000
Sales Price to Income Ratio	5.3		5.3
Gross Household Income	\$189,000		\$18,900,000
Income Available for Expenditure <sup>1</sup> 67% of gross	\$126,600		<b>\$12,660,000</b>
<b>PROTOTYPE 3 : TOWNHOME</b>			
Building Sq.Ft. (excludes garage)	1,500		150,000
Sales Price	\$875,000	\$583	\$87,500,000
Sales Price to Income Ratio	5.0		5.0
Gross Household Income	\$175,000		\$17,500,000
Income Available for Expenditure <sup>1</sup> 67% of gross	\$117,300		<b>\$11,730,000</b>
<b>PROTOTYPE 4 : CONDOMINIUM</b>			
Building Sq.Ft. (excludes garage)	1,000		100,000
Sales Price	\$650,000	\$650	\$65,000,000
Sales Price to Income Ratio	4.9		4.9
Gross Household Income	\$132,000		\$13,200,000
Income Available for Expenditure <sup>1</sup> 68% of gross	\$89,800		<b>\$8,980,000</b>

**Notes:**

(1) Represents net income available for expenditures after income tax, payroll taxes, and savings. See Table A-7 for derivation.

Source: See Table A-1 through Table A-7.

**TABLE A-9  
NEW MARKET RATE RESIDENTIAL HOUSEHOLD SUMMARY  
RESIDENTIAL NEXUS ANALYSIS  
CAMPBELL, CA**

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	<u>Per Unit</u>	<u>Per Sq.Ft.</u>	<u>100 Unit Building Module (Per 100 Units)</u>
<b>PROTOTYPE 5 : APARTMENTS</b>			
Building Sq.Ft.	1,000		100,000
Rent			
Monthly	\$3,600	\$3.60 /SF	\$360,000
Monthly with Utilities	\$3,680		
Annual with Utilities	\$44,160		\$4,416,000
Rent to Income Ratio	3.3		3.3
Gross Household Income	\$147,000		\$14,700,000
Income Available for Expenditure <sup>1</sup>	67% of gross	\$98,000	\$9,850,000
Expenditures adjusted for vacancy <sup>2</sup>	5% vacancy	\$94,000	<b>\$9,400,000</b>

Notes:

(1) Represents net income available for expenditures after income tax, payroll taxes, and savings. See Table A-7 for derivation.

(2) Allowance to account for standard operational vacancy.

Source: See Table A-2 through A-5.

## **B. The IMPLAN Model**

Consumer spending by residents of new housing units will create jobs, particularly in sectors such as restaurants, health care, and retail, which are closely connected to the expenditures of residents. The widely used economic analysis tool, IMPLAN (IMpact Analysis for PLANning), was used to quantify these new jobs by industry sector.

### **IMPLAN Model Description**

The IMPLAN model is an economic analysis software package now commercially available through the IMPLAN Group, LLC. IMPLAN was originally developed by the U.S. Forest Service, the Federal Emergency Management Agency, and the U.S. Department of the Interior Bureau of Land Management and has been in use since 1979 and refined over time. It has become a widely used tool for analyzing economic impacts for a broad range of applications from major construction projects to natural resource programs.

IMPLAN is based on an input-output accounting of commodity flows within an economy from producers to intermediate and final consumers. The model establishes a matrix of supply chain relationships between industries and also between households and the producers of household goods and services. Assumptions about the portion of inputs or supplies for a given industry likely to be met by local suppliers, and the portion supplied from outside the region or study area are derived internally within the model using data on the industrial structure of the region.

The output or result of the model is generated by tracking changes in purchases for final use (final demand) as they filter through the supply chain. Industries that produce goods and services for final demand or consumption must purchase inputs from other producers, which in turn, purchase goods and services. The model tracks these relationships through the economy to the point where leakages from the region stop the cycle. This allows the user to identify how a change in demand for one industry will affect a list of over 500 other industry sectors. The projected response of an economy to a change in final demand can be viewed in terms of economic output, employment, or income.

Data sets are available for each county and state, so the model can be tailored to the specific economic conditions of the region being analyzed. This analysis utilizes the data set for Santa Clara County. As will be discussed, much of the employment impact is in local-serving sectors, such as retail, eating and drinking establishments, and medical services. A significant portion of these jobs will be located in Campbell or nearby. In addition, the employment impacts will extend throughout the county and beyond based on where jobs are located that serve Campbell residents. In fact, Campbell is part of the larger Bay Area economy and impacts will likewise extend throughout the region. However, consistent with the conservative approach taken in the nexus analysis, only the impacts that occur within Santa Clara County are included in the analysis.

## Application of the IMPLAN Model to Estimate Job Growth

The IMPLAN model was applied to link income to household expenditures to job growth. Employment generated by the household income of residents is analyzed in modules of 100 residential units to simplify communication of the results and avoid awkward fractions. The IMPLAN model distributes spending among various types of goods and services (industry sectors) based on data from the Consumer Expenditure Survey and the Bureau of Economic Analysis Benchmark input-output study, to estimate employment generated.

Job creation, driven by increased demand for products and services, was projected for each of the industries that will serve the new households. The employment generated by this new household spending is summarized below.

<b>Jobs Generated Per 100 Units</b>						
	<i>Single Family -</i>		<i>Single Family -</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments</i>
	<i>Large Lot</i>	<i>Small Lot</i>				
Annual Household Expenditures (100 Units)	\$15,660,000	\$12,660,000	\$11,730,000	\$8,980,000	\$9,400,000	
Total Jobs Generated (100 Units)	94.4	76.3	70.7	53.3	55.8	

Table B-1 (page 23) provides a detailed summary of employment generated by industry. The table shows industries sorted by projected employment. The Consumer Expenditure Survey published by the Bureau of Labor Statistics tracks expenditure patterns by income level. IMPLAN utilizes this data to reflect the pattern by income bracket. Estimated employment is shown for each IMPLAN industry sector representing 1% or more of total employment. The jobs that are generated are heavily retail jobs, jobs in restaurants and other eating establishments, and in services that are provided locally such as health care. The jobs counted in the IMPLAN model cover all jobs, full and part time, similar to the U.S. Census and all reporting agencies (unless otherwise indicated).

**TABLE B-1  
 IMPLAN MODEL OUTPUT  
 EMPLOYMENT GENERATED  
 RESIDENTIAL NEXUS ANALYSIS  
 CAMPBELL, CA**

<i>Per 100 Market Rate Units</i>	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>	<i>Prototype 5</i>	<i>% of Jobs</i>
	<b>Single Family - Large Lot</b>	<b>Single Family - Small Lot</b>	<b>Townhome</b>	<b>Condominium</b>	<b>Apartments</b>	
<b>Household Expenditures</b> <i>(100 Market Rate Units)</i>	\$15,660,000	\$12,660,000	\$11,730,000	\$8,980,000	\$9,400,000	
<b>Jobs Generated by Industry <sup>1</sup></b>						
Full-service restaurants	5.8	4.7	4.3	3.5	3.7	6%
Individual and family services	4.7	3.8	3.5	2.6	2.7	5%
Limited-service restaurants	4.8	3.9	3.6	3.0	3.1	5%
All other food and drinking places	<u>3.0</u>	<u>2.4</u>	<u>2.2</u>	<u>1.8</u>	<u>1.9</u>	<u>3%</u>
Subtotal Restaurant	18.3	14.8	13.7	10.9	11.4	20%
Retail - Food and beverage stores	3.4	2.8	2.6	1.9	2.0	4%
Retail - General merchandise stores	2.7	2.2	2.0	1.5	1.6	3%
Personal care services	2.1	1.7	1.6	1.4	1.4	2%
Retail - Health and personal care stores	1.4	1.1	1.0	0.8	0.8	1%
Retail - Miscellaneous store retailers	1.3	1.1	1.0	0.7	0.8	1%
Retail - Building material and garden	1.3	1.1	1.0	0.7	0.7	1%
Other personal services	1.2	1.0	0.9	0.7	0.7	1%
Retail - Clothing and accessories	1.2	0.9	0.9	0.6	0.7	1%
Retail - Motor vehicle and parts dealers	1.0	0.8	0.8	0.6	0.6	1%
Retail - Nonstore retailers	<u>0.4</u>	<u>0.3</u>	<u>0.3</u>	<u>0.2</u>	<u>0.2</u>	<u>0%</u>
Subtotal Retail and Service	16.1	13.0	12.1	9.0	9.5	17%
Hospitals	4.4	3.6	3.3	2.9	3.1	5%
Nursing and community care facilities	2.1	1.7	1.6	1.4	1.5	2%
Home health care services	0.9	0.7	0.7	0.6	0.6	1%
Offices of physicians	2.5	2.0	1.9	1.7	1.8	3%
Offices of dentists	1.1	0.9	0.8	0.7	0.8	1%
Offices of other health practitioners	<u>1.4</u>	<u>1.1</u>	<u>1.0</u>	<u>0.9</u>	<u>1.0</u>	<u>2%</u>
Subtotal Healthcare	12.4	10.0	9.3	8.3	8.7	14%
Other educational services	2.9	2.4	2.2	1.1	1.2	3%
Colleges, universities	2.9	2.3	2.2	1.0	1.1	3%
Elementary and secondary schools	<u>1.8</u>	<u>1.4</u>	<u>1.3</u>	<u>0.7</u>	<u>0.8</u>	<u>2%</u>
Subtotal Education	7.6	6.1	5.7	2.9	3.0	7%
Real estate	3.4	2.8	2.6	2.1	2.2	4%
Wholesale trade	2.4	1.9	1.8	1.3	1.4	3%
Other financial investment activities	2.2	1.7	1.6	1.2	1.3	2%
Child day care services	2.1	1.7	1.5	0.8	0.9	2%
Services to private households	1.7	1.3	1.2	0.9	0.9	2%
Services to buildings	1.6	1.3	1.2	0.9	0.9	2%
Automotive repair and maintenance	1.4	1.1	1.1	0.9	0.9	2%
All Other	25.3	20.5	19.0	14.1	14.8	27%
<b>Total Number of Jobs Generated</b>	94.4	76.3	70.7	53.3	55.8	100%

<sup>1</sup> Estimated employment generated by expenditures of households within 100 prototypical market rate units for Industries representing more than 1% of total employment. Employment estimates are based on the IMPLAN Group's economic model, IMPLAN, for Santa Clara County (uses 2014 IMPLAN data set, the most recent available as of March 2016). Includes both full- and part-time jobs.

### C. The KMA Jobs Housing Nexus Model

This section presents a summary of the analysis linking the employment growth associated with residential development, or the output of the IMPLAN model (see Section B), to the estimated number of lower income housing units required in each of four income categories, for each of the five residential prototype units.

#### Analysis Approach and Framework

The analysis approach is to examine the employment growth for industries related to consumer spending by residents in the 100-unit modules. Then, through a series of linkage steps, the number of employees is converted to households and housing units by affordability level. The findings are expressed in terms of numbers of affordable units per 100 market rate units. The analysis addresses the affordable unit demand associated with single family detached, townhomes, condos, and rental units.

The table below shows the 2016 Area Median Income (AMI) for Santa Clara County, as well as the income limits for the four categories that were evaluated: Extremely Low (30% of AMI), Very Low (50% of AMI), Low (80% of AMI), and Moderate (120% of AMI). The income definitions used in the analysis are those published by the California Department of Housing and Community Development (HCD).

**2016 Income Limits for Santa Clara County**

	Household Size (Persons)					
	1	2	3	4	5	6 +
Extr. Low (Under 30% AMI)	\$23,450	\$26,800	\$30,150	\$33,500	\$36,200	\$38,900
Very Low (30%-50% AMI)	\$39,100	\$44,650	\$50,250	\$55,800	\$60,300	\$64,750
Low (50%-80% AMI)	\$59,400	\$67,900	\$76,400	\$84,900	\$91,650	\$98,450
Moderate (80%-120% AMI)	\$89,950	\$102,800	\$115,650	\$128,500	\$138,800	\$149,050
Median (100% of Median)	\$74,950	\$85,700	\$96,400	\$107,100	\$115,650	\$124,250

Source: California Department of Housing and Community Development.

The analysis is conducted using a model that KMA developed and has applied to similar evaluations in many other jurisdictions. The model inputs are all local data to the extent possible, and are fully documented in the following description.

#### Analysis Steps

The tables at the end of this section present a summary of the nexus analysis steps for the prototype units. Following is a description of each step of the analysis.

### **Step 1 – Estimate of Total New Employees**

Table C-1 (page 30) commences with the total number of employees associated with the new market rate units. The employees were estimated based on household expenditures of new residents using the IMPLAN model (see Section B).

### **Step 2 – Changing Industries Adjustment and Net New Jobs**

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 in manufacturing sectors of the local economy have declined along with governmental employment, farming, construction and financial activities employment. Jobs lost over the last decade in these declining sectors were replaced by job growth in other industry sectors.

Step 2 makes an adjustment to take ongoing changes in the economy into account recognizing that jobs added are not 100% net new in all cases. A 20% adjustment is utilized based on the long term shifts in employment that have occurred in some sectors of the local economy 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. Existing workers downsized from declining industries are assumed to be available to fill a portion of the new retail, restaurant, health care, and other jobs associated with services to residents.

The 20% downward adjustment used for purposes of the analysis was derived from California Employment Development Department data on employment by industry in the San Jose-Sunnyvale-Santa Clara and Oakland-Hayward-Berkeley Metropolitan Districts which encompasses the jurisdictions included in the multi-jurisdiction nexus effort. Over the ten-year period from 2005 to 2015, approximately 55,000 jobs were lost in declining industry sectors. Over the same period, growing and stable industries added a total of 268,000 jobs. The figures are used to establish a ratio between jobs lost in declining industries to jobs gained in growing and stable industries at 20%<sup>9</sup>. The 20% factor is applied as an adjustment in the analysis, effectively assuming one in every five new jobs is filled by a worker down-sized from a declining industry and who already lives locally.

The discount for changing industries is a conservative analysis assumption that may result in an understatement of impacts. The adjustment assumes workers down-sized from declining sectors of the local economy are available to fill a portion of the new service sector jobs documented in a residential nexus analysis. In reality, displaced workers from declining industry sectors of the economy are not always available to fill these new service jobs because they may retire or exit the

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<sup>9</sup> The 20% ratio is calculated as 55,000 jobs lost in declining sectors excluding defense divided by 268,000 jobs gained in growing and stable sectors = 20.5% (rounded to 20%).

workforce or may be competitive for and seek employment in one of the other growing sectors of the local economy that is not oriented towards services to local residents.

### ***Step 3 – Adjustment from Employees to Employee Households***

This step (Table C-1, page 30) 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 in demand for new workers is reduced. The workers-per-worker-household ratio eliminates from the equation all non-working households, such as retired persons, students, and those on public assistance. The County average of 1.72 workers per worker household (from the U. S. Census Bureau 2011-2013 American Community Survey) is used for this step in the analysis. The number of jobs is divided by 1.72 to determine the number of worker households. This ratio is distinguished from the overall number of workers per household in that the denominator includes only households with at least one worker. If the average number of workers in all households were used, it would have produced a greater demand for housing units. The 1.72 ratio covers all workers, full and part time.

### ***Step 4 – Occupational Distribution of Employees***

The occupational breakdown of employees is the first step to arrive at income level. The output from the IMPLAN model provides the number of employees by industry sector, shown in Table B-1 (page 23). The IMPLAN output is paired with data from the Department of Labor, Bureau of Labor Statistics May 2014 Occupational Employment Survey (OES) to estimate the occupational composition of employees for each industry sector.

#### ***Step 4a – Translation from IMPLAN Industry Codes to NAICS Industry Codes***

The output of the IMPLAN model is jobs by industry sector using IMPLAN's own industry classification system, which consists of 536 industry sectors. The OES occupation data uses the North American Industry Classification System (NAICS). Estimates of jobs by IMPLAN sector must be translated into estimates by NAICS code for consistency with the OES data.

The NAICS system is organized into industry codes ranging from two- to six-digits. Two-digit codes are the broadest industry categories and six-digit codes are the most specific. Within a two-digit NAICS code, there may be several three-digit codes and within each three-digit code, several four-digit codes, etc. A chart published by IMPLAN relates each IMPLAN industry sector with one or more NAICS codes, with matching NAICS codes ranging from the two-digit level to the five-digit level. For purposes of the nexus analysis, all employment estimates must be aggregated to the four, or in some cases, five-digit NAICS code level to align with OES data which is organized by four and five-digit NAICS code. For some industry sectors, an allocation is necessary between more than one NAICS code. Where required, allocations are made proportionate to total employment at the national level from the OES.

The table below illustrates analysis Step 4a in which employment estimates by IMPLAN Code are translated to NAICS codes and then aggregated at the four and five digit NAICS code level. The examples used are Child Day Care Centers and Hospitals. The process is applied to all the industry sectors.

<b>Illustration of Model Step 4a.</b>						
A. IMPLAN Output by IMPLAN Industry Sector		B. Link to Corresponding NAICS		C. Aggregate at 4-Digit NAICS Code Level		
<u>Jobs</u>	<u>IMPLAN Sector</u>	<u>Jobs</u>	<u>NAICS Code</u>	<u>Jobs</u>	<u>% Total</u>	<u>4-Digit NAICS</u>
2.1	487 - Child day care services	2.1	6244 Child day care services	2.1	100%	6244 Child day care services
4.4	482 - Hospitals	4.4	622 Hospitals	4.0	92%	6221 General Medical and Surgical Hospitals
				0.2	4%	6222 Psychiatric and Substance Abuse Hospitals
				0.2	4%	6223 Specialty (except Psychiatric and Substance Abuse) Hospitals

Source: KMA, Bureau of Labor Statistics May 2014 Occupational Employment Survey.

#### **Step 4b – Apply OES Data to Estimate Occupational Distribution**

Employment estimates by four and five-digit NAICS code from step 4a are paired with data on occupational composition within each industry from the OES to generate an estimate of employment by detailed occupational category. As shown on Table C-1 (page 30), new jobs will be distributed across a variety of occupational categories. The three largest occupational categories are office and administrative support (15%), food preparation and serving (15% - 16%), and sales and related (13%). Step 4 of Table C-1 indicates the percentage and number of employee households by occupation associated with 100 market rate units.

#### **Step 5 – Estimates of Employee Households Meeting the Lower Income Definitions**

In this step, occupations are translated to employee incomes based on recent Santa Clara County wage and salary information from the California Employment Development Department (EDD). The wage and salary information summarized in Appendix B provided the income inputs to the model.

For each occupational category shown in Table C-1, 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, Bartenders, Waiters and Waitresses, Dishwashers, etc. In total there are over 100 detailed occupation categories included in the analysis as shown

in the Appendix B tables. Each of these over 100 occupation categories has a different distribution of wages which was obtained from EDD and is specific to workers in Santa Clara County as of 2015.

For each detailed occupational category, the model uses the distribution of wages to calculate the percent of worker households that would fall into each income category. The calculation is performed for each possible combination of household size and number of workers in the household. For households with more than one worker, individual *employee* income data was used to calculate the household income by assuming multiple earner households are, on average, formed of individuals with similar incomes.

At the end of Step 5, the nexus model has established a matrix indicating the percentages of households that would qualify in the affordable income tiers for every detailed occupational category and every potential combination of household size and number of workers in the household.

#### ***Step 6 – Distribution of Household Size and Number of Workers***

In this step, we account for the distribution in household sizes and number of workers for Santa Clara County households using local data obtained from the U.S. Census. Census data is used to develop a set of percentage factors representing the distribution of household sizes and number of workers within working households. The percentage factors are specific to Santa Clara County and are derived from the 2011 – 2013 American Community Survey. 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.

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

#### ***Step 7 – Estimate of Number of Households that Meet Size and Income Criteria***

Step 7 is the final step to calculate the number of worker households meeting the size and income criteria for the four affordability tiers. The calculation combines the matrix of results from Step 5 on percentage of worker households that would meet the income criteria at each potential household size / no. of workers combination, with Step 6, the percentage of worker household having a given household size / number of workers combination. The result is the percent of households that fall into each affordability tier. The percentages are then multiplied by the number of households from Step 3 to arrive at number of households in each affordability tier.

Table C-2A (page 31) shows the result after completing Steps 5, 6, and 7 for the Extremely Low Income Tier. Tables C-2B, C-2C, C-2D (beginning on page 32) show results for the Very Low,

Low, and Moderate Income tiers. A similar table is not included for the above moderate category (over 120% of AMI) because the focus of the analysis is on quantifying housing needs within the four affordable income categories.

### Summary Findings

Table C-3 (page 35) indicates the results of the analysis for all of the affordability tiers. The table presents the number of households generated in each affordability category and the total number over 120% of Area Median Income.

The findings in Table C-3 are presented below. The table shows the total demand for affordable housing units associated with 100 market rate units. Each column indicates findings specific to the applicable prototype. For example, for the townhome, 27.2 units from 0% to 120% of median income are identified, an estimate that reflects the demand for goods and services by residents in 100 market rate townhome units and the housing needs of the workers who will be providing these goods and services.

<b>New Worker Households per 100 Market Rate Units, City of Campbell</b>					
	<i>Single Family - Single Family -</i>		<i>Townhome</i>	<i>Condominium</i>	<i>Apartments</i>
	<i>Large Lot</i>	<i>Small Lot</i>			
Extremely Low (0%-30% AMI)	7.9	6.4	5.9	4.5	4.7
Very Low (30%-50% AMI)	11.9	9.6	8.9	6.7	7.0
Low (50%-80% AMI)	10.1	8.2	7.6	5.6	5.9
Moderate (80%-120% AMI)	6.5	5.2	4.8	3.6	3.8
<b>Total, Less than 120% AMI</b>	<b>36.3</b>	<b>29.4</b>	<b>27.2</b>	<b>20.4</b>	<b>21.4</b>
Greater than 120% AMI	7.7	6.2	5.7	4.4	4.6
<b>Total, New Households</b>	<b>44.0</b>	<b>35.6</b>	<b>32.9</b>	<b>24.9</b>	<b>26.0</b>

Housing demand for new worker households earning less than 120% of AMI ranges from 36.3 units per 100 market rate units for larger single family detached units to 20.4 per 100 market rate units for condominium units. The greatest level of housing demand is identified for the large lot single family units as a result of the higher incomes of households within these units which results in greater demand for goods and services, greater numbers of service jobs, and greater housing needs for workers who will be employed in these service jobs.

Housing demand is distributed across the lower income tiers with the greatest numbers of households in the Very Low and Low tiers. The finding that the jobs associated with consumer spending tend to be low-paying jobs where the workers will require housing affordable at the lower income levels is not surprising. As noted above, direct consumer spending results in employment that is concentrated in lower paid occupations including food preparation, administrative, and retail sales.

**TABLE C-1**  
**NET NEW HOUSEHOLDS AND OCCUPATION DISTRIBUTION**  
**EMPLOYEE HOUSEHOLDS GENERATED**  
**RESIDENTIAL NEXUS ANALYSIS**  
**CAMPBELL, CA**

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>	<i>Prototype 5</i>
	Single Family - Large Lot	Single Family - Small Lot	Townhome	Condominium	Apartments
Step 1 - Employees <sup>1</sup>	94.4	76.3	70.7	53.3	55.8
Step 2 - Adjustment for Changing Industries (20%) (2)	75.5	61.1	56.6	42.7	44.7
Step 3 - Adjustment for Number of Households (1.72) (3)	44.0	35.6	32.9	24.9	26.0
Step 4 - Occupation Distribution <sup>4</sup>					
Management Occupations	4.2%	4.2%	4.2%	4.1%	4.1%
Business and Financial Operations	4.1%	4.1%	4.1%	4.0%	4.0%
Computer and Mathematical	1.2%	1.2%	1.2%	1.1%	1.1%
Architecture and Engineering	0.3%	0.3%	0.3%	0.4%	0.4%
Life, Physical, and Social Science	0.4%	0.4%	0.4%	0.3%	0.3%
Community and Social Services	2.3%	2.3%	2.3%	2.2%	2.2%
Legal	0.6%	0.6%	0.6%	0.6%	0.6%
Education, Training, and Library	5.8%	5.8%	5.8%	4.1%	4.1%
Arts, Design, Entertainment, Sports, and Media	1.5%	1.5%	1.5%	1.3%	1.3%
Healthcare Practitioners and Technical	7.2%	7.2%	7.2%	8.2%	8.2%
Healthcare Support	4.2%	4.2%	4.2%	4.8%	4.8%
Protective Service	1.1%	1.1%	1.1%	1.1%	1.1%
Food Preparation and Serving Related	15.1%	15.1%	15.1%	16.2%	16.2%
Building and Grounds Cleaning and Maint.	5.4%	5.4%	5.4%	5.3%	5.3%
Personal Care and Service	7.5%	7.5%	7.5%	7.3%	7.3%
Sales and Related	13.4%	13.4%	13.4%	13.3%	13.3%
Office and Administrative Support	15.2%	15.2%	15.2%	15.2%	15.2%
Farming, Fishing, and Forestry	0.1%	0.1%	0.1%	0.1%	0.1%
Construction and Extraction	0.9%	0.9%	0.9%	1.0%	1.0%
Installation, Maintenance, and Repair	3.3%	3.3%	3.3%	3.5%	3.5%
Production	1.5%	1.5%	1.5%	1.4%	1.4%
Transportation and Material Moving	<u>4.6%</u>	<u>4.6%</u>	<u>4.6%</u>	<u>4.5%</u>	<u>4.5%</u>
<b>Totals</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Management Occupations	1.8	1.5	1.4	1.0	1.1
Business and Financial Operations	1.8	1.4	1.3	1.0	1.0
Computer and Mathematical	0.5	0.4	0.4	0.3	0.3
Architecture and Engineering	0.2	0.1	0.1	0.1	0.1
Life, Physical, and Social Science	0.2	0.1	0.1	0.1	0.1
Community and Social Services	1.0	0.8	0.7	0.6	0.6
Legal	0.3	0.2	0.2	0.2	0.2
Education, Training, and Library	2.5	2.1	1.9	1.0	1.1
Arts, Design, Entertainment, Sports, and Media	0.7	0.5	0.5	0.3	0.3
Healthcare Practitioners and Technical	3.2	2.6	2.4	2.0	2.1
Healthcare Support	1.9	1.5	1.4	1.2	1.3
Protective Service	0.5	0.4	0.4	0.3	0.3
Food Preparation and Serving Related	6.7	5.4	5.0	4.0	4.2
Building and Grounds Cleaning and Maint.	2.4	1.9	1.8	1.3	1.4
Personal Care and Service	3.3	2.7	2.5	1.8	1.9
Sales and Related	5.9	4.8	4.4	3.3	3.4
Office and Administrative Support	6.7	5.4	5.0	3.8	4.0
Farming, Fishing, and Forestry	0.0	0.0	0.0	0.0	0.0
Construction and Extraction	0.4	0.3	0.3	0.2	0.2
Installation, Maintenance, and Repair	1.5	1.2	1.1	0.9	0.9
Production	0.6	0.5	0.5	0.4	0.4
Transportation and Material Moving	<u>2.0</u>	<u>1.6</u>	<u>1.5</u>	<u>1.1</u>	<u>1.2</u>
<b>Totals</b>	<b>44.0</b>	<b>35.6</b>	<b>32.9</b>	<b>24.9</b>	<b>26.0</b>

**Notes:**

- <sup>1</sup> Estimated employment generated by expenditures of households within 100 prototypical market rate units from Table B-1.
- <sup>2</sup> The 20% adjustment is based upon job losses in declining sectors of the local economy over the past 10 years. "Downsized" workers from declining sectors are assumed to fill a portion of new jobs in sectors serving residents. 20% adjustment calculated as 54,700 jobs lost in declining sectors divided by 267,700 jobs gained in growing and stable sectors = 20%.
- <sup>3</sup> Adjustment from number of workers to households using county-wide average of 1.72 workers per worker household derived from the U.S. Census American Community Survey 2011 to 2013.
- <sup>4</sup> See Appendix B Tables 1 - 4 for additional information on Major Occupation Categories.

**TABLE C-2A  
EXTREMELY LOW-INCOME (ELI) EMPLOYEE HOUSEHOLDS<sup>1</sup> GENERATED  
RESIDENTIAL NEXUS ANALYSIS  
CAMPBELL, CA**

*Per 100 Market Rate Units*

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>	<i>Prototype 5</i>
	<b>Single Family - Large Lot</b>	<b>Single Family - Small Lot</b>	<b>Townhome</b>	<b>Condominium</b>	<b>Apartments</b>
<b>Step 5 &amp; 6 - Extremely Low Income Households (under 30% AMI) within Major Occupation Categories<sup>2</sup></b>					
Management	0.00	0.00	0.00	0.00	0.00
Business and Financial Operations	-	-	-	-	-
Computer and Mathematical	-	-	-	-	-
Architecture and Engineering	-	-	-	-	-
Life, Physical and Social Science	-	-	-	-	-
Community and Social Services	0.03	0.03	0.03	0.02	0.02
Legal	-	-	-	-	-
Education Training and Library	0.25	0.20	0.19	0.10	0.11
Arts, Design, Entertainment, Sports, & Media	-	-	-	-	-
Healthcare Practitioners and Technical	0.01	0.01	0.01	0.00	0.00
Healthcare Support	0.29	0.23	0.22	0.18	0.19
Protective Service	-	-	-	-	-
Food Preparation and Serving Related	2.62	2.12	1.96	1.58	1.66
Building Grounds and Maintenance	0.57	0.46	0.43	0.31	0.33
Personal Care and Service	0.97	0.78	0.72	0.55	0.58
Sales and Related	1.35	1.09	1.01	0.75	0.78
Office and Admin	0.47	0.38	0.35	0.26	0.27
Farm, Fishing, and Forestry	-	-	-	-	-
Construction and Extraction	-	-	-	-	-
Installation Maintenance and Repair Production	0.04	0.03	0.03	0.02	0.02
Transportation and Material Moving	0.46	0.37	0.34	0.25	0.27
<b>ELI Households - Major Occupations</b>	<b>7.05</b>	<b>5.70</b>	<b>5.28</b>	<b>4.04</b>	<b>4.23</b>
<b>ELI Households<sup>1</sup> - all other occupations</b>	<b>0.81</b>	<b>0.65</b>	<b>0.61</b>	<b>0.46</b>	<b>0.48</b>
<b>Total ELI Households<sup>1</sup></b>	<b>7.86</b>	<b>6.35</b>	<b>5.89</b>	<b>4.50</b>	<b>4.71</b>

(1) Includes households earning from zero through 30% of Santa Clara County Area Median Income.

(2) See Appendix B Tables 1 - 4 for additional information on Major Occupation Categories. Note that the model places individual employees into households. Many households have multiple income sources and therefore household income is higher than the wages shown in Appendix B Table 2 and 4. The distribution of the number of workers per worker household and the distribution of household size are based on American Community Survey data.

**TABLE C-2B**  
**VERY LOW-INCOME EMPLOYEE HOUSEHOLDS<sup>1</sup> GENERATED**  
**RESIDENTIAL NEXUS ANALYSIS**  
**CAMPBELL, CA**

*Per 100 Market Rate Units*

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>	<i>Prototype 5</i>
	<b>Single Family - Large Lot</b>	<b>Single Family - Small Lot</b>	<b>Townhome</b>	<b>Condominium</b>	<b>Apartments</b>
<b>Step 5 &amp; 6 - Very Low Income Households (30%-50% AMI) within Major Occupation Categories <sup>2</sup></b>					
Management	0.03	0.02	0.02	0.02	0.02
Business and Financial Operations	0.03	0.03	0.02	0.02	0.02
Computer and Mathematical	-	-	-	-	-
Architecture and Engineering	-	-	-	-	-
Life, Physical and Social Science	-	-	-	-	-
Community and Social Services	0.20	0.16	0.15	0.11	0.12
Legal	-	-	-	-	-
Education Training and Library	0.64	0.52	0.48	0.26	0.27
Arts, Design, Entertainment, Sports, & Media	-	-	-	-	-
Healthcare Practitioners and Technical	0.06	0.05	0.05	0.04	0.04
Healthcare Support	0.63	0.51	0.48	0.41	0.43
Protective Service	-	-	-	-	-
Food Preparation and Serving Related	2.44	1.97	1.83	1.48	1.54
Building Grounds and Maintenance	0.88	0.71	0.66	0.49	0.51
Personal Care and Service	1.19	0.96	0.89	0.65	0.68
Sales and Related	1.86	1.51	1.39	1.03	1.08
Office and Admin	1.72	1.39	1.29	0.97	1.02
Farm, Fishing, and Forestry	-	-	-	-	-
Construction and Extraction	-	-	-	-	-
Installation Maintenance and Repair	0.28	0.23	0.21	0.17	0.17
Production	-	-	-	-	-
Transportation and Material Moving	0.70	0.57	0.52	0.38	0.40
<b>Very Low Households - Major Occupations</b>	<b>10.68</b>	<b>8.63</b>	<b>8.00</b>	<b>6.02</b>	<b>6.30</b>
<b>Very Low Households<sup>1</sup> - all other occupations</b>	<b>1.22</b>	<b>0.99</b>	<b>0.92</b>	<b>0.68</b>	<b>0.71</b>
<b>Total Very Low Inc. Households<sup>1</sup></b>	<b>11.90</b>	<b>9.62</b>	<b>8.91</b>	<b>6.70</b>	<b>7.01</b>

(1) Includes households earning from 30% through 50% of Santa Clara County Area Median Income.

(2) See Appendix B Tables 1 - 4 for additional information on Major Occupation Categories. Note that the model places individual employees into households. Many households have multiple income sources and therefore household income is higher than the wages shown in Appendix B Table 2 and 4. The distribution of the number of workers per worker household and the distribution of household size are based on American Community Survey data.

**TABLE C-2C**  
**LOW-INCOME EMPLOYEE HOUSEHOLDS<sup>1</sup> GENERATED**  
**RESIDENTIAL NEXUS ANALYSIS**  
**CAMPBELL, CA**

*Per 100 Market Rate Units*

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>	<i>Prototype 5</i>
	<b>Single Family - Large Lot</b>	<b>Single Family - Small Lot</b>	<b>Townhome</b>	<b>Condominium</b>	<b>Apartments</b>
<b>Step 5 &amp; 6 - Low Income Households (50%-80% AMI) within Major Occupation Categories <sup>2</sup></b>					
Management	0.12	0.10	0.09	0.07	0.07
Business and Financial Operations	0.22	0.18	0.17	0.12	0.13
Computer and Mathematical	-	-	-	-	-
Architecture and Engineering	-	-	-	-	-
Life, Physical and Social Science	-	-	-	-	-
Community and Social Services	0.29	0.23	0.22	0.16	0.17
Legal	-	-	-	-	-
Education Training and Library	0.68	0.55	0.51	0.27	0.28
Arts, Design, Entertainment, Sports, & Media	-	-	-	-	-
Healthcare Practitioners and Technical	0.21	0.17	0.16	0.13	0.14
Healthcare Support	0.54	0.44	0.40	0.35	0.36
Protective Service	-	-	-	-	-
Food Preparation and Serving Related	1.23	0.99	0.92	0.74	0.78
Building Grounds and Maintenance	0.57	0.46	0.43	0.32	0.33
Personal Care and Service	0.76	0.62	0.57	0.42	0.43
Sales and Related	1.46	1.18	1.09	0.81	0.85
Office and Admin	2.03	1.64	1.52	1.15	1.20
Farm, Fishing, and Forestry	-	-	-	-	-
Construction and Extraction	-	-	-	-	-
Installation Maintenance and Repair	0.43	0.35	0.32	0.25	0.27
Production	-	-	-	-	-
Transportation and Material Moving	0.51	0.41	0.38	0.28	0.29
<b>Low Households - Major Occupations</b>	<b>9.06</b>	<b>7.32</b>	<b>6.79</b>	<b>5.07</b>	<b>5.31</b>
<b>Low Households<sup>1</sup> - all other occupations</b>	<b>1.04</b>	<b>0.84</b>	<b>0.78</b>	<b>0.57</b>	<b>0.60</b>
<b>Total Low Inc. Households<sup>1</sup></b>	<b>10.10</b>	<b>8.16</b>	<b>7.56</b>	<b>5.64</b>	<b>5.91</b>

(1) Includes households earning from 50% through 80% of Santa Clara County Area Median Income.

(2) See Appendix B Tables 1 - 4 for additional information on Major Occupation Categories. Note that the model places individual employees into households. Many households have multiple income sources and therefore household income is higher than the wages shown in Appendix B Table 2 and 4. The distribution of the number of workers per worker household and the distribution of household size are based on American Community Survey data.

**TABLE C-2D  
 MODERATE-INCOME EMPLOYEE HOUSEHOLDS<sup>1</sup> GENERATED  
 RESIDENTIAL NEXUS ANALYSIS  
 CAMPBELL, CA**

*Per 100 Market Rate Units*

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>	<i>Prototype 5</i>
	<b>Single Family - Large Lot</b>	<b>Single Family - Small Lot</b>	<b>Townhome</b>	<b>Condominium</b>	<b>Apartments</b>
<b>Step 5 &amp; 6 - Moderate Income Households (80%-120% AMI) within Major Occupation Categories <sup>2</sup></b>					
Management	0.28	0.23	0.21	0.16	0.16
Business and Financial Operations	0.41	0.33	0.31	0.23	0.24
Computer and Mathematical	-	-	-	-	-
Architecture and Engineering	-	-	-	-	-
Life, Physical and Social Science	-	-	-	-	-
Community and Social Services	0.26	0.21	0.19	0.14	0.15
Legal	-	-	-	-	-
Education Training and Library	0.54	0.43	0.40	0.21	0.22
Arts, Design, Entertainment, Sports, & Media	-	-	-	-	-
Healthcare Practitioners and Technical	0.61	0.50	0.46	0.39	0.41
Healthcare Support	0.29	0.24	0.22	0.19	0.20
Protective Service	-	-	-	-	-
Food Preparation and Serving Related	0.16	0.13	0.12	0.10	0.10
Building Grounds and Maintenance	0.27	0.22	0.20	0.15	0.16
Personal Care and Service	0.22	0.18	0.16	0.11	0.12
Sales and Related	0.64	0.52	0.48	0.36	0.38
Office and Admin	1.48	1.20	1.11	0.84	0.88
Farm, Fishing, and Forestry	-	-	-	-	-
Construction and Extraction	-	-	-	-	-
Installation Maintenance and Repair	0.38	0.31	0.29	0.22	0.23
Production	-	-	-	-	-
Transportation and Material Moving	0.24	0.20	0.18	0.13	0.14
<b>Moderate Households - Major Occupations</b>	<b>5.79</b>	<b>4.68</b>	<b>4.34</b>	<b>3.23</b>	<b>3.39</b>
<b>Moderate Households<sup>1</sup> - all other occupations</b>	<b>0.66</b>	<b>0.54</b>	<b>0.50</b>	<b>0.37</b>	<b>0.38</b>
<b>Total Moderate Inc. Households<sup>1</sup></b>	<b>6.46</b>	<b>5.22</b>	<b>4.84</b>	<b>3.60</b>	<b>3.77</b>

(1) Includes households earning from 80% through 120% of Santa Clara County Area Median Income.

(2) See Appendix B Tables 1 - 4 for additional information on Major Occupation Categories. Note that the model places individual employees into households. Many households have multiple income sources and therefore household income is higher than the wages shown in Appendix B Table 2 and 4. The distribution of the number of workers per worker household and the distribution of household size are based on American Community Survey data.

TABLE C-3  
IMPACT ANALYSIS SUMMARY  
EMPLOYEE HOUSEHOLDS GENERATED  
RESIDENTIAL NEXUS ANALYSIS  
CAMPBELL, CA

**RESIDENTIAL UNIT DEMAND IMPACTS - PER 100 MARKET RATE UNITS**

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>	<i>Prototype 5</i>
	Single Family - Large Lot	Single Family - Small Lot	Townhome	Condominium	Apartments
Number of New Households <sup>1</sup>					
Under 30% AMI	7.9	6.4	5.9	4.5	4.7
30% to 50% AMI	11.9	9.6	8.9	6.7	7.0
50% to 80% AMI	10.1	8.2	7.6	5.6	5.9
80% to 120% AMI	6.5	5.2	4.8	3.6	3.8
Subtotal through 120% AMI	36.3	29.4	27.2	20.4	21.4
Over 120% AMI	7.7	6.2	5.7	4.4	4.6
<b>Total Employee Households</b>	<b>44.0</b>	<b>35.6</b>	<b>32.9</b>	<b>24.9</b>	<b>26.0</b>

**RESIDENTIAL UNIT DEMAND IMPACTS - PER EACH (1) MARKET RATE UNIT**

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>	<i>Prototype 5</i>
	Single Family - Large Lot	Single Family - Small Lot	Townhome	Condominium	Apartments
Number of New Households <sup>1</sup>					
Under 30% AMI	0.08	0.06	0.06	0.04	0.05
30% to 50% AMI	0.12	0.10	0.09	0.07	0.07
50% to 80% AMI	0.10	0.08	0.08	0.06	0.06
80% to 120% AMI	0.06	0.05	0.05	0.04	0.04
Subtotal through 120% AMI	0.36	0.29	0.27	0.20	0.21
Over 120% AMI	0.08	0.06	0.06	0.04	0.05
<b>Total Employee Households</b>	<b>0.44</b>	<b>0.36</b>	<b>0.33</b>	<b>0.25</b>	<b>0.26</b>

Notes

<sup>1</sup> Households of retail, education, healthcare and other workers that serve residents of new market rate units.

AMI = Area Median Income

## **D. Mitigation Costs**

This section takes the conclusions of the previous section on the number of households in the lower income categories associated with the market rate units (from page 29) and identifies the total cost of assistance required to make housing affordable. This section puts a cost on the units for each income level to produce the "total nexus cost." This is done for each of the prototype units. The concept is that impact fees paid by new market rate residential development in Campbell as mitigation for affordable housing impacts are used to finance new affordable units at a variety of income levels to address the impacts.

A key component of the analysis is the size of the gap between what households can afford and the cost of producing new housing in Campbell, known as the 'affordability gap.' Affordability gaps are calculated for each of the four categories of Area Median Income (AMI): Extremely Low (under 30% of median), Very Low (30% to 50%), Low (50% to 80%), and Moderate (80% to 120%). The following summarizes the analysis of mitigation cost which is based on the affordability gap or net cost to deliver units that are affordable to worker households in the lower income tiers.

### **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 analysis assumes that the City will assist Moderate Income households earning between 80% and 120% of Area Median Income with ownership units. The prototype affordable unit should reflect a modest unit consistent with what the City is likely to assist using impact fee funds and appropriate for housing the average Moderate Income worker household. The affordable units financed with impact fee funds are assumed to be more modest than much of the market rate development activity in the City. The typical moderate income project assumed for Campbell is a two-bedroom unit for a three-person household. An attached condominium unit at approximately 30 units per acre (averaging 1,100 square feet per unit) is assumed.

For Low-, Very Low-, and Extremely Low-Income households, it is assumed that the City will assist in the development of multi-family rental units at a density of between 30 and 35 units per acre (averaging 900 square feet per unit). The analysis uses a two-bedroom affordable rental unit for a three-person household. The maximum allowable residential density in Campbell is currently 27 units per acre; however, the affordable projects assumed for purposes of the affordability gap analysis would be eligible for a State Density Bonus of 35% resulting in an effective maximum allowable density of 36 units per acre (27 units per acre X 1.35 = 36 units per acre with density bonus).

The affordability gap analysis is intended to reflect the types of affordable units likely to be assisted using impact fee revenues and may differ from affordable units being delivered through the City's inclusionary program. As an example, while the City's inclusionary program currently

produces ownership units for Low-Income households, in the use of impact fee revenues, it is assumed the City would follow the more common practice of assisting rental units to address the housing needs of this tier. Additionally, although the Extremely Low Income tier is not currently served by the City's inclusionary program, a share of units produced with impact fees could serve this income group.

**Development Costs**

KMA prepared an estimate of the total development cost for the two affordable housing prototypes described above (inclusive of land acquisition costs, direct construction costs, indirect costs of development, and financing) based on a review of development pro formas for recent affordable projects, data on recent residential land sale transactions, and other construction data sources such as RS Means. It is estimated that the new affordable for-sale condominium unit would have a total development cost of approximately \$584,000 and the new affordable multi-family apartment unit would have a total development cost of approximately \$500,000.

**Development Costs for Affordable Units**

Income Group	Unit Tenure / Type	Development Cost
Under 30% AMI	Rental	\$500,000
30% to 50% AMI	Rental	\$500,000
50% to 80% AMI	Rental	\$500,000
80% to 120% AMI	Ownership	\$584,000

Development cost assumptions were designed to be reflective of averages for affordable projects within three of the Santa Clara County jurisdictions participating in this multi-jurisdiction work program – the cities of Campbell, Los Altos, and Saratoga. These three cities are grouped together because average multi-family densities in these areas are assumed to be lower than in the other participating Santa Clara County cities – Santa Clara and Milpitas. The primary development cost variable among Campbell, Los Altos, and Saratoga is the cost of land. Based on recent residential land sale transactions, Campbell will likely represent the lower tier of land costs among these three jurisdictions. To make the affordability gaps broadly applicable, development cost estimates reflect land acquisition costs that are on the lower end of the range. This conservative approach has been utilized in order to avoid overstating costs applicable to lower land cost locations within the jurisdictions.

Development cost estimates were informed by KMA's review of pro forma information for over a dozen local multi-family affordable housing projects. Direct construction costs from these projects were adjusted to account for such factors as time, unit size, housing type, and project density to appropriately reflect the multi-family prototype assumed in the analysis. Other costs, such as land acquisition costs, are more site and area specific than direct construction costs and therefore the inputs for those costs were derived from other sources. Prevailing wages are

assumed because use of impact fee monies to finance construction of the affordable units would trigger a prevailing wage requirement. Tables D-1 and D-3 (page 42 and 44) provide further details.

The list below identifies some of the multi-family affordable projects for which KMA had pro forma information. In addition to the following projects, KMA also had access to the pro formas for several other active, pending projects, which are not listed due to their preliminary nature.

- Ashland-Kent, Alameda County
- Downtown Hayward Senior, Hayward
- Hayward Senior II, Hayward
- Laguna Commons, Fremont
- Marea Alta, San Leandro
- Onizuka Crossing, Sunnyvale
- Dublin Veterans Housing, Dublin
- Sequoia Belle Haven, Menlo Park
- South Hayward BART, Hayward
- San Lorenzo Senior, San Lorenzo
- South Second St Studios, San Jose
- Station Center 1 & 2, Union City
- University Ave Senior, East Palo Alto

In identifying recent affordable projects to inform the analysis of affordable unit development costs, the focus was on 100% affordable projects of the type the City would likely assist using impact fee revenues. Since no recent 100% affordable projects were identified in Campbell, cost information is drawn from projects in other local jurisdictions as listed above. Construction costs do not vary to a great degree from jurisdiction to jurisdiction; therefore, the examples used are expected to be representative for Campbell as well. Land costs are an exception for which there is a greater level of variation. As described above, the analysis incorporated local land sales data for the applicable West Valley cities in identifying affordable unit development costs. Affordable units produced through the City's inclusionary program are not used as examples for this analysis because these are units within primarily market rate projects not likely representative of the types of projects to be assisted using impact fees and would not reflect the applicable prevailing wage requirement.

### **Unit Values**

For affordable ownership units, unit values are based on an estimate of the restricted affordable purchase prices for a qualifying Moderate Income household. For a 2-bedroom unit, KMA calculated the affordable sales price for the matching 3-person household at \$367,000. Details of the calculation are presented in Table D-2 (page 42).

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. The funding sources include tax-exempt permanent debt financing supported by the project's operating income / rents, 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 extremely 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.

On this basis, KMA estimated the unit value (total permanent funding sources) of the Extremely Low-Income rental units at \$205,500, the Very Low-Income units at \$281,500, and the Low-income units at \$320,500 as shown in the table below. Maximum rents are per the California Tax Credit Allocation Committee (TCAC), consistent with the assumption that Low Income Housing Tax Credits will be used as part of the financing<sup>10</sup>. Details for these calculations are presented in Table D-3 (page 44).

#### Unit Values for Affordable Units

Income Group	Unit Tenure / Type	Household Size	Maximum Monthly Rent / Housing Cost	Unit Values / Sales Price	Basis for Unit Value
Under 30% AMI	Rental	3 persons	\$753	\$205,500	<i>Supported</i>
30% to 50% AMI	Rental	3 persons	\$1,256	\$281,500	<i>Debt + Tax</i>
50% to 80% AMI	Rental	3 persons	\$1,507	\$320,500	<i>Credit Equity</i>
80% to 120% AMI	Ownership	3 persons	\$3,093	\$367,000	<i>Supported Home Price</i>

#### 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 follows:

<sup>10</sup> TCAC rents are slightly above those determined per the City's inclusionary ordinance with a difference of approximately \$50 per month for a two bedroom Very Low-Income unit. Use of TCAC rents in the analysis is a conservative assumption in that it results in a lower affordability gap and lower resulting nexus findings than the use of rents under the City's inclusionary ordinance.

### Affordability Gap Calculation

	Unit Value / Sales Price	Development Cost	Affordability Gap
<i>Affordable Rental Units</i>			
Extremely Low (Under 30% AMI)	\$205,500	\$500,000	\$294,500
Very Low (30% to 50% AMI)	\$281,500	\$500,000	\$218,500
Low (50% to 80% AMI)	\$320,500	\$500,000	\$179,500
<i>Affordable Ownership Units</i>			
Moderate (80% to 120% AMI)	\$367,000	\$584,000	\$217,000

AMI = Area Median Income

Tables D-1 through D-3 (beginning on page 42) present the detailed affordability gap calculations. Note that the affordability gaps are the same as those assumed in the non-residential nexus analysis.

### Total Nexus Cost / Maximum Fee Levels

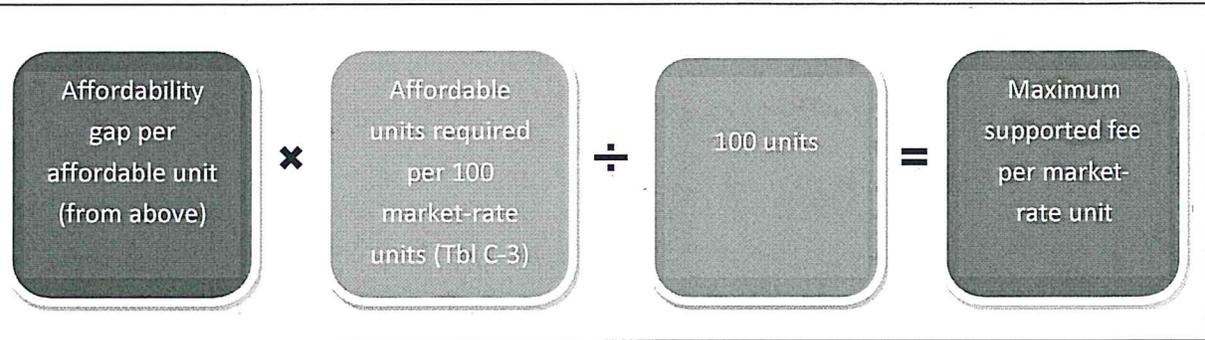
The last step in the linkage fee analysis marries the findings on the numbers of households in each of the lower income ranges associated with the five prototypes to the affordability gaps, or the costs of delivering housing to them in Campbell.

The table below summarizes the analysis of total nexus cost or maximum supported fee per market rate unit for each of the prototypes are as follows:

<b>Total Nexus Cost Per Market Rate Unit, City of Campbell</b>					
<i>Income Category</i>	<i>Single Family - Single Family -</i>		<i>Townhome</i>	<i>Condominium</i>	<i>Apartments</i>
	<i>Large Lot</i>	<i>Small Lot</i>			
Extremely Low (0%-30% AMI)	\$23,100	\$18,700	\$17,300	\$13,200	\$13,900
Very Low (30%-50% AMI)	\$26,000	\$21,000	\$19,500	\$14,600	\$15,300
Low (50%-80% AMI)	\$18,100	\$14,700	\$13,600	\$10,100	\$10,600
Moderate (80%-120% AMI)	\$14,000	\$11,300	\$10,500	\$7,800	\$8,200
<b>Total Supported Fee/ Nexus Costs</b>	<b>\$81,200</b>	<b>\$65,700</b>	<b>\$60,900</b>	<b>\$45,700</b>	<b>\$48,000</b>

The "Total Nexus Cost per Market Rate Unit" in the table above is the results of the calculation shown in the illustration below. The Affordability Gaps are drawn from the prior discussion.

**Calculation of Maximum Supported Fee Per Market-Rate Unit**



The Total Nexus Costs, or Mitigation Costs, indicated above, may also be expressed on a per square foot level. The square foot area of the prototype unit used throughout the analysis becomes the basis for the calculation (the per unit findings from above are divided by unit size to get the per square foot findings). The results per square foot of building area (based on net rentable or sellable square feet excluding parking areas, external corridors and other common areas) are as follows:

<b>Total Nexus Cost Per Sq. Ft., City of Campbell</b>					
	<i>Single Family - Large Lot</i>	<i>Single Family - Small Lot</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments</i>
<i>Unit Size (Sq Ft)</i>	<i>3,000 SF</i>	<i>1,800 SF</i>	<i>1,500 SF</i>	<i>1,000 SF</i>	<i>1,000 SF</i>
Extremely Low (0%-30% AMI)	\$7.70	\$10.40	\$11.50	\$13.20	\$13.90
Very Low (30%-50% AMI)	\$8.70	\$11.70	\$13.00	\$14.60	\$15.30
Low (50%-80% AMI)	\$6.00	\$8.20	\$9.10	\$10.10	\$10.60
Moderate (80%-120% AMI)	\$4.70	\$6.30	\$7.00	\$7.80	\$8.20
<b>Total Nexus Costs</b>	<b>\$27.10</b>	<b>\$36.60</b>	<b>\$40.60</b>	<b>\$45.70</b>	<b>\$48.00</b>

These costs express the total linkage or nexus costs for the five prototype developments in the City of Campbell. These total nexus costs represent the ceiling for any requirement placed on market rate development. **The totals are not recommended levels for fees; they represent only the maximums established by the analysis, below which impact fee levels may be set.**

Table D-1  
 Affordability Gap Calculation for Moderate Income  
 Residential Nexus Analysis  
 Campbell, CA

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<b>I. Affordable Prototype</b>	
--------------------------------	--

Tenure	For-Sale
Density	30 du/acre
Unit Size	1,100 SF
Bedrooms	2-Bedrooms
Construction Type	Condominiums (Type V)

<b>II. Development Costs</b>		Per Unit
------------------------------	--	----------

Land Acquisition	\$138,000
Directs	\$319,000 <sup>[1]</sup>
Indirects	\$111,000
Financing	\$16,000
Total Costs	<u>\$584,000</u>

<b>III. Affordable Sales Price</b>		Per Unit
------------------------------------	--	----------

Household Size	3 person HH
110% of Median Income <sup>[2]</sup>	\$106,040
Maximum Affordable Sales Price	\$367,000 <sup>[3]</sup>

<b>IV. Affordability Gap</b>		Per Unit
------------------------------	--	----------

Affordable Sales Price	\$367,000
(Less) Development Costs	<u>(\$584,000)</u>
Affordability Gap - Moderate Income	(\$217,000)

<sup>[1]</sup> Construction costs include prevailing wages.

<sup>[2]</sup> 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.

<sup>[3]</sup> See Table D-2 for Moderate Income home price estimate.

Table D-2  
 Estimated Affordable Home Prices - Moderate Income  
 Residential Nexus Analysis  
 Campbell, CA

Unit Size	2-Bedroom Unit	3-Bedroom Unit	4-Bedroom Unit
Household Size	3-person HH	4-person HH	5-person HH
100% AMI Santa Clara County 2016	\$96,400	\$107,100	\$115,650
Annual Income @ 110%	\$106,040	\$117,810	\$127,215
% for Housing Costs	35%	35%	35%
Available for Housing Costs	\$37,114	\$41,234	\$44,525
(Less) Property Taxes	(\$4,392)	(\$4,884)	(\$5,232)
(Less) HOA	(\$2,700)	(\$2,820)	(\$2,940)
(Less) Utilities	(\$1,416)	(\$1,776)	(\$2,208)
(Less) Insurance	(\$700)	(\$800)	(\$900)
(Less) Mortgage Insurance	(\$4,698)	(\$5,211)	(\$5,603)
Income Available for Mortgage	\$23,208	\$25,743	\$27,643
Mortgage Amount	\$348,300	\$386,300	\$414,800
Down Payment (homebuyer cash)	\$18,300	\$20,350	\$21,800
Supported Home Price	\$366,600	\$406,650	\$436,600
<b>Key Assumptions</b>			
- Mortgage Interest Rate <sup>(1)</sup>	5.30%	5.30%	5.30%
- Down Payment <sup>(2)</sup>	5.00%	5.00%	5.00%
- Property Taxes (% of sales price) <sup>(3)</sup>	1.20%	1.20%	1.20%
- HOA (per month) <sup>(4)</sup>	\$225	\$235	\$245
- Utilities (per month) <sup>(5)</sup>	\$118	\$148	\$184
- Mortgage Insurance (% of loan amount)	1.35%	1.35%	1.35%

(1) Mortgage interest rate based on 15-year Freddie Mac average; assumes 30-year fixed rate mortgage.

(2) Down payment amount is an estimate for Moderate Income homebuyers.

(3) Property tax rate is an estimated average for new projects.

(4) Homeowners Association (HOA) dues is an estimate for the average new project.

(5) Utility allowances from Santa Clara County Housing Authority (2016).

Table D-3  
 Affordability Gaps for Extremely Low, Very Low, and Low Income  
 Residential Nexus Analysis  
 Campbell, CA

	Extremely Low	Very Low	Low Income
<b>I. Affordable Prototype</b>			
Tenure	Rental		
Average Unit Size	900 square feet		
Density	~30-35 du/acre		
<b>II. Development Costs <sup>[1]</sup></b>			
	Per Unit	Per Unit	Per Unit
Land Acquisition	\$129,000	\$129,000	\$129,000
Directs	\$261,000	\$261,000	\$261,000
Indirects	\$91,000	\$91,000	\$91,000
Financing	\$19,000	\$19,000	\$19,000
Total Costs	\$500,000	\$500,000	\$500,000
<b>III. Supported Financing</b>			
<u>Affordable Rents</u>			
Average Number of Bedrooms	2 Bedrooms	2 Bedrooms	2 Bedrooms
Maximum TCAC Rent <sup>[2]</sup>	\$753	\$1,256	\$1,507
(Less) Utility Allowance <sup>[3]</sup>	(\$74)	(\$74)	(\$74)
Maximum Monthly Rent	\$679	\$1,182	\$1,433
<u>Net Operating Income (NOI)</u>			
Gross Potential Income	<u>Per Unit</u>	<u>Per Unit</u>	<u>Per Unit</u>
Monthly	\$679	\$1,182	\$1,433
Annual	\$8,148	\$14,184	\$17,196
Other Income	\$250	\$250	\$250
(Less) Vacancy 5.0%	(\$420)	(\$722)	(\$872)
Effective Gross Income (EGI)	\$7,978	\$13,712	\$16,574
(Less) Operating Expenses	(\$5,600)	(\$5,600)	(\$5,600)
(Less) Property Taxes <sup>[4]</sup>	\$0	\$0	\$0
Net Operating Income (NOI)	\$2,378	\$8,112	\$10,974
<u>Permanent Financing</u>			
Permanent Loan (tax exempt)	\$32,000	\$108,000	\$147,000
Deferred Developer Fee	\$2,500	\$2,500	\$2,500
4% Tax Credit Equity	\$171,000	\$171,000	\$171,000
Total Sources	\$205,500	\$281,500	\$320,500
<b>IV. Supported Financing</b>			
Supported Permanent Financing	\$205,500	\$281,500	\$320,500
(Less) Total Development Costs	(\$500,000)	(\$500,000)	(\$500,000)
Affordability Gap	(\$294,500)	(\$218,500)	(\$179,500)

<sup>[1]</sup> Development costs estimated by KMA based on affordable project pro formas in Santa Clara County (includes prevailing wages) and residential land sale comps.

<sup>[2]</sup> Maximum rents per Tax Credit Allocation Committee (TCAC) for projects utilizing Low Income Housing Tax Credits.

<sup>[3]</sup> Utility allowances from Santa Clara County Housing Authority (2016).

<sup>[4]</sup> Assumes tax exemption for non-profit general partner.

### **III. ADDENDUM: ADDITIONAL BACKGROUND AND NOTES ON SPECIFIC ASSUMPTIONS**

#### **No Excess Supply of Affordable Housing**

An assumption of this residential 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 development of new market rate residential units. Based on a review of the current Census information for Campbell, conditions are consistent with this underlying assumption. According to the Census (2010 to 2014 ACS), approximately 40% of all households in the City were paying thirty percent or more of their income on housing. In addition, housing vacancy is minimal.

#### **Geographic Area of Impact**

The analysis quantifies impacts occurring within Santa Clara County. While many of the impacts will occur within the City, some impacts will be experienced elsewhere in Santa Clara County and beyond. The IMPLAN model computes the jobs generated within the county and sorts out those that occur beyond the county boundaries. The KMA Jobs Housing Nexus Model analyzes the income structure of jobs and their worker households, without assumptions as to where the worker households live.

In summary, the nexus analysis quantifies all the jobs impacts occurring within the county and related worker households. Job impacts, like most types of impacts, occur irrespective of political boundaries. And like other types of impact analyses, such as traffic, impacts beyond jurisdictional boundaries are experienced, are relevant, and are important.

For clarification, counting all impacts associated with new housing units does not result in double counting, even if all jurisdictions were to adopt similar programs. The impact of a new housing unit is only counted once, in the jurisdiction in which it occurs. Obviously, within a metropolitan region such as the Bay Area, there is much commuting among jurisdictions, and cities house each other's workers in a very complex web of relationships. The important point is that impacts of residential development are only counted once.

#### **Affordability Gap**

The use of the affordability gap for establishing a maximum fee supported from the nexus analysis is grounded in the concept that a jurisdiction will be responsible for delivering affordable units to mitigate impacts. The nexus analysis has established that units will be needed at one or more different affordability levels and the type of unit to be delivered depends on the income/affordability level. In Campbell, the City is anticipated to assist in the development of rental units for households with incomes up to 80% of AMI and ownership units for moderate income households with incomes from 80% to 120% of AMI.

The units assisted by the public sector for affordable households are usually small in square foot area (for the number of bedrooms) and modest in finishes and amenities. As a result, in some communities these units are similar in physical configuration to what the market is delivering at market rate; in other communities (particularly very high income communities), they may be smaller and more modest than what the market is delivering. Parking, for example, is usually the minimum permitted by the code. Where there is a wide range in land cost per acre or per unit, it may be assumed that affordable units are built on land parcels in the lower portion of the cost range. KMA tries to develop a total development cost summary that represents the lower half of the average range, but not so low as to be unrealistic.

### **Excess Capacity of Labor Force**

In the context of economic downturns such as the last recession, the question is sometimes raised as to whether there is excess capacity in the labor force to the extent that consumption impacts generated by new households will be in part, absorbed by existing jobs and workers, thus resulting in fewer net new jobs. In response, an impact analysis of this nature is a one-time impact requirement to address impacts generated over the life of the project. Recessions are temporary conditions; a healthy economy will return and the impacts will be experienced. The economic cycle also self-adjusts. Development of new residential units is likely to be reduced until conditions improve or there is confidence that improved conditions are imminent. When this occurs, the improved economic condition of the households in the local area will absorb the current underutilized capacity of existing workers, employed and unemployed. By the time new units become occupied, economic conditions will have likely improved.

### **The Burden of Paying for Affordable Housing**

Campbell's inclusionary housing program does not place all burden for the creation of affordable housing on new residential construction. The burden of affordable housing is also borne by many sectors of the economy and society. A most important source in recent years of funding for affordable housing development comes from the federal government in the form of tax credits (which result in reduced income tax payment by tax credit investors in exchange for equity funding). Additionally, there are other federal grant and loan programs administered by the Department of Housing and Urban Development and other federal agencies. The State of California also plays a major role with a number of special financing and funding programs. Much of the state money is funded by voter approved bond measures paid for by all Californians.

Local governments play a large role in affordable housing in a variety of ways such as local housing authorities that directly provide affordable units, efforts to foster development of more affordable housing types and parking standard reductions and fee waivers for affordable units that lower development costs. In addition, private sector lenders play an important role, some voluntarily and others less so with the requirements of the Community Reinvestment Act. Then

there is the non-profit sector, both sponsors and developers that build much of the affordable housing.

In summary, all levels of government and many private parties, for profit and non-profit contribute to supplying affordable housing. Residential developers are not being asked to bear the burden alone any more than they are assumed to be the only source of demand or cause for needing affordable housing in our communities. Based on past experience, affordable housing requirements placed on residential development will satisfy only a small percentage of the affordable housing needs in the City of Campbell.

**APPENDIX A: RESIDENTIAL MARKET SURVEY**

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## I. INTRODUCTION

One of the underlying components of the Residential Nexus Study is the identification of residential building prototypes that are expected to be developed in the City of Campbell both today and in the future, and what the market prices and rents for those prototypes will be. These market prices and rents are then used to estimate the incomes of the new households that will live in the new units and quantify the number and types of jobs created as a result of their demand for goods and services. In this Appendix A, KMA describes the residential building prototypes utilized for the analysis, summarizes the residential market data researched, and describes the market price point conclusions drawn therefrom.

## II. RESIDENTIAL PROTOTYPES

KMA worked with City staff to select representative development prototypes envisioned to be developed in Campbell in the future. It is noted that the condominium prototype, a four-story development with structured parking, is not currently being built in Campbell but has been included due to the potential that this type of project may be built in the future. The prototypes are presented on Appendix A Table 1 and summarized below.

	Lot Size / Density	Average Unit Size
<b>For-Sale Prototypes</b>		
1) Large Lot Single Family	7,000 – 11,000 sq. ft.	3,000 sq. ft.
2) Small Lot Single Family	2,000 – 4,000 sq. ft.	1,800 sq. ft.
3) Townhomes	12 – 20 du/acre	1,500 sq. ft.
4) Condominiums	30 – 40 du/acre	1,000 sq. ft.
<b>Rental Prototype</b>		
5) Apartments	14 – 20 du/acre	1,000 sq. ft.

*Source: KMA in collaboration with City of Campbell. See Appendix A, Table 1 for more information.*

## III. MARKET SURVEY & PRICING ESTIMATES

### A. Residential Building Activity

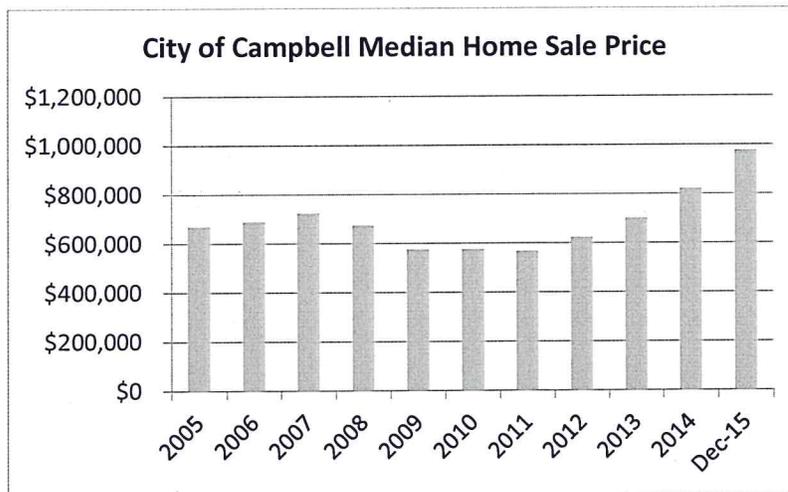
At the time of the market survey in late 2015 and early 2016, the housing market in Campbell was strong, fueled by high-quality residential neighborhoods, a strong public school system and proximity to high-tech employment. There are several recently built, under construction or proposed residential developments in Campbell at this time, including single family detached units, townhome projects and apartment projects. To develop an understanding of the types of units being built, KMA gathered development program and pricing information (when available) for recent or current projects in Campbell. The list of projects that we reviewed is shown in the table below.

### Current & Recent Development Projects

<b>Project</b>	<b>Unit Type</b>
140 South Second St	Single Family Detached
1162 S. San Tomas Aquino	Single Family Detached
1411 & 1421 Westmont	Single Family Detached
1181 Abbott	Single Family Detached
Palomar	Small Lot Single Family
1685 Bucknall Drive	Small Lot Single Family
258-268 Union	Townhomes
Cottage Place	Townhomes & Single Family
Penny Lane	Townhomes & Apartments
Revere (1677 S. Bascom)	Apartments
St. Anton (Railroad Ave)	Apartments

### Overview of For-Sale Market

The ownership housing market in Campbell has fully recovered from the recession, with median prices significantly higher than pre-recession levels. In 2014, the median home price in Campbell was \$820,000, which is almost \$100,000 more than the pre-recession high in 2007. A year later, in 2015, the median home price approached \$1 million, reaching \$977,500 in December 2015.



Source: Dataquick

Additional data can be found on Appendix A Table 2.

## B. Recent Home Prices of Newer Residential Units

At the time of the market survey, there were two new for-sale projects being marketed in Campbell – a townhome project and a small-lot single family detached project. Appendix A Table 3 presents market sales prices for these units.

To supplement this data, KMA analyzed recent resale prices of homes built since 2005 and resold since November 2013. Appendix A Table 4 presents a summary of the resale data. KMA categorized the sales by unit type – condominium, townhomes and single family detached sales. Within the single family detached resales, the units are organized by lot size (greater or less than 5,000 square foot lots). KMA then calculated the average unit size and sales price, by lot size. The results are shown on Appendix A Table 4.

## C. For-Sale Prototype Price Estimates

The current and recent pricing for new homes, the resale pricing of newer home developments, input from City staff and KMA's experience in other jurisdictions formed the basis for KMA's prototype price estimates. The prototype pricing estimates took into consideration the following factors:

- In general, newly built homes sell for a premium over re-sales, all else being equal;
- Typically, larger homes sell for a higher total price but a lower price per square foot than smaller homes.

The table below summarizes KMA's conclusions regarding current for-sale prototype unit size and pricing.

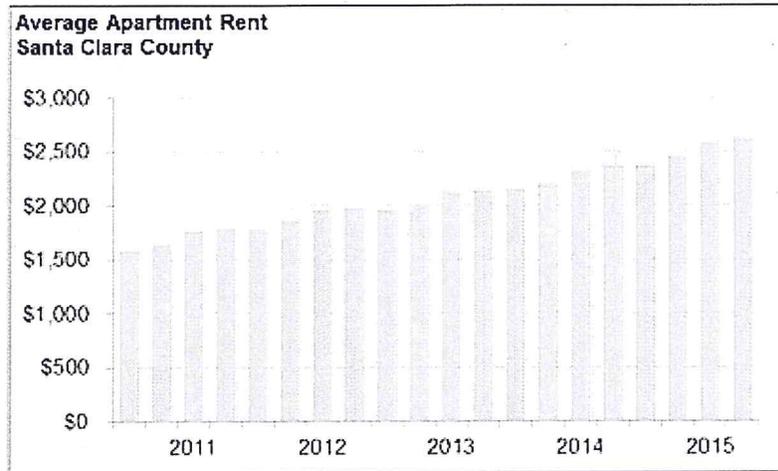
**For-Sale Prototype Price Estimates**

	<i>Unit Size</i>	<i>Price</i>	<i>Price PSF</i>
Large Lot Single Family Detached	3,000 sf	\$1,590,000	\$530
Small Lot Single Family Detached	1,800 sf	\$1,000,000	\$556
Townhomes	1,500 sf	\$875,000	\$583
Condominiums	1,000 sf	\$650,000	\$650

*Source: KMA market study in collaboration with the City of Campbell.*

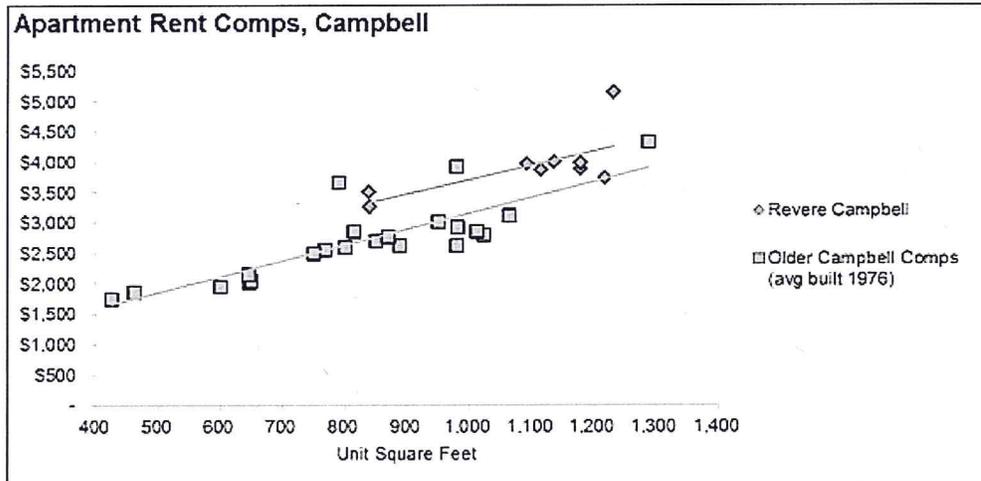
## D. Rental Housing Market

In recent years, apartment market conditions have been strong throughout Santa Clara County as exhibited by rising rents and occupancy rates. New development projects have been built and are in the development pipeline throughout the county, particularly around public transit stations and in downtown settings where access to job centers and neighborhood services is convenient.



Source: RealAnswers

In order to inform achievable market rents for new apartment developments in Campbell, KMA performed a survey of asking apartment rents in select properties. The survey included one newly built property, Revere Campbell, and eight older properties. Rents for these properties are shown in the chart below.



Source: RealAnswers, on-line listings (winter 2015/16)  
Full survey details are provided in Appendix Table 5.

Based on the market rent data, KMA estimates that the average rent for a newly developed apartment project in Campbell, assuming an average unit size of 1,000 square feet, would be in the range of \$3,600 (or \$3.60/square foot) which is similar to the asking rents at Revere and roughly 10% higher than the older properties in Campbell.

#### **IV. MARKET SURVEY CONCLUSIONS**

A full description of the prototypes, including examples of recent developments, average unit sizes, bedroom mix, parking ratios, and densities are shown in Appendix A Table 1. The prototypes are the starting point of the nexus analysis.

APPENDIX A, TABLE 1  
MARKET RATE RESIDENTIAL PROTOTYPES  
RESIDENTIAL NEXUS ANALYSIS  
CITY OF CAMPBELL

	Large Lot Single Family Detached	Small Lot Single Family Detached	Townhome	Condominium	Apartments
<b>Example Projects</b>	140 S. Second St. 1181 Abbott St. 1411 & 1421 Westmont 1162 S. San Tomas Aquino	Palomar 1689 Bucknall Drive Cottage Place (SFDs)	258 - 268 Union Penny Lane (THs) Cottage Place (THs)	Penny Lane (Rentals) *condo mapped	Penny Lane (Rentals) Revere St. Anton
Density	7,000 - 11,000 sf lots	2,000 - 4,000 sf lots	12 - 20 dua	30 - 40 dua	14 - 20 dua
Building Type	Two stories	Two and Three stories	Three stories	Four stories (excl. garage)	Two to four stories
Unit Mix	3, 4 and 5 BRs	3 and 4BR	3 BR	1, 2 and 3 BR	1, 2 and 3 BR
Average Unit Size (excl. garage)	3,000 sf	1,800 sf	1,500 sf	1,000 sf	1,000 sf
Average No. of Bedrooms	4.0 BR	3.25 BR	3.0 BR	1.5 BR	1.50 BR
Parking Type	Attached garage	Attached garage	Attached garage	Ground-floor garage (podium), multi-story garage (wrap), or subterranean	Surface parking lot (carports)
Average Parking Spaces	2.0	2.0	2.0	1.5 - 2.0	1.5-2.0
Sales Price/Rent per square foot	\$1,590,000 \$530	\$1,000,000 \$556	\$875,000 \$583	\$650,000 \$650	\$3,600 \$3.60

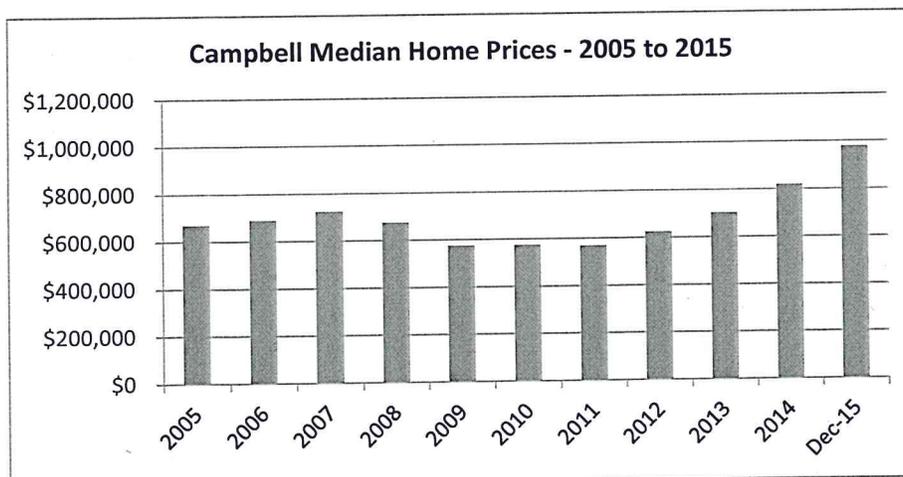
Appendix A, Table 2  
 Median Home Prices  
 Campbell, CA

Median Home Prices, Santa Clara County Jurisdictions

	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Los Altos	\$2,351,000	\$2,016,000	17%
Palo Alto	\$2,100,000	\$1,720,000	22%
Saratoga	\$1,876,500	\$1,610,000	17%
Cupertino	\$1,428,500	\$1,200,000	19%
Stanford	\$1,419,250	\$3,450,000	-59%
Los Gatos	\$1,410,000	\$1,265,000	11%
Mountain View	\$975,050	\$805,000	21%
Sunnyvale	\$875,000	\$764,750	14%
San Martin	\$825,000	\$655,000	26%
<b>Campbell</b>	<b>\$820,000</b>	<b>\$702,500</b>	<b>17%</b>
Santa Clara	\$745,000	\$638,000	17%
<b>Santa Clara County</b>	<b>\$710,000</b>	<b>\$648,000</b>	<b>10%</b>
Milpitas	\$652,000	\$585,000	11%
Morgan Hill	\$650,500	\$635,000	2%
San Jose	\$630,000	\$572,000	10%
Gilroy	\$575,000	\$500,000	15%
Alviso	\$482,500	\$472,500	2%

Campbell Median Home Sale Prices, 2005-2015

<u>Year</u>	<u>Median Price</u>	<u>%Change</u>
2005	\$670,000	
2006	\$689,500	3%
2007	\$725,000	5%
2008	\$675,000	-7%
2009	\$575,000	-15%
2010	\$575,000	0%
2011	\$569,000	-1%
2012	\$625,000	10%
2013	\$702,500	12%
2014	\$820,000	17%
Dec-15	\$977,500	19%



Source: DataQuick. Includes single family and attached homes; includes new homes and resales.

**APPENDIX A TABLE 3  
NEW HOME SALES  
RESIDENTIAL NEXUS ANALYSIS  
CITY OF CAMPBELL, CA**

<u>City / Project</u>	<u># of Units</u>	<u>Bd.</u>	<u>SF</u>	<u>Sales Price</u>	<u>\$/SF</u>	<u>Notes</u>
<b>Santa Clara / Roma</b>						
Plan 1	11	2	1,371	\$952,000	\$694	Townhomes
Plan 2	10	2	1,401	\$984,000	\$702	Attached garage parking.
Plan 3	12	3	1,727	\$1,021,000	\$591	30 dua.
Plan 4	10	2	1,822	\$1,043,000	\$572	DR Horton
Plan 5	<u>7</u>	<u>3</u>	<u>1,951</u>	<u>\$1,129,000</u>	<u>\$579</u>	HOA Dues: \$269.
	50	2.4	1,634	\$1,017,940	\$631	
<b>Santa Clara / Siena</b>						
Plan 1	12	3	1,638	\$1,195,000	\$730	Detached.
Plan 2	14	3	1,762	\$1,235,000	\$701	3,000 sf lots, avg.
Plan 3	14	4	1,931	\$1,295,000	\$671	DR Horton
Plan 4	<u>10</u>	<u>4</u>	<u>1,957</u>	<u>\$1,305,000</u>	<u>\$667</u>	HOA Dues: \$229.
	50	3.5	1,819	\$1,256,200	\$692	
<b>Santa Clara / Turin</b>						
Plan 1	9	3	1,600	\$1,082,000	\$676	Townhomes
Plan 2	7	2	1,723	\$1,128,000	\$655	Attached garage parking.
Plan 3	7	2	1,730	\$1,122,000	\$649	20 dua. 1,300 sf lots, avg.
Plan 4	10	3	1,820	\$1,197,000	\$658	DR Horton
Plan 5	10	4	1,961	\$1,234,000	\$629	HOA Dues: \$229
Plan 6	<u>7</u>	<u>3</u>	<u>2,036</u>	<u>\$1,133,000</u>	<u>\$556</u>	
	50	2.9	1,813	\$1,154,580	\$639	
<b>Campbell / Pennylane</b>						
Hockney	22	3	1,478	\$950,000	\$643	Townhomes.
DeKooning	22	3	1,668	\$985,000	\$591	26 dua.
Miro	<u>21</u>	<u>3</u>	<u>2,077</u>	<u>\$1,085,000</u>	<u>\$522</u>	HOA Dues: \$199.
	65	3	1,736	\$1,005,462	\$586	
<b>Campbell / Palomar</b>						
Plan 1	5	3	1,479	\$1,010,000	\$683	Detached.
Plan 3	5	4	1,680	\$1,070,000	\$637	4,800 sf lots, avg.
Plan 2	6	3	1,697	\$1,100,000	\$648	Taylor Morrison
Plan 3A	<u>6</u>	<u>4</u>	<u>2,159</u>	<u>\$1,200,000</u>	<u>\$556</u>	HOA Dues: \$0
	22	3.5	1,770	\$1,100,000	\$628	

Source: Real Estate Economics, November 2015, except where noted.

APPENDIX A TABLE 4  
 RECENT HOME SALES  
 RESIDENTIAL NEXUS ANALYSIS  
 CITY OF CAMPBELL, CA

*Units Built Since 2005 and Sold Since November 2013*

	Yr. Built	BD	BA	Net SF	Lot SF	Sale Price	\$/SF	Sale Date
<b>Multifamily Units</b>								
<b>Condo</b>								
912 Campisi Way 414	2008	2	2	1,532	-	\$837,000	\$546	05/26/2015
912 Campisi Way 317	2008	2	3	1,661	-	\$730,000	\$439	10/28/2014
912 Campisi Way 114	2008	2	2	1,414	-	\$700,000	\$495	05/15/2014
912 Campisi Way 201	2008	3	2.5	1,765	-	\$842,000	\$477	2/9/2016
912 Campisi Way 313	2008	2	2	1,202	-	\$720,000	\$599	1/22/2016
912 Campisi Way 302	2008	3	2	1,717		\$805,000	\$469	12/16/2015
Average				1,549		\$772,333	\$504	
21 N 2nd St 13	2007	1	1	1,184	570	\$450,000	\$380	12/06/2013
21 N 2nd St 11	2007	2	2	1,512		\$800,000	\$529	8/10/2015
Average				1,348		\$625,000	\$455	
<b>Townhome</b>								
600 W Hacienda Ave	2007	3	3	1,614	1,970	\$704,000	\$436	03/25/2014
632 W Sunnyoaks Ave	2005	3	3	1,622	1,741	\$755,000	\$465	05/13/2014
110 S 1st St	2006	3	2	1,223	1,236	\$805,000	\$658	09/14/2015
458 Salmar Ave	2008	3	3	1,782	1,750	\$1,035,000	\$581	09/09/2015
452 Salmar Ave	2008	3	3	1,782	1,760	\$975,000	\$547	05/18/2015
178 Salmar Ter	2008	3	3	1,872	1,362	\$940,000	\$502	03/07/2015
186 Salmar Ter	2008	3	3	1,777	1,675	\$902,000	\$508	09/12/2014
175 Salmar Ter	2008	3	3	1,657	1,222	\$835,000	\$504	04/23/2014
120 Shelley Ave	2006	3	3	1,681	1,921	\$835,000	\$497	04/07/2014
249 Shelley Ave	2007	3	3	1,594	2,146	\$890,000	\$558	08/05/2015
255 Shelley Ave	2007	3	3	1,594	2,186	\$900,000	\$565	08/05/2015
2725 Montavo Pl	2006	3	3	1,529	1,519	\$880,000	\$576	06/16/2015
Average, All THs				1,644	1,707	\$871,333	\$533	

**APPENDIX A TABLE 4  
RECENT HOME SALES  
RESIDENTIAL NEXUS ANALYSIS  
CITY OF CAMPBELL, CA**

**Units Built Since 2005 and Sold Since November 2013**

	Yr. Built	BD	BA	Net SF	Lot SF	Sale Price	\$/SF	Sale Date
<b>Single Family Units</b>	Yr. Built	BD	BA	Net SF	Lot SF	Sale Price	\$/SF	Sale Date
<i>New (estimated)</i>								
15 Colleen Way	2014	4	4	2,454	7,258	\$1,480,000	\$603	09/18/2014
25 Colleen Way	2014	3	3	2,154	6,871	\$1,265,000	\$587	10/10/2014
1147 Laurance Hill Ct	2014	5	5	3,590	9,148	\$1,714,000	\$477	10/02/2014
1359 Juanita Way	2014	4	4	4,070	17,539	\$1,998,000	\$491	06/30/2014
117 Sunnyside Ave	2014	3	4	1,918	3,640	\$1,055,000	\$550	01/27/2015
				<u>2,837</u>	<u>8,891</u>	<u>\$1,502,400</u>	<u>\$542</u>	
<i>Resales - Lot &gt; 5,000 sf</i>								
1185 El Solyo Ave	2010	4	4	2,896	15,998	\$1,560,000	\$539	12/11/2013
1420 Capri Dr	2006	4	5	3,811	15,157	\$1,935,000	\$508	05/29/2015
1561 Van Dusen Ln	2007	4	4	3,944	13,103	\$1,799,000	\$456	04/09/2015
1915 Dry Creek Rd	2007	5	5	3,877	12,178	\$2,225,000	\$574	05/19/2014
1117 Hazelwood Ave	2013	4	4	3,361	11,692	\$1,370,000	\$408	04/10/2014
236 N Central Ave	2007	3	3	3,776	11,403	\$1,765,000	\$467	01/10/2014
1310 Capri Dr	2006	2	4	2,083	11,107	\$1,425,000	\$684	08/10/2015
1857 W Campbell Ave	2006	6	6	4,234	11,093	\$1,300,000	\$307	11/14/2013
1150 Steinway Ave	2006	4	4	2,965	10,491	\$1,745,000	\$589	09/16/2015
1775 Regina Way	2012	5	4	2,673	9,044	\$1,815,000	\$679	03/21/2014
663 El Patio Dr	2011	4	4	2,728	8,861	\$1,400,000	\$513	10/23/2014
800 W Sunnyoaks Ave	2008	3	4	2,855	8,817	\$1,570,000	\$550	02/19/2015
167 Llewellyn Ave	2006	3	5	3,039	7,407	\$1,575,000	\$518	03/24/2015
202 Beethoven Ln	2006	3	4	2,130	5,412	\$1,400,000	\$657	08/03/2015
115 Sunnyside Ave	2008	4	4	2,504	5,107	\$1,055,000	\$421	09/16/2014
Average				<u>3,125</u>	<u>10,458</u>	<u>\$1,595,933</u>	<u>\$525</u>	
<i>Resales - Lot &lt; 5,000 sf</i>								
1442 Hoffman Ln	2005	3	4	2,340	4,479	\$1,165,000	\$498	05/15/2014
312 Redding Rd	2009	2	2	1,093	4,460	\$860,000	\$787	03/25/2015
215 Rachel Ct	2008	4	4	2,505	4,217	\$1,350,000	\$539	03/02/2015
1300 Bronwen Way	2006	3	3	1,585	4,094	\$1,160,000	\$732	10/08/2015
133 S 1st St	2008	4	3	2,735	3,779	\$999,000	\$365	12/14/2013
232 Everett Ave	2009	3	3	1,475	3,281	\$1,250,000	\$847	04/07/2015
1306 Bronwen Way	2006	3	3	1,363	3,218	\$1,010,000	\$741	10/01/2015
1302 Bronwen Way	2006	3	3	1,297	3,143	\$1,060,000	\$817	10/16/2015
1303 Bronwen Way	2006	3	3	1,297	3,132	\$812,000	\$626	12/27/2013
109 George Ct	2009	3	4	1,951	2,864	\$750,000	\$384	07/22/2014
117 George Ct	2009	3	4	1,985	2,673	\$950,000	\$479	09/16/2014
115 George Ct	2009	3	4	1,965	2,658	\$750,000	\$382	07/22/2014
111 George Ct	2009	3	4	1,965	2,607	\$1,150,000	\$585	04/20/2015
696 Gale Dr	2012	3	3	1,555	2,515	\$1,030,000	\$662	04/01/2015
16 Maravilla Ct	2011	3	3	1,590	2,496	\$950,000	\$597	09/04/2015
145 Kennedy Ave	2006	3	3	1,597	2,368	\$875,000	\$548	09/18/2014
106 Graham Dr	2012	3	3	1,606	2,131	\$1,029,000	\$641	03/20/2015
547 W Rincon Ave	2010	3	3	1,470	1,410	\$942,000	\$641	03/06/2015
Average				<u>1,743</u>	<u>3,085</u>	<u>\$1,005,111</u>	<u>\$604</u>	

Sources: ListSource, November 2015.

**Appendix A. Table 5.  
Comparable Apartment Rents  
Campbell**

	Sq. Ft.	Monthly Rent		\$/SF		Notes
		Low	High	Low	High	
<b>Revere Campbell</b>						
1 Bd / 1 Ba	839	\$3,510	\$3,510	\$4.18	\$4.18	1725 S. Bascom Ave, Campbell Built: 2015
1 Bd / 1 Ba	840	\$3,135	\$3,385	\$3.73	\$4.03	
1 Bd / 1 Ba	1,218	\$3,675	\$3,800	\$3.02	\$3.12	
2 Bd / 2 Ba	1,093	\$3,950	\$3,995	\$3.61	\$3.66	
2 Bd / 2 Ba	1,115	\$3,865	\$3,870	\$3.47	\$3.47	
2 Bd / 2 Ba	1,137	\$3,995	\$3,995	\$3.51	\$3.51	
2 Bd / 2 Ba	1,179	\$3,745	\$4,025	\$3.18	\$3.41	
2 Bd / 2 Ba	1,179	\$3,925	\$4,050	\$3.33	\$3.44	
3 Bd / 2 Ba	1,233	\$5,115	\$5,190	\$4.15	\$4.21	
<b>Avalon Campbell</b>						
1 Bd / 1 Ba	768	\$2,475	\$2,620	\$3.22	\$3.41	508 Railway Ave, Campbell Built: 1995 348 Units
2 Bd / 2 Ba	1,064	\$3,055	\$3,175	\$2.87	\$2.98	
3 Bd / 3 Ba	1,289	\$4,320		\$3.35		
<b>Woodleaf Apartments</b>						
1 Bd / 1 Ba	600	\$1,944	\$1,944	\$3.24	\$3.24	325 Union Ave, Campbell Built: 1987 178 Units
2 Bd / 1 Ba	800	\$2,599	\$2,599	\$3.25	\$3.25	
2 Bd / 2 Ba	850	\$2,703	\$2,703	\$3.18	\$3.18	
<b>Pebble Creek</b>						
1 Bd / 1 Ba	647	\$2,022	\$2,022	\$3.13	\$3.13	3685 Bascom Ave, Campbell Built: 1979 63 Units
2 Bd / 1 Ba	888	\$2,621	\$2,621	\$2.95	\$2.95	
2 Bd / 1.5 Ba	982	\$2,721	\$3,141	\$2.77	\$3.20	
<b>The Commons</b>						
1 Bd / 1 Ba	461	\$1,845	\$1,866	\$4.00	\$4.05	275 Union Ave, Campbell Built: 1973 264 Units
2 Bd / 1 Ba	815	\$2,846	\$2,869	\$3.49	\$3.52	
<b>La Valencia</b>						
1 Bd / 1 Ba	790	\$2,311	\$5,027	\$2.93	\$6.36	350 Budd Ave, Campbell Built: 1973 234 Units
2 Bd / 1 Ba	870	\$2,509	\$3,033	\$2.88	\$3.49	
2 Bd / 2 Ba	980	\$2,395	\$2,856	\$2.44	\$2.91	
2 Bd / 2 Ba	980	\$2,562	\$5,280	\$2.61	\$5.39	
<b>Campbell Plaza Apartments</b>						
1 Bd / 1 Ba	650	\$1,995	\$2,095	\$3.07	\$3.22	710 Nido Dr, Campbell Built: 1972 121 Units
2 Bd / 1.5 Ba	1,024	\$2,795	\$2,795	\$2.73	\$2.73	
<b>Parc at Pruneyard</b>						
1 Bd / 1 Ba	750	\$2,405	\$2,590	\$3.21	\$3.45	225 Union Ave, Campbell Built: 1966 252 Units
2 Bd / 1.5 Ba	950	\$2,775	\$3,245	\$2.92	\$3.42	
<b>Pruneridge Plaza</b>						
Studio	425	\$1,750	\$1,750	\$4.12	\$4.12	845 S Bascom Ave, Campbell Built: 1961 106 Units
1 Bd / 1 Ba	645	\$2,150	\$2,150	\$3.33	\$3.33	
2 Bd / 2 Ba	1,012	\$2,850	\$2,850	\$2.82	\$2.82	

Source: RealFacts, on-line listings (Winter 2015/16).

**APPENDIX B: WORKER OCCUPATIONS AND COMPENSATION LEVELS**

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RESIDENTIAL NEXUS APPENDIX B TABLE 1  
 WORKER OCCUPATION DISTRIBUTION, 2014  
 SERVICES TO HOUSEHOLDS EARNING \$100 - \$150K, RESIDENT SERVICES  
 RESIDENTIAL NEXUS ANALYSIS  
 CAMPBELL, CA

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Major Occupations (2% or more)	Worker Occupation Distribution <sup>1</sup> Services to Households Earning \$100,000 to \$150,000
Management Occupations	4.0%
Business and Financial Operations Occupations	3.8%
Community and Social Service Occupations	2.2%
Education, Training, and Library Occupations	4.0%
Healthcare Practitioners and Technical Occupations	7.9%
Healthcare Support Occupations	4.7%
Food Preparation and Serving Related Occupations	15.7%
Building and Grounds Cleaning and Maintenance Occupations	5.2%
Personal Care and Service Occupations	7.1%
Sales and Related Occupations	12.9%
Office and Administrative Support Occupations	14.8%
Installation, Maintenance, and Repair Occupations	3.4%
Transportation and Material Moving Occupations	4.3%
All Other Worker Occupations - Services to Households Earning \$100,000 to \$150,000	<u>10.1%</u>
<b>INDUSTRY TOTAL</b>	<b>100.0%</b>

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<sup>1</sup> Distribution of employment by industry is per the IMPLAN model and the distribution of occupational employment within those industries is based on the Bureau of Labor Statistics Occupational Employment Survey.

RESIDENTIAL NEXUS APPENDIX B TABLE 2  
 AVERAGE ANNUAL WORKER COMPENSATION, 2015  
 SERVICES TO HOUSEHOLDS EARNING \$100,000 TO \$150,000  
 RESIDENTIAL NEXUS ANALYSIS  
 CAMPBELL, CA

Occupation <sup>3</sup>	2015 Avg. Compensation <sup>1</sup>	% of Total Occupation Group <sup>2</sup>	% of Total No. of Service Workers
<i>Page 1 of 4</i>			
<i>Management Occupations</i>			
Chief Executives	\$232,600	3.2%	0.1%
General and Operations Managers	\$157,600	34.7%	1.4%
Sales Managers	\$167,900	4.6%	0.2%
Administrative Services Managers	\$122,400	4.1%	0.2%
Financial Managers	\$168,700	9.3%	0.4%
Food Service Managers	\$57,200	6.1%	0.2%
Medical and Health Services Managers	\$159,700	7.1%	0.3%
Property, Real Estate, and Community Association Managers	\$74,600	9.5%	0.4%
Social and Community Service Managers	\$79,300	4.3%	0.2%
All other Management Occupations (Avg. All Categories)	<u>\$139,700</u>	<u>17.1%</u>	<u>0.7%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$139,700</b>	<b>100.0%</b>	<b>4.0%</b>
<i>Business and Financial Operations Occupations</i>			
Human Resources Specialists	\$89,400	5.1%	0.2%
Management Analysts	\$111,500	5.2%	0.2%
Training and Development Specialists	\$95,300	3.9%	0.2%
Market Research Analysts and Marketing Specialists	\$110,200	6.7%	0.3%
Business Operations Specialists, All Other	\$98,100	10.6%	0.4%
Accountants and Auditors	\$94,200	22.2%	0.9%
Financial Analysts	\$109,600	10.5%	0.4%
Personal Financial Advisors	\$104,400	14.3%	0.5%
Loan Officers	\$89,100	5.3%	0.2%
All Other Business and Financial Operations Occupations (Avg. All Categories)	<u>\$100,200</u>	<u>16.3%</u>	<u>0.6%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$100,200</b>	<b>100.0%</b>	<b>3.8%</b>
<i>Community and Social Service Occupations</i>			
Substance Abuse and Behavioral Disorder Counselors	\$38,300	4.8%	0.1%
Educational, Guidance, School, and Vocational Counselors	\$69,900	6.1%	0.1%
Mental Health Counselors	\$59,300	8.1%	0.2%
Rehabilitation Counselors	\$44,200	5.9%	0.1%
Child, Family, and School Social Workers	\$52,000	14.1%	0.3%
Healthcare Social Workers	\$77,300	7.7%	0.2%
Mental Health and Substance Abuse Social Workers	\$52,400	6.3%	0.1%
Social and Human Service Assistants	\$42,100	23.5%	0.5%
Community and Social Service Specialists, All Other	\$48,600	4.4%	0.1%
Clergy	\$56,300	4.5%	0.1%
All Other Community and Social Service Occupations (Avg. All Categories)	<u>\$52,300</u>	<u>14.6%</u>	<u>0.3%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$52,300</b>	<b>100.0%</b>	<b>2.2%</b>

RESIDENTIAL NEXUS APPENDIX B TABLE 2  
 AVERAGE ANNUAL WORKER COMPENSATION, 2015  
 SERVICES TO HOUSEHOLDS EARNING \$100,000 TO \$150,000  
 RESIDENTIAL NEXUS ANALYSIS  
 CAMPBELL, CA

Occupation <sup>3</sup>	2015 Avg. Compensation <sup>1</sup>	% of Total Occupation Group <sup>2</sup>	% of Total No. of Service Workers
<i>Page 2 of 4</i>			
<i>Education, Training, and Library Occupations</i>			
Vocational Education Teachers, Postsecondary	\$56,500	4.8%	0.2%
Preschool Teachers, Except Special Education	\$37,700	13.9%	0.6%
Elementary School Teachers, Except Special Education	\$72,500	5.9%	0.2%
Secondary School Teachers, Except Special and Career/Technical Educa	\$76,100	4.1%	0.2%
Self-Enrichment Education Teachers	\$47,700	10.7%	0.4%
Teachers and Instructors, All Other, Except Substitute Teachers	\$55,900	7.6%	0.3%
Substitute Teachers	\$40,700	3.1%	0.1%
Teacher Assistants	\$32,700	13.9%	0.6%
All Other Education, Training, and Library Occupations (Avg. All Categorie	<u>\$47,600</u>	<u>35.9%</u>	<u>1.4%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$47,600</b>	<b>100.0%</b>	<b>4.0%</b>
<i>Healthcare Practitioners and Technical Occupations</i>			
Pharmacists	\$141,300	4.0%	0.3%
Physicians and Surgeons, All Other	\$153,300	3.9%	0.3%
Physical Therapists	\$103,000	3.5%	0.3%
Registered Nurses	\$123,500	30.9%	2.5%
Dental Hygienists	\$96,500	3.8%	0.3%
Pharmacy Technicians	\$45,900	5.4%	0.4%
Licensed Practical and Licensed Vocational Nurses	\$60,400	8.3%	0.7%
All Other Healthcare Practitioners and Technical Occupations (Avg. All Ca	<u>\$108,000</u>	<u>40.2%</u>	<u>3.2%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$108,000</b>	<b>100.0%</b>	<b>7.9%</b>
<i>Healthcare Support Occupations</i>			
Home Health Aides	\$27,400	22.2%	1.0%
Nursing Assistants	\$35,100	30.0%	1.4%
Massage Therapists	\$44,200	4.9%	0.2%
Dental Assistants	\$44,100	9.9%	0.5%
Medical Assistants	\$44,100	15.8%	0.7%
All Other Healthcare Support Occupations (Avg. All Categories)	<u>\$36,400</u>	<u>17.2%</u>	<u>0.8%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$36,400</b>	<b>100.0%</b>	<b>4.7%</b>
<i>Food Preparation and Serving Related Occupations</i>			
First-Line Supervisors of Food Preparation and Serving Workers	\$36,900	6.9%	1.1%
Cooks, Fast Food	\$21,300	4.2%	0.7%
Cooks, Restaurant	\$27,500	8.7%	1.4%
Food Preparation Workers	\$24,400	6.8%	1.1%
Bartenders	\$26,300	6.9%	1.1%
Combined Food Preparation and Serving Workers, Including Fast Food	\$23,000	25.0%	3.9%
Counter Attendants, Cafeteria, Food Concession, and Coffee Shop	\$23,100	3.6%	0.6%
Waiters and Waitresses	\$25,500	19.8%	3.1%
Dining Room and Cafeteria Attendants and Bartender Helpers	\$21,300	3.1%	0.5%
Dishwashers	\$20,300	4.0%	0.6%
All Other Food Preparation and Serving Related Occupations (Avg. All Ca	<u>\$25,200</u>	<u>11.0%</u>	<u>1.7%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$25,200</b>	<b>100.0%</b>	<b>15.7%</b>

RESIDENTIAL NEXUS APPENDIX B TABLE 2  
AVERAGE ANNUAL WORKER COMPENSATION, 2015  
SERVICES TO HOUSEHOLDS EARNING \$100,000 TO \$150,000  
RESIDENTIAL NEXUS ANALYSIS  
CAMPBELL, CA

Occupation <sup>3</sup>	2015 Avg. Compensation <sup>1</sup>	% of Total Occupation Group <sup>2</sup>	% of Total No. of Service Workers
<i>Building and Grounds Cleaning and Maintenance Occupations</i>			
First-Line Supervisors of Landscaping, Lawn Service, and Groundskeepin	\$53,600	3.5%	0.2%
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	\$29,000	45.5%	2.4%
Maids and Housekeeping Cleaners	\$31,100	11.9%	0.6%
Landscaping and Groundskeeping Workers	\$33,400	30.4%	1.6%
All Other Building and Grounds Cleaning and Maintenance Occupations (/	<u>\$31,700</u>	<u>8.8%</u>	<u>0.5%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$31,700</b>	<b>100.0%</b>	<b>5.2%</b>
<i>Personal Care and Service Occupations</i>			
First-Line Supervisors of Personal Service Workers	\$42,800	3.7%	0.3%
Nonfarm Animal Caretakers	\$32,400	5.7%	0.4%
Hairdressers, Hairstylists, and Cosmetologists	\$24,600	17.6%	1.2%
Manicurists and Pedicurists	\$21,900	4.3%	0.3%
Childcare Workers	\$30,300	12.0%	0.8%
Personal Care Aides	\$26,300	32.7%	2.3%
Fitness Trainers and Aerobics Instructors	\$44,200	5.4%	0.4%
Recreation Workers	\$31,100	4.4%	0.3%
All Other Personal Care and Service Occupations (Avg. All Categories)	<u>\$28,800</u>	<u>14.2%</u>	<u>1.0%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$28,800</b>	<b>100.0%</b>	<b>7.1%</b>
<i>Sales and Related Occupations</i>			
First-Line Supervisors of Retail Sales Workers	\$51,400	9.3%	1.2%
Cashiers	\$26,600	27.2%	3.5%
Counter and Rental Clerks	\$35,600	4.5%	0.6%
Retail Salespersons	\$29,200	35.9%	4.6%
Securities, Commodities, and Financial Services Sales Agents	\$91,800	4.0%	0.5%
Sales Representatives, Services, All Other	\$89,500	4.2%	0.5%
Sales Representatives, Wholesale and Manufacturing, Except Technical a	\$77,000	3.9%	0.5%
Real Estate Sales Agents	\$64,600	2.8%	0.4%
All Other Sales and Related Occupations (Avg. All Categories)	<u>\$39,600</u>	<u>8.2%</u>	<u>1.1%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$39,600</b>	<b>100.0%</b>	<b>12.9%</b>
<i>Office and Administrative Support Occupations</i>			
First-Line Supervisors of Office and Administrative Support Workers	\$70,600	6.7%	1.0%
Bookkeeping, Accounting, and Auditing Clerks	\$50,300	7.7%	1.1%
Customer Service Representatives	\$48,200	9.4%	1.4%
Receptionists and Information Clerks	\$36,600	8.8%	1.3%
Stock Clerks and Order Fillers	\$31,300	10.6%	1.6%
Executive Secretaries and Executive Administrative Assistants	\$67,200	3.4%	0.5%
Medical Secretaries	\$48,100	4.4%	0.7%
Secretaries and Administrative Assistants, Except Legal, Medical, and Ex	\$45,000	11.5%	1.7%
Office Clerks, General	\$40,900	14.2%	2.1%
All Other Office and Administrative Support Occupations (Avg. All Categori	<u>\$45,700</u>	<u>23.3%</u>	<u>3.4%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$45,700</b>	<b>100.0%</b>	<b>14.8%</b>

RESIDENTIAL NEXUS APPENDIX B TABLE 2  
 AVERAGE ANNUAL WORKER COMPENSATION, 2015  
 SERVICES TO HOUSEHOLDS EARNING \$100,000 TO \$150,000  
 RESIDENTIAL NEXUS ANALYSIS  
 CAMPBELL, CA

Occupation <sup>3</sup>	2015 Avg. Compensation <sup>1</sup>	% of Total Occupation Group <sup>2</sup>	% of Total No. of Service Workers
<i>Installation, Maintenance, and Repair Occupations</i>			
First-Line Supervisors of Mechanics, Installers, and Repairers	\$80,600	7.8%	0.3%
Telecommunications Equipment Installers and Repairers, Except Line Inst	\$65,800	3.3%	0.1%
Automotive Body and Related Repairers	\$46,400	7.0%	0.2%
Automotive Service Technicians and Mechanics	\$52,700	21.1%	0.7%
Maintenance and Repair Workers, General	\$47,300	33.5%	1.1%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Cate	<u>\$53,200</u>	<u>27.3%</u>	<u>0.9%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$53,200</b>	<b>100.0%</b>	<b>3.4%</b>
<i>Transportation and Material Moving Occupations</i>			
Bus Drivers, School or Special Client	\$38,000	5.5%	0.2%
Driver/Sales Workers	\$34,400	7.8%	0.3%
Heavy and Tractor-Trailer Truck Drivers	\$47,200	11.7%	0.5%
Light Truck or Delivery Services Drivers	\$39,300	10.6%	0.5%
Taxi Drivers and Chauffeurs	\$29,300	3.6%	0.2%
Parking Lot Attendants	\$21,500	9.3%	0.4%
Automotive and Watercraft Service Attendants	\$25,700	3.0%	0.1%
Cleaners of Vehicles and Equipment	\$25,800	8.6%	0.4%
Laborers and Freight, Stock, and Material Movers, Hand	\$31,700	19.9%	0.9%
Packers and Packagers, Hand	\$25,300	6.9%	0.3%
All Other Transportation and Material Moving Occupations (Avg. All Categ	<u>\$32,900</u>	<u>13.3%</u>	<u>0.6%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$32,900</b>	<b>100.0%</b>	<b>4.3%</b>
			89.9%

<sup>1</sup> The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

<sup>2</sup> Occupation percentages are based on the 2014 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2014 Occupational Employment Survey data applicable to Santa Clara County updated by the California Employment Development Department to 2015 wage levels.

<sup>3</sup> Including occupations representing 3% or more of the major occupation group

**RESIDENTIAL NEXUS APPENDIX B TABLE 3  
 WORKER OCCUPATION DISTRIBUTION, 2014  
 SERVICES TO HOUSEHOLDS EARNING \$150K+, RESIDENT SERVICES  
 RESIDENTIAL NEXUS ANALYSIS  
 CAMPBELL, CA**

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<b>Major Occupations (2% or more)</b>	<b>Worker Occupation Distribution<sup>1</sup> Services to Households Earning \$150,000 and up</b>
Management Occupations	4.1%
Business and Financial Operations Occupations	4.0%
Community and Social Service Occupations	2.2%
Education, Training, and Library Occupations	5.6%
Healthcare Practitioners and Technical Occupations	7.0%
Healthcare Support Occupations	4.1%
Food Preparation and Serving Related Occupations	14.7%
Building and Grounds Cleaning and Maintenance Occupations	5.3%
Personal Care and Service Occupations	7.2%
Sales and Related Occupations	13.0%
Office and Administrative Support Occupations	14.7%
Installation, Maintenance, and Repair Occupations	3.3%
Transportation and Material Moving Occupations	4.5%
All Other Worker Occupations - Services to Households Earning \$150,000 and up	<u>10.3%</u>
<b>INDUSTRY TOTAL</b>	<b>100.0%</b>

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<sup>1</sup> Distribution of employment by industry is per the IMPLAN model and the distribution of occupational employment within those industries is based on the Bureau of Labor Statistics Occupational Employment Survey.

RESIDENTIAL NEXUS APPENDIX B TABLE 4  
AVERAGE ANNUAL WORKER COMPENSATION, 2015  
SERVICES TO HOUSEHOLDS EARNING \$150,000 AND UP  
RESIDENTIAL NEXUS ANALYSIS  
CAMPBELL, CA

Occupation <sup>3</sup>	2015 Avg. Compensation <sup>1</sup>	% of Total Occupation Group <sup>2</sup>	% of Total No. of Service Workers
<i>Page 1 of 4</i>			
<i>Management Occupations</i>			
Chief Executives	\$232,600	3.3%	0.1%
General and Operations Managers	\$157,600	34.7%	1.4%
Sales Managers	\$167,900	4.5%	0.2%
Administrative Services Managers	\$122,400	4.2%	0.2%
Financial Managers	\$168,700	9.2%	0.4%
Food Service Managers	\$57,200	5.6%	0.2%
Medical and Health Services Managers	\$159,700	6.0%	0.2%
Property, Real Estate, and Community Association Managers	\$74,600	8.5%	0.3%
Social and Community Service Managers	\$79,300	4.3%	0.2%
All other Management Occupations (Avg. All Categories)	<u>\$140,800</u>	<u>19.7%</u>	<u>0.8%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$140,800</b>	<b>100.0%</b>	<b>4.1%</b>
<i>Business and Financial Operations Occupations</i>			
Human Resources Specialists	\$89,400	5.0%	0.2%
Management Analysts	\$111,500	5.2%	0.2%
Training and Development Specialists	\$95,300	4.3%	0.2%
Market Research Analysts and Marketing Specialists	\$110,200	6.6%	0.3%
Business Operations Specialists, All Other	\$98,100	10.9%	0.4%
Accountants and Auditors	\$94,200	21.8%	0.9%
Financial Analysts	\$109,600	10.4%	0.4%
Personal Financial Advisors	\$104,400	14.2%	0.6%
Loan Officers	\$89,100	5.2%	0.2%
All Other Business and Financial Operations Occupations (Avg. All Categories)	<u>\$100,200</u>	<u>16.4%</u>	<u>0.6%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$100,200</b>	<b>100.0%</b>	<b>4.0%</b>
<i>Community and Social Service Occupations</i>			
Substance Abuse and Behavioral Disorder Counselors	\$38,300	4.4%	0.1%
Educational, Guidance, School, and Vocational Counselors	\$69,900	8.0%	0.2%
Mental Health Counselors	\$59,300	7.6%	0.2%
Rehabilitation Counselors	\$44,200	5.8%	0.1%
Child, Family, and School Social Workers	\$52,000	14.6%	0.3%
Healthcare Social Workers	\$77,300	7.0%	0.2%
Mental Health and Substance Abuse Social Workers	\$52,400	5.8%	0.1%
Social and Human Service Assistants	\$42,100	23.5%	0.5%
Community and Social Service Specialists, All Other	\$48,600	4.5%	0.1%
Clergy	\$56,300	4.5%	0.1%
All Other Community and Social Service Occupations (Avg. All Categories)	<u>\$52,500</u>	<u>14.5%</u>	<u>0.3%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$52,500</b>	<b>100.0%</b>	<b>2.2%</b>

RESIDENTIAL NEXUS APPENDIX B TABLE 4  
 AVERAGE ANNUAL WORKER COMPENSATION, 2015  
 SERVICES TO HOUSEHOLDS EARNING \$150,000 AND UP  
 RESIDENTIAL NEXUS ANALYSIS  
 CAMPBELL, CA

Occupation <sup>3</sup>	2015 Avg. Compensation <sup>1</sup>	% of Total Occupation Group <sup>2</sup>	% of Total No. of Service Workers
<i>Education, Training, and Library Occupations</i>			
Vocational Education Teachers, Postsecondary	\$56,500	5.0%	0.3%
Preschool Teachers, Except Special Education	\$37,700	13.3%	0.7%
Elementary School Teachers, Except Special Education	\$72,500	5.7%	0.3%
Secondary School Teachers, Except Special and Career/Technical Education	\$76,100	4.0%	0.2%
Self-Enrichment Education Teachers	\$47,700	10.5%	0.6%
Teachers and Instructors, All Other, Except Substitute Teachers	\$55,900	7.7%	0.4%
Substitute Teachers	\$40,700	3.0%	0.2%
Teacher Assistants	\$32,700	13.3%	0.7%
All Other Education, Training, and Library Occupations (Avg. All Categories)	<u>\$47,800</u>	<u>37.5%</u>	<u>2.1%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$47,800</b>	<b>100.0%</b>	<b>5.6%</b>
<i>Healthcare Practitioners and Technical Occupations</i>			
Pharmacists	\$141,300	4.5%	0.3%
Physicians and Surgeons, All Other	\$153,300	3.8%	0.3%
Physical Therapists	\$103,000	3.4%	0.2%
Registered Nurses	\$123,500	30.2%	2.1%
Dental Hygienists	\$96,500	3.6%	0.3%
Pharmacy Technicians	\$45,900	6.1%	0.4%
Licensed Practical and Licensed Vocational Nurses	\$60,400	8.1%	0.6%
All Other Healthcare Practitioners and Technical Occupations (Avg. All Categories)	<u>\$107,500</u>	<u>40.3%</u>	<u>2.8%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$107,500</b>	<b>100.0%</b>	<b>7.0%</b>
<i>Healthcare Support Occupations</i>			
Home Health Aides	\$27,400	23.5%	1.0%
Nursing Assistants	\$35,100	29.3%	1.2%
Massage Therapists	\$44,200	4.9%	0.2%
Dental Assistants	\$44,100	9.6%	0.4%
Medical Assistants	\$44,100	15.2%	0.6%
All Other Healthcare Support Occupations (Avg. All Categories)	<u>\$36,200</u>	<u>17.5%</u>	<u>0.7%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$36,200</b>	<b>100.0%</b>	<b>4.1%</b>
<i>Food Preparation and Serving Related Occupations</i>			
First-Line Supervisors of Food Preparation and Serving Workers	\$36,900	6.9%	1.0%
Cooks, Fast Food	\$21,300	4.1%	0.6%
Cooks, Restaurant	\$27,500	8.6%	1.3%
Food Preparation Workers	\$24,400	6.9%	1.0%
Bartenders	\$26,300	7.0%	1.0%
Combined Food Preparation and Serving Workers, Including Fast Food	\$23,000	25.0%	3.7%
Counter Attendants, Cafeteria, Food Concession, and Coffee Shop	\$23,100	3.7%	0.5%
Waiters and Waitresses	\$25,500	19.6%	2.9%
Dining Room and Cafeteria Attendants and Bartender Helpers	\$21,300	3.2%	0.5%
Dishwashers	\$20,300	4.0%	0.6%
All Other Food Preparation and Serving Related Occupations (Avg. All Categories)	<u>\$25,200</u>	<u>11.1%</u>	<u>1.6%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$25,200</b>	<b>100.0%</b>	<b>14.7%</b>

Page 2 of 4

RESIDENTIAL NEXUS APPENDIX B TABLE 4  
 AVERAGE ANNUAL WORKER COMPENSATION, 2015  
 SERVICES TO HOUSEHOLDS EARNING \$150,000 AND UP  
 RESIDENTIAL NEXUS ANALYSIS  
 CAMPBELL, CA

Occupation <sup>3</sup>	2015 Avg. Compensation <sup>1</sup>	% of Total Occupation Group <sup>2</sup>	% of Total No. of Service Workers
<i>Building and Grounds Cleaning and Maintenance Occupations</i>			
First-Line Supervisors of Landscaping, Lawn Service, and Groundskeeping Workers	\$53,600	3.5%	0.2%
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	\$29,000	46.1%	2.4%
Maids and Housekeeping Cleaners	\$31,100	11.0%	0.6%
Landscaping and Groundskeeping Workers	\$33,400	30.5%	1.6%
All Other Building and Grounds Cleaning and Maintenance Occupations (Avg. All Categories)	<u>\$31,700</u>	<u>8.9%</u>	<u>0.5%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$31,700</b>	<b>100.0%</b>	<b>5.3%</b>
<i>Personal Care and Service Occupations</i>			
First-Line Supervisors of Personal Service Workers	\$42,800	3.7%	0.3%
Nonfarm Animal Caretakers	\$32,400	6.0%	0.4%
Hairdressers, Hairstylists, and Cosmetologists	\$24,600	15.3%	1.1%
Manicurists and Pedicurists	\$21,900	3.7%	0.3%
Childcare Workers	\$30,300	15.2%	1.1%
Personal Care Aides	\$26,300	31.5%	2.3%
Fitness Trainers and Aerobics Instructors	\$44,200	5.8%	0.4%
Recreation Workers	\$31,100	4.4%	0.3%
All Other Personal Care and Service Occupations (Avg. All Categories)	<u>\$29,100</u>	<u>14.4%</u>	<u>1.0%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$29,100</b>	<b>100.0%</b>	<b>7.2%</b>
<i>Sales and Related Occupations</i>			
First-Line Supervisors of Retail Sales Workers	\$51,400	9.4%	1.2%
Cashiers	\$26,600	27.2%	3.5%
Counter and Rental Clerks	\$35,600	4.2%	0.5%
Retail Salespersons	\$29,200	36.2%	4.7%
Securities, Commodities, and Financial Services Sales Agents	\$91,800	4.1%	0.5%
Sales Representatives, Services, All Other	\$89,500	4.2%	0.5%
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific	\$77,000	3.9%	0.5%
Real Estate Sales Agents	\$64,600	2.5%	0.3%
All Other Sales and Related Occupations (Avg. All Categories)	<u>\$39,600</u>	<u>8.2%</u>	<u>1.1%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$39,600</b>	<b>100.0%</b>	<b>13.0%</b>
<i>Office and Administrative Support Occupations</i>			
First-Line Supervisors of Office and Administrative Support Workers	\$70,600	6.6%	1.0%
Bookkeeping, Accounting, and Auditing Clerks	\$50,300	7.8%	1.1%
Customer Service Representatives	\$48,200	9.5%	1.4%
Receptionists and Information Clerks	\$36,600	8.3%	1.2%
Stock Clerks and Order Fillers	\$31,300	10.8%	1.6%
Executive Secretaries and Executive Administrative Assistants	\$67,200	3.6%	0.5%
Medical Secretaries	\$48,100	3.8%	0.6%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	\$45,000	11.9%	1.7%
Office Clerks, General	\$40,900	14.5%	2.1%
All Other Office and Administrative Support Occupations (Avg. All Categories)	<u>\$45,700</u>	<u>23.3%</u>	<u>3.4%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$45,700</b>	<b>100.0%</b>	<b>14.7%</b>

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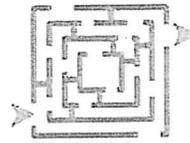
RESIDENTIAL NEXUS APPENDIX B TABLE 4  
 AVERAGE ANNUAL WORKER COMPENSATION, 2015  
 SERVICES TO HOUSEHOLDS EARNING \$150,000 AND UP  
 RESIDENTIAL NEXUS ANALYSIS  
 CAMPBELL, CA

Occupation <sup>3</sup>	2015 Avg. Compensation <sup>1</sup>	% of Total Occupation Group <sup>2</sup>	% of Total No. of Service Workers
<i>Installation, Maintenance, and Repair Occupations</i>			
First-Line Supervisors of Mechanics, Installers, and Repairers	\$80,600	7.8%	0.3%
Telecommunications Equipment Installers and Repairers, Except Line Installers	\$65,800	2.8%	0.1%
Automotive Body and Related Repairers	\$46,400	6.8%	0.2%
Automotive Service Technicians and Mechanics	\$52,700	20.9%	0.7%
Maintenance and Repair Workers, General	\$47,300	33.2%	1.1%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	<u>\$53,100</u>	<u>28.5%</u>	<u>0.9%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$53,100</b>	<b>100.0%</b>	<b>3.3%</b>
<i>Transportation and Material Moving Occupations</i>			
Bus Drivers, School or Special Client	\$38,000	6.6%	0.3%
Driver/Sales Workers	\$34,400	7.3%	0.3%
Heavy and Tractor-Trailer Truck Drivers	\$47,200	11.7%	0.5%
Light Truck or Delivery Services Drivers	\$39,300	10.4%	0.5%
Taxi Drivers and Chauffeurs	\$29,300	3.8%	0.2%
Parking Lot Attendants	\$21,500	9.6%	0.4%
Automotive and Watercraft Service Attendants	\$25,700	2.7%	0.1%
Cleaners of Vehicles and Equipment	\$25,800	8.0%	0.4%
Laborers and Freight, Stock, and Material Movers, Hand	\$31,700	19.5%	0.9%
Packers and Packagers, Hand	\$25,300	6.8%	0.3%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	<u>\$33,000</u>	<u>13.5%</u>	<u>0.6%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$33,000</b>	<b>100.0%</b>	<b>4.5%</b>
			89.7%

<sup>1</sup> The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

<sup>2</sup> Occupation percentages are based on the 2014 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2014 Occupational Employment Survey data applicable to Santa Clara County updated by the California Employment Development Department to 2015 wage levels.

<sup>3</sup> Including occupations representing 3% or more of the major occupation group



# KEYSER MARSTON ASSOCIATES

## ATTACHMENT B

### NON-RESIDENTIAL NEXUS ANALYSIS

*Prepared for*  
**City of Campbell**

*Prepared by:*  
**Keyser Marston Associates, Inc.**

**August 2016**

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## I. INTRODUCTION

The following report is a Jobs Housing Nexus Analysis, an analysis of the linkages between non-residential development and the need for additional affordable housing in the City of Campbell. This Jobs Housing Nexus Analysis has been prepared in support of affordable housing impact fees that may be levied on non-residential development. The report has been prepared by Keyser Marston Associates, Inc. (KMA) for the City of Campbell, pursuant to contracts both parties have with the Silicon Valley Community Foundation.

The analysis was prepared as part of a coordinated work program for twelve jurisdictions in Santa Clara and Alameda Counties. Silicon Valley Community Foundation with Baird + Driskell Community Planners organized and facilitated this multi-jurisdiction effort. Silicon Valley Community Foundation, which engaged KMA to prepare the analyses, serves as the main contracting entity with each participating jurisdiction, and has provided funding support for coordination and administration of the effort. Analyses in support of affordable housing impact fees on residential development were also prepared as part of the multi-jurisdiction work program.

A major affordable housing program in the City of Campbell is the inclusionary program, adopted by an ordinance in 2006 and incorporated in Code Section 21.24. The inclusionary program requires that in projects of ten or more units, 15% of all units be made affordable to households at low and moderate income. An in lieu fee alternative of \$34.50 per square is available to projects at a density of six units per acre or less. The nexus analysis summarized in this report will enable the City of Campbell to adopt an affordable housing impact fee on non-residential projects to expand resources for the production of affordable housing.

### **Purpose**

The purpose of a Jobs-Housing Nexus Analysis is to quantify and document the impact of the development of new workplace buildings (commercial and industrial) 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 lower and moderate income housing created by each type of workplace building.

The analysis may be used as the foundation for enacting an affordable housing impact fee or "commercial linkage fee" to be levied on non-residential development in the City of Campbell. The conclusions of the analysis represent maximum supportable or legally defensible impact fee levels based on the impact of new non-residential development on the need for affordable housing. Findings are not recommended fee levels. The City is free to take a range of policy considerations into account in setting fees anywhere below the maximums identified in this report.

The relationships established in this analysis may also be useful for other applications such as negotiation of an affordable housing component as part of a development agreement for a large commercial project.

## **Analysis Scope**

This analysis examines six types of workplace buildings, per direction of City staff.

- Office, which includes traditional office users such as law firms, accountants, real estate and insurance agencies, as well as high tech, research & development (R&D), and medical office space.
- High Tech Office, which refers to office space primarily occupied by tech related industries, with higher density of employment within the space and a differing occupational profile from the general office building type above.
- Hotel, which covers the range from full service hotels to minimum service extended stay lodging.
- Retail, which includes all types of retail, restaurants, and personal services.
- Light Industrial, which includes light manufacturing and maintenance and repair industries, such as auto service and body repair businesses. This category also includes research & development, to reflect the fact that some R&D occurs in light industrial-type buildings instead of in office buildings.
- Warehouse, or large structures primarily devoted to storage, typically with a small amount of office space.

High Tech Office is analyzed as a separate category to demonstrate the nexus based on the distinct occupational profile and employment density for high-tech. However, for practical reasons, most programs do not normally have separate fee levels for high tech. For example, over its lifetime, office space may be used by both high-tech and non-high-tech users and tenancies for office buildings built on a spec basis are not known at building permit issuance.

Retail and restaurants are analyzed in the nexus as one building type category given multi-tenant buildings may include both and tenancies can shift over time between restaurant and retail. However, it is possible to implement separate fee levels for retail and restaurants, if desired, particularly if these uses are being distinguished for other purposes such as parking or traffic impact fees.

The non-residential nexus does not specifically address housing needs of teachers, governmental employees etc., although housing needs of these workers are often of specific interest. This is because these workers are usually employed within governmental buildings exempt from fees. The Residential Nexus Analysis (Attachment A), on the other hand, addresses housing needs for a whole range of workers who provide services to residents such as teachers and workers in the non-profit sector.

The household income categories addressed in the analysis are:

- Extremely Low Income: households earning up to 30% Area Median Income (AMI);
- Very Low Income: households earning over 30% AMI 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.

## Report Organization

The report is organized into four sections and two appendices, as follows:

- Section I provides an introduction and describes the purpose and organization of this report.
- Section II presents a summary of the nexus concept and some of the key issues and underlying assumptions in the analyses linking jobs and housing demand.
- Section III presents an analysis of the jobs and housing relationships associated with each workplace building type and concludes with a quantification of the number of households at each income level associated with each building type.
- Section IV contains a summary of the costs of delivering housing units affordable to households at the income levels under study, allocated to each square foot of building area, and provides the conclusions regarding maximum supported fee levels.
- Appendix A provides a discussion of various specific factors and assumptions in relation to the nexus concept to supplement the overview provided in Section II.
- Appendix B provides an analysis to address the potential for overlap between jobs counted in the Residential and Non-Residential nexus analyses.
- Appendix C contains support information on worker occupations and incomes and an identification of the industry categories represented within each building type.

## Data Sources and Qualifications

The analyses in this report have been prepared using the best and most recent data available. Local and current data were used whenever possible. Sources such as the American Community Survey of the U.S. Census, the 2010 Census, Bureau of Labor Statistics and California Employment Department (EDD) data were used extensively. Other sources and analyses used are noted in the text and footnotes. While we believe all sources utilized are sufficiently accurate for the purposes of the analyses, we cannot guarantee their accuracy. KMA assumes no liability for information from these or other sources.

## II. THE NEXUS CONCEPT

This section outlines the nexus concept and some of the key issues surrounding the impact of new non-residential development on the demand for affordable housing units in Campbell. The nexus analysis and discussion focus on the relationships among development, growth, employment, income of workers and demand for affordable housing. The analysis describes the impact of new construction of workplace buildings and the need for additional affordable housing, quantified both in terms of number of units and the justified fee to provide those affordable units.

### Background

The first jobs-housing linkage fee programs were adopted by the cities of San Francisco and Boston in the mid-1980s. To support the fees, the City of San Francisco commissioned an early version of a nexus analysis.

In 1987, the California legislature enacted AB 1600, the Mitigation Fee Act, which requires local agencies proposing an impact fee on a development project to identify the purpose and use of the fee, and to determine that there is a reasonable relationship between the fee's use and the development project on which the fee is imposed. The local agency must also demonstrate that there is a reasonable relationship between the fee amount and the cost of mitigating the problem that the fee addresses. Studies by local governments designed to fulfill the requirements of AB 1600 are often referred to as "nexus" studies. While commercial linkage fees for affordable housing are not clearly "fees" as defined by the Mitigation Fee Act, the methodology and findings specified by the Act are appropriate for any nexus study.

Commercial linkage fees were upheld in a 1991 ruling in the case *Commercial Builders of Northern California v. City of Sacramento*. Commercial builders in Sacramento sued the City following the City's adoption of a housing linkage fee. Adequacy of the supporting nexus analysis was among the matters at issue in the case. Both the U.S. District Court and the Ninth Circuit Court of Appeals upheld the commercial linkage fees adopted by the City of Sacramento. The Supreme Court of the United States denied the builders' petition to hear the case, allowing the ruling of the Ninth Circuit to stand.

### The Nexus Methodology

An overview of the basic nexus concept and methodology is helpful to understand the discussion and concepts presented in this section. The nexus analysis links new commercial buildings with new workers; these workers demand additional housing in proximity to the jobs, a portion of which needs to be affordable to the workers in lower income households.

Below is a description of the major calculations of the analysis. For analysis purposes, buildings of 100,000 square feet are assumed and then the following calculations are made:

- The total number of employees working in the building is estimated based on average employment density data.
- Occupation and income information for typical job types in the building is used to calculate how many of those jobs pay compensation at the various income levels (Extremely Low, Very Low, Low, and Moderate) addressed in the analysis. Compensation data is from the California Employment Development Department (EDD) and is specific to Santa Clara County. Worker occupations by building type are derived from the 2014 Occupational Employment Survey by the U.S. Bureau of Labor Statistics and weighted to reflect the industry mix in Santa Clara County.
- Census data indicate that many workers are members of households where more than one person is employed and that there is a range of household sizes; factors derived from the Census are used to translate the workers in the building into Extremely Low, Very Low, Low, and Moderate-income households of various sizes.
- Then, the Extremely Low, Very Low-, Low- and Moderate-Income households are divided by the building size to arrive at the number of housing units per square foot of building area, for each income category.
- In the last step, the number of households per square foot in each income category is multiplied by the costs of delivering housing units affordable to these income groups.

### **Discount for Changing Industries**

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 in manufacturing sectors of the local economy have declined along with governmental employment, farming, construction and financial activities employment. Jobs lost over the last decade 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 20% adjustment is utilized based on the long term shifts in employment that have occurred in some sectors of the local economy 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 Campbell.

The 20% downward adjustment used for purposes of the analysis was derived from California Employment Development Department data on employment by industry in the San Jose-Sunnyvale-Santa Clara and Oakland-Hayward-Berkeley Metropolitan Districts, where the jurisdictions included in the multi-jurisdiction nexus effort are located. Over the ten-year period from 2005 to 2015, approximately 55,000 jobs were lost in declining industry sectors. Over the same period, growing and stable industries added a total of 268,000 jobs. The figures are used to establish a ratio between jobs lost in declining industries to jobs gained in growing and stable industries at 20%<sup>1</sup>. The 20% factor is applied as an adjustment in the analysis, effectively assuming one in every five new jobs is filled by a worker down-sized from a declining industry and 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 20% 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 or because of obsolescence.

### **Other Factors and Assumptions**

Appendix A provides a discussion of other specific factors in relation to the nexus concept including housing needs of the existing population, multiplier effects (indirect and induced jobs), changes in labor force participation and economic cycles.

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<sup>1</sup> The 20% ratio is calculated as 55,000 jobs lost in declining sectors excluding defense divided by 268,000 jobs gained in growing and stable sectors = 20.5% (rounded to 20%).

### III. JOBS HOUSING NEXUS ANALYSIS

This section presents a summary of the analysis linking the development of the six types of workplace buildings to the estimated number of lower income housing units required in each of four income categories. This section should not be read or reproduced without the narrative presented in the previous sections.

#### Analysis Approach and Framework

The analysis establishes the jobs housing nexus for individual commercial land use categories, quantifying the connection between employment growth in Campbell and affordable housing demand.

The analysis examines the employment associated with the development of workplace building prototypes. Then, through a series of steps, the number of employees is converted to households and housing units by income level. The findings are expressed in terms of numbers of households per 100,000 square feet, for ease of presentation. In the final step, we convert the numbers of households for an entire building to the number of households per square foot.

#### Household Income Limits

The analysis estimates demand for affordable housing in four household income categories: Extremely Low, Very Low, Low and Moderate Income. Household incomes for these affordability categories are published by the California Department of Housing and Community Development (HCD). The income limits are shown below.

##### 2016 Income Limits for Santa Clara County

	Household Size (Persons)					
	1	2	3	4	5	6 +
Extr. Low (Under 30% AMI)	\$23,450	\$26,800	\$30,150	\$33,500	\$36,200	\$38,900
Very Low (30%-50% AMI)	\$39,100	\$44,650	\$50,250	\$55,800	\$60,300	\$64,750
Low (50%-80% AMI)	\$59,400	\$67,900	\$76,400	\$84,900	\$91,650	\$98,450
Moderate (80%-120% AMI)	\$89,950	\$102,800	\$115,650	\$128,500	\$138,800	\$149,050
Median (100% of Median)	\$74,950	\$85,700	\$96,400	\$107,100	\$115,650	\$124,250

Source: California Department of Housing and Community Development.

#### Analysis Steps

The analysis is conducted using a model that KMA has developed for application in many jurisdictions for which the firm has conducted similar analyses. The model inputs are all local data to the extent possible, and are fully documented.

Tables 1 through 4 at the end of this section summarize the nexus analysis steps for the six building types. Following is a description of each step of the analysis:

### ***Step 1 – Estimate of Total New Employees***

The first step in Table 1 (page 15) identifies the total number of direct employees who will work in the building type being analyzed. Average employment density factors are used to make the calculation.

The employment density estimates are drawn from several sources, including local information, KMA experience in other jurisdictions, some survey data, and other sources, tailored to the character of development in Campbell and the types of tenancies expected in the commercial buildings in the City.

- *Office* – 300 square feet per employee. This represents an average of a range that includes traditional office uses, high tech activities, research & development (R&D) space, and medical offices. There is some variation within this range, with high tech at the high end and some R&D and medical office at the lower end.
- *High Tech Office* – 200 square feet per employee. This category was established to recognize the higher density of employment in space occupied primarily by the tech sector and also the unique occupational profile in these industries.
- *Retail* – 400 square feet per employee. This reflects a mix of retail and restaurant space and also a whole range of personal services. Restaurant space typically has a higher employment density, while retail space ranges widely depending on the type of retail, with furniture stores, for example, representing the lower end. The density range within this category is wide, with some types of retail as much as five times as dense as other types.
- *Hotel* – 800 square feet per employee. The 800 square feet per employee average covers a range from higher service hotels, which are far more employment intensive, to minimal service extended stay hotels which have very low employment density.
- *Light Industrial* – 400 square feet per employee. This density covers flex space, typically leased to a mix of office, light manufacturing, R&D and storage uses. This designation may also be applied to auto related servicing and other activities of a semi-industrial character.
- *Warehouse* – 2,000 square feet per employee. This reflects that the primary activity in the building is assumed to be storage. A small amount of office or administrative space is assumed within warehouse structures. The warehouse category, for fee purposes, is often defined as structures over a threshold size, such as 50,000 square feet. Also some cities use this category to cover heavy manufacturing when the density of employment is similarly low.

KMA conducted the analysis on 100,000 square foot buildings. This facilitates the presentation of the nexus findings, as it allows jobs and housing units to be presented in whole numbers that can be more readily understood. At the conclusion of the analysis, the findings are divided by building size to express the linkages per square foot, so that the findings can be applied to buildings of any size.

### ***Step 2 – Adjustment for Changing Industries***

This step is an adjustment 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. A 20% downward adjustment is utilized to recognize long-term employment shifts and the likelihood of continuing changes in the local economy (see Section II discussion).

### ***Step 3 – Adjustment from Employees to Employee Households***

This step (Table 1, page 15) 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.

The number of workers per household in a given geographic area is a function of household size, labor force participation rate and employment availability, as well as other factors. According to the 2011-2013 ACS, the number of workers per worker household in Santa Clara County was 1.72, including full- and part-time workers. The total number of jobs created is divided by 1.72 to determine the number of new households. This is a conservative estimate because it excludes all non-worker households (such as students and the retired). If the average number of workers in all households was used, it would have produced a greater demand for housing units.

### ***Step 4 – Occupational Distribution of Employees***

Estimating the occupational breakdown of employees is the first step to arrive at income levels. The Bureau of Labor Statistics publishes data on the distribution of occupations within industries. The industries included in the analysis vary by building type.

- For office buildings, the mix of industries was customized based on employment by industry sector in Santa Clara County using California Employment Development Department (EDD) data. This category is inclusive of research and development, software development firms and other high tech users, medical and dental offices along with small firms such as realtors, insurance agents, employment services, legal and business services.
- For high tech office, tenants are assumed to be primarily tech related firms within sectors such as software publishing, computer system design, telecommunications, data

processing, hosting, and related services, and other information / telecommunications services. The mix of tech-related industry categories are weighted based on current employment levels within Santa Clara County.

- For retail space, the industries include a mix of retail, restaurant and personal service uses tailored to Santa Clara County based on current employment levels reported by EDD.
- For hotel buildings, the industry includes Hotels, Motels and other accommodations, excluding casino hotels.
- For light industrial buildings, the industries include light manufacturing, research and development, and automotive and other maintenance and repair services. The categories are weighted to reflect the mix of these industries within Santa Clara County.
- For warehouse buildings, the applicable industry category is Warehouse & Storage.

Once the industries are selected, the May 2014 National Industry-Specific Occupational Estimates, published by the Bureau of Labor Statistics (BLS), are used to translate industries to occupations. At the end of this step, the occupational composition of employees in the six types of buildings has been estimated. The occupational compositions that reflect the expected mix of activities in the new buildings are presented in the tables in Appendix C.

- Office employment in Santa Clara County includes a range of computer and mathematical (23%), administrative support (21%), business and financial (11%), and management occupations (9%), among others.
- High tech employment is concentrated in computer and mathematical occupations (55%), followed by office and administrative support (11%) management (10%), and business and financial occupations (9%).
- Retail employment consists of predominantly food preparation and serving occupations (41%) and sales related occupations (32%), with office and administrative support occupations making up an additional 9%.
- Hotels employ workers primarily from three main occupation categories: building and grounds cleaning and maintenance (maid service, etc.), food preparation and serving related, and office and administrative support, which together make up 77% of Hotel workers. Other Hotel occupations include personal care, management, sales, production and maintenance and repair.
- Light industrial occupations consist of scientific occupations (15%), production jobs (15%), maintenance and repair jobs (11%), office and administrative (11%), and others.
- Warehouse workers are largely engaged in transportation and material moving (60%), followed by office and administrative support.

The results of Step #4 are shown on Table 1 on page 15; the table shows both the percentage of total employee households and the number of employee households in the prototype buildings.

### ***Step 5 – Estimated Employee Household Income***

In this step, occupations are translated to employee incomes based on recent Santa Clara County wage and salary information from EDD. The wage and salary information summarized in the tables in Appendix C provided the income inputs to the analysis. Worker compensation used in the analysis assumes full time employment (40 hours per week) based on EDD's convention for reporting annual compensation.

In the even numbered Appendix C tables, EDD data provides a distribution of specific occupations within the category. For example, within the Food Preparation and Serving Category, there are Supervisors, Cooks, Bartenders, Waiters and Waitresses, Dishwashers, etc. For each detailed occupational category, the model uses the distribution of wages to calculate the percent of worker households that would fall into each income category. The occupations with the lowest compensation levels are in Retail and Hotel buildings.

The calculation is performed for each possible combination of household size and number of workers in the household. For households with more than one worker, individual *employee* income data was used to calculate the household income by assuming multiple earner households are, on average, formed of individuals with similar incomes. The model recognizes that many, but not all households have multiple incomes.

### ***Step 6 – Distribution of Household Size and Number of Workers***

In this step, the model examines the demographics of Santa Clara County in order to identify the percentage of households applicable to each potential combination of household size and number of workers. Percentages are calculated using data from the 2011-2013 American Community Survey. This data enables the analysis to account 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.

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

### ***Step 7 – Estimate of Number of Households that Meet Size and Income Criteria***

This is the final step to calculate the number of worker households meeting the size and income criteria for the four affordability tiers. The calculation combines the matrix of results from Step 5 on percentage of worker households that would meet the income criteria at each potential

household size/number of workers combination, with Step 6, the percentage of worker households that have each given household size/number of workers combination. The result is the percentage of households that fall into each affordability tier. The percentages are then multiplied by the number of households from Step 3 to arrive at the number of households in each affordability tier.

Table 2-A (page 16) shows the results 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 2-B, 2-C, and 2-D beginning on page 17), resulting in a total count of worker households per 100 units. A similar table is not included for the above moderate category (over 120% of AMI) because the focus of the analysis is on quantifying housing needs applicable to the affordable income categories.

### Summary by Income Level

Table 3 at the end of this section (page 20) indicates the results of the analysis for each of the six building types, for all of the income categories. 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.

The findings in Table 3 are summarized below:

**New Worker Households by Income Level per 100,000 square feet**

	Office	High Tech Office	Retail	Hotel	Light Industrial	Warehouse
Extremely Low (0%-30% AMI)	2.6	1.5	36.0	15.1	6.5	3.7
Very Low Income (30%-50% AMI)	12.0	9.1	40.8	19.6	16.7	7.3
Low Income (50%-80% AMI)	22.0	22.0	26.2	13.7	22.1	6.2
Moderate Income (80%-120% AMI)	30.7	42.6	8.5	6.2	23.5	3.9
<b>Subtotal through 120% AMI</b>	<b>67.3</b>	<b>75.3</b>	<b>111.5</b>	<b>54.6</b>	<b>68.8</b>	<b>21.2</b>
Above Moderate (over 120% AMI)	88.0	157.7	5.0	3.6	47.6	2.1
<b>Total</b>	<b>155.3</b>	<b>233.0</b>	<b>116.5</b>	<b>58.2</b>	<b>116.5</b>	<b>23.3</b>

The table below summarizes the percentage of total new worker households that falls into each income category. As indicated, over 90% of Retail / Restaurant, Hotel and Warehouse worker households are below the 120% of median income level. By contrast, in High Tech Office buildings, less than one-third of worker households fall below 120% of median.

**Nexus Analysis Result: Affordable Housing Need by Income Tier**

	Office	High Tech Office	Retail	Hotel	Light Industrial	Warehouse
Extremely Low (0%-30% AMI)	1.7%	0.7%	30.9%	26.0%	5.6%	15.9%
Very Low Income (30%-50% AMI)	7.7%	3.9%	35.0%	33.6%	14.4%	31.5%
Low Income (50%-80% AMI)	14.2%	9.4%	22.5%	23.5%	19.0%	26.8%
Moderate Income (80%-120% AMI)	19.8%	18.3%	7.3%	10.7%	20.2%	16.7%
<b>Subtotal through 120% AMI</b>	<b>43.4%</b>	<b>32.3%</b>	<b>95.7%</b>	<b>93.8%</b>	<b>59.1%</b>	<b>90.9%</b>
Above Moderate (over 120% AMI)	56.6%	67.7%	4.3%	6.2%	40.9%	9.1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Summary by Square Foot Building Area**

The analysis thus far has used 100,000 square foot buildings. In this step, the conclusions are translated to households per square foot by income level (see Table 4, page 21).

For example, for office buildings, household generation per square foot is as follows:

<b>New Worker Households Per Square Foot of New Office Space</b>	
Extremely Low (0%-30% AMI)	0.00002634
Very Low Income (30%-50% AMI)	0.00012013
Low Income (50%-80% AMI)	0.00022013
Moderate Income (80%-120% AMI)	0.00030683
<b>Total, Less than 120% AMI</b>	<b>0.00067343</b>

This is the summary of the housing nexus analysis, or the linkage from buildings to employees to housing demand, by income level. We believe that it is a conservative approximation that most likely understates the households at each income level generated by these building types.

**TABLE 1**  
**NET NEW HOUSEHOLDS AND OCCUPATION DISTRIBUTION BY BUILDING TYPE**  
**JOBS HOUSING NEXUS ANALYSIS**  
**CAMPBELL, CA**

<i>Per 100,000 Sq.Ft. of Building Area</i>	<b>High Tech</b>					
	<b>Office</b>	<b>Office</b>	<b>Retail</b>	<b>Hotel</b>	<b>Light Industrial</b>	<b>Warehouse</b>
Step 1 - Estimate of Number of Employees						
Employment Density (SF/Employee)	300	200	400	800	400	2,000
Number of Employees Per 100,000 SF Building Area	333	500	250	125	250	50
Step 2 - Net New Employees after Declining Industries Adjustment (20%)	267	400	200	100	200	40
Step 3 - Adjustment for Number of Households (1.72)	155.3	233.0	116.5	58.2	116.5	23.3
Step 4 - Occupation Distribution <sup>(1)</sup>						
Management Occupations	9.0%	10.1%	2.3%	4.5%	8.8%	3.5%
Business and Financial Operations	11.2%	9.4%	0.5%	1.5%	6.4%	2.0%
Computer and Mathematical	23.4%	54.8%	0.1%	0.1%	7.1%	0.5%
Architecture and Engineering	4.9%	2.5%	0.0%	0.0%	9.5%	0.2%
Life, Physical, and Social Science	2.8%	0.1%	0.0%	0.0%	15.2%	0.0%
Community and Social Services	0.2%	0.0%	0.0%	0.0%	0.3%	0.0%
Legal	1.9%	0.3%	0.0%	0.0%	0.3%	0.0%
Education, Training, and Library	1.1%	0.5%	0.0%	0.0%	0.4%	0.0%
Arts, Design, Entertainment, Sports, and Media	2.7%	2.1%	0.4%	0.3%	1.1%	0.1%
Healthcare Practitioners and Technical	4.2%	0.1%	1.9%	0.0%	1.6%	0.1%
Healthcare Support	2.4%	0.0%	0.3%	0.5%	0.4%	0.0%
Protective Service	0.3%	0.2%	0.3%	1.6%	0.3%	0.7%
Food Preparation and Serving Related	0.2%	0.0%	40.7%	24.7%	0.5%	0.1%
Building and Grounds Cleaning and Maint.	0.9%	0.1%	0.7%	31.9%	0.6%	1.0%
Personal Care and Service	0.3%	0.0%	2.8%	4.0%	0.1%	0.0%
Sales and Related	6.5%	6.7%	31.6%	2.2%	3.3%	1.7%
Office and Administrative Support	20.9%	11.0%	9.3%	20.3%	11.1%	22.3%
Farming, Fishing, and Forestry	0.0%	0.0%	0.0%	0.0%	0.3%	0.1%
Construction and Extraction	0.6%	0.0%	0.1%	0.1%	0.3%	0.1%
Installation, Maintenance, and Repair	2.0%	1.5%	2.3%	5.0%	11.1%	3.2%
Production	2.3%	0.3%	2.1%	2.2%	15.1%	4.0%
Transportation and Material Moving	<u>2.1%</u>	<u>0.2%</u>	<u>4.5%</u>	<u>1.1%</u>	<u>6.2%</u>	<u>60.3%</u>
<b>Totals</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Management Occupations	14.0	23.5	2.7	2.6	10.2	0.8
Business and Financial Operations	17.5	21.9	0.6	0.9	7.5	0.5
Computer and Mathematical	36.4	127.7	0.1	0.0	8.2	0.1
Architecture and Engineering	7.6	5.8	0.0	0.0	11.1	0.1
Life, Physical, and Social Science	4.3	0.3	0.0	0.0	17.7	0.0
Community and Social Services	0.3	0.0	0.0	0.0	0.3	0.0
Legal	2.9	0.6	0.0	0.0	0.3	0.0
Education, Training, and Library	1.7	1.1	0.0	0.0	0.4	0.0
Arts, Design, Entertainment, Sports, and Media	4.3	5.0	0.4	0.1	1.2	0.0
Healthcare Practitioners and Technical	6.5	0.2	2.2	0.0	1.9	0.0
Healthcare Support	3.7	0.0	0.4	0.3	0.5	0.0
Protective Service	0.5	0.6	0.3	0.9	0.4	0.2
Food Preparation and Serving Related	0.4	0.0	47.4	14.4	0.6	0.0
Building and Grounds Cleaning and Maint.	1.3	0.3	0.8	18.6	0.7	0.2
Personal Care and Service	0.5	0.0	3.2	2.3	0.1	0.0
Sales and Related	10.1	15.7	36.8	1.3	3.9	0.4
Office and Administrative Support	32.4	25.6	10.8	11.8	13.0	5.2
Farming, Fishing, and Forestry	0.1	0.0	0.0	0.0	0.3	0.0
Construction and Extraction	0.9	0.1	0.2	0.1	0.4	0.0
Installation, Maintenance, and Repair	3.1	3.5	2.7	2.9	13.0	0.7
Production	3.6	0.6	2.4	1.3	17.6	0.9
Transportation and Material Moving	<u>3.3</u>	<u>0.4</u>	<u>5.2</u>	<u>0.6</u>	<u>7.2</u>	<u>14.1</u>
<b>Totals</b>	<b>155.3</b>	<b>233.0</b>	<b>116.5</b>	<b>58.2</b>	<b>116.5</b>	<b>23.3</b>

**Notes:**

(1) Appendix C Tables 1 through 12 contain additional information regarding worker occupation categories.

TABLE 2-A  
 ESTIMATE OF QUALIFYING HOUSEHOLDS - EXTREMELY LOW INCOME  
 JOBS HOUSING NEXUS ANALYSIS  
 CAMPBELL, CA

Analysis for Households Earning from 0% to 30% of Median

	Office	High Tech Office	Retail	Hotel	Light Industrial	Warehouse
<i>Per 100,000 Sq.Ft. of Building Area</i>						
<b>Step 5, 6, &amp; 7 - Households Earning from 0% to 30% of Median<sup>(1)</sup></b>						
Management	0.00	0.00	0.01	0.01	0.00	0.00
Business and Financial Operations	0.00	0.00	0.00	0.00	0.00	0.00
Computer and Mathematical	0.00	0.00	0.00	0.00	0.00	0.00
Architecture and Engineering	0.00	0.00	0.00	0.00	0.00	0.00
Life, Physical and Social Science	0.00	0.00	0.00	0.00	0.02	0.00
Community and Social Services	0.00	0.00	0.00	0.00	0.00	0.00
Legal	0.00	0.00	0.00	0.00	0.00	0.00
Education Training and Library	0.00	0.00	0.00	0.00	0.00	0.00
Arts, Design, Entertainment, Sports, and Media	0.00	0.03	0.00	0.00	0.00	0.00
Healthcare Practitioners and Technical	0.01	0.00	0.00	0.00	0.00	0.00
Healthcare Support	0.00	0.00	0.00	0.00	0.00	0.00
Protective Service	0.00	0.00	0.00	0.00	0.00	0.00
Food Preparation and Serving Related	0.00	0.00	19.15	5.50	0.00	0.00
Building Grounds and Maintenance	0.00	0.00	0.00	4.50	0.00	0.00
Personal Care and Service	0.00	0.00	1.24	0.71	0.00	0.00
Sales and Related	0.41	0.23	10.54	0.19	0.47	0.00
Office and Admin	1.69	1.23	1.53	2.91	0.65	0.69
Farm, Fishing, and Forestry	0.00	0.00	0.00	0.00	0.00	0.00
Construction and Extraction	0.00	0.00	0.00	0.00	0.00	0.00
Installation Maintenance and Repair	0.00	0.00	0.10	0.13	0.30	0.03
Production	0.00	0.00	0.51	0.41	2.65	0.14
Transportation and Material Moving	0.00	0.00	1.32	0.00	2.03	2.68
HH earning up to 30% of Median - major occupations	2.11	1.49	34.40	14.36	6.11	3.53
HH earning from 0% to 30% of Median - all other occupations	0.52	0.05	1.63	0.78	0.40	0.17
<b>Total Households Earning from 0% to 30% of Median</b>	<b>2.6</b>	<b>1.5</b>	<b>36.0</b>	<b>15.1</b>	<b>6.5</b>	<b>3.7</b>

Notes:

(1) Appendix C Tables 1 through 12 contain additional information on worker occupation categories and compensation levels.

**TABLE 2-B  
ESTIMATE OF QUALIFYING HOUSEHOLDS - VERY LOW INCOME  
JOBS HOUSING NEXUS ANALYSIS  
CAMPBELL, CA**

**Analysis for Households Earning 30% to 50% of Median**

	Office	High Tech Office	Retail	Hotel	Light Industrial	Warehouse
<i>Per 100,000 Sq.Ft. of Building Area</i>						
<b>Step 5, 6, &amp; 7 - Households Earning from 30% to 50% of Median<sup>(1)</sup></b>						
Management	0.00	0.00	0.13	0.26	0.00	0.00
Business and Financial Operations	0.15	0.17	0.00	0.00	0.08	0.01
Computer and Mathematical	0.36	1.36	0.00	0.00	0.05	0.00
Architecture and Engineering	0.06	0.03	0.00	0.00	0.07	0.00
Life, Physical and Social Science	0.00	0.00	0.00	0.00	1.24	0.00
Community and Social Services	0.00	0.00	0.00	0.00	0.00	0.00
Legal	0.00	0.00	0.00	0.00	0.00	0.00
Education Training and Library	0.00	0.00	0.00	0.00	0.00	0.00
Arts, Design, Entertainment, Sports, and Media	0.00	0.31	0.00	0.00	0.00	0.00
Healthcare Practitioners and Technical	0.18	0.00	0.00	0.00	0.00	0.00
Healthcare Support	0.00	0.00	0.00	0.00	0.00	0.00
Protective Service	0.00	0.00	0.00	0.00	0.00	0.00
Food Preparation and Serving Related	0.00	0.00	17.90	5.45	0.00	0.00
Building Grounds and Maintenance	0.00	0.00	0.00	6.68	0.00	0.00
Personal Care and Service	0.00	0.00	1.22	0.90	0.00	0.00
Sales and Related	1.13	1.04	13.09	0.27	0.73	0.00
Office and Admin	7.75	5.90	3.37	3.86	2.99	1.60
Farm, Fishing, and Forestry	0.00	0.00	0.00	0.00	0.00	0.00
Construction and Extraction	0.00	0.00	0.00	0.00	0.00	0.00
Installation Maintenance and Repair	0.00	0.00	0.54	0.66	2.46	0.15
Production	0.00	0.00	0.81	0.49	5.53	0.29
Transportation and Material Moving	0.00	0.00	1.87	0.00	2.56	4.95
HH earning from 30%-50% of Median - major occupations	9.62	8.82	38.94	18.57	15.71	7.00
HH earning from 30% to 50% of Median - all other occupations	2.39	0.31	1.84	1.01	1.03	0.34
<b>Total Households Earning from 30% to 50% of Median</b>	<b>12.0</b>	<b>9.1</b>	<b>40.8</b>	<b>19.6</b>	<b>16.7</b>	<b>7.3</b>

Notes:

(1) Appendix C Tables 1 through 12 contain additional information on worker occupation categories and compensation levels.

**TABLE 2-C  
ESTIMATE OF QUALIFYING HOUSEHOLDS - LOW INCOME  
JOBS HOUSING NEXUS ANALYSIS  
CAMPBELL, CA**

**Analysis for Households Earning from 50% to 80% of Median**

	Office	High Tech Office	Retail	Hotel	Light Industrial	Warehouse
<i>Per 100,000 Sq.Ft. of Building Area</i>						
<b>Step 5, 6, &amp; 7 - Households Earning from 50% to 80% of Median<sup>(1)</sup></b>						
Management	0.21	0.35	0.28	0.46	0.14	0.03
Business and Financial Operations	2.06	2.43	0.00	0.00	0.95	0.07
Computer and Mathematical	1.95	7.15	0.00	0.00	0.34	0.00
Architecture and Engineering	0.53	0.21	0.00	0.00	0.58	0.00
Life, Physical and Social Science	0.00	0.00	0.00	0.00	3.17	0.00
Community and Social Services	0.00	0.00	0.00	0.00	0.00	0.00
Legal	0.00	0.00	0.00	0.00	0.00	0.00
Education Training and Library	0.00	0.00	0.00	0.00	0.00	0.00
Arts, Design, Entertainment, Sports, and Media	0.00	0.79	0.00	0.00	0.00	0.00
Healthcare Practitioners and Technical	0.64	0.00	0.00	0.00	0.00	0.00
Healthcare Support	0.00	0.00	0.00	0.00	0.00	0.00
Protective Service	0.00	0.00	0.00	0.00	0.00	0.00
Food Preparation and Serving Related	0.00	0.00	9.03	2.85	0.00	0.00
Building Grounds and Maintenance	0.00	0.00	0.00	4.41	0.00	0.00
Personal Care and Service	0.00	0.00	0.62	0.56	0.00	0.00
Sales and Related	1.89	2.16	9.32	0.26	0.77	0.00
Office and Admin	10.35	8.18	3.01	3.20	4.08	1.50
Farm, Fishing, and Forestry	0.00	0.00	0.00	0.00	0.00	0.00
Construction and Extraction	0.00	0.00	0.00	0.00	0.00	0.00
Installation Maintenance and Repair	0.00	0.00	0.78	0.94	3.83	0.23
Production	0.00	0.00	0.66	0.33	5.14	0.27
Transportation and Material Moving	0.00	0.00	1.31	0.00	1.73	3.85
HH earning from 50% to 80% of Median - major occupations	17.63	21.27	25.01	12.99	20.73	5.94
HH earning from 50% to 80% of Median - all other occupations	4.38	0.74	1.18	0.70	1.36	0.29
<b>Total Households Earning from 50% to 80% of Median</b>	<b>22.0</b>	<b>22.0</b>	<b>26.2</b>	<b>13.7</b>	<b>22.1</b>	<b>6.2</b>

Notes:

(1) Appendix C Tables 1 through 12 contain additional information on worker occupation categories and compensation levels.

**TABLE 2-D  
ESTIMATE OF QUALIFYING HOUSEHOLDS - MODERATE INCOME  
JOBS HOUSING NEXUS ANALYSIS  
CAMPBELL, CA**

**Analysis for Households Earning from 80% to 120% of Median**

	Office	High Tech Office	Retail	Hotel	Light Industrial	Warehouse
<i>Per 100,000 Sq.Ft. of Building Area</i>						
<b>Step 5, 6, &amp; 7 - Households Earning from 80% to 120% of Median<sup>(1)</sup></b>						
Management	1.12	1.64	0.47	0.55	0.81	0.13
Business and Financial Operations	4.11	5.02	0.00	0.00	1.84	0.12
Computer and Mathematical	6.30	22.50	0.00	0.00	1.35	0.00
Architecture and Engineering	1.55	0.87	0.00	0.00	2.10	0.00
Life, Physical and Social Science	0.00	0.00	0.00	0.00	4.74	0.00
Community and Social Services	0.00	0.00	0.00	0.00	0.00	0.00
Legal	0.00	0.00	0.00	0.00	0.00	0.00
Education Training and Library	0.00	0.00	0.00	0.00	0.00	0.00
Arts, Design, Entertainment, Sports, and Media	0.00	1.36	0.00	0.00	0.00	0.00
Healthcare Practitioners and Technical	1.29	0.00	0.00	0.00	0.00	0.00
Healthcare Support	0.00	0.00	0.00	0.00	0.00	0.00
Protective Service	0.00	0.00	0.00	0.00	0.00	0.00
Food Preparation and Serving Related	0.00	0.00	1.18	0.55	0.00	0.00
Building Grounds and Maintenance	0.00	0.00	0.00	2.53	0.00	0.00
Personal Care and Service	0.00	0.00	0.13	0.16	0.00	0.00
Sales and Related	2.43	3.54	2.71	0.22	0.72	0.00
Office and Admin	7.79	6.25	2.02	1.15	3.21	0.99
Farm, Fishing, and Forestry	0.00	0.00	0.00	0.00	0.00	0.00
Construction and Extraction	0.00	0.00	0.00	0.00	0.00	0.00
Installation Maintenance and Repair	0.00	0.00	0.70	0.69	3.53	0.19
Production	0.00	0.00	0.34	0.06	3.08	0.16
Transportation and Material Moving	0.00	0.00	0.59	0.00	0.66	2.12
HH earning from 80% to 120% of Median - major occupations	24.58	41.18	8.13	5.91	22.05	3.71
HH earning from 80% to 120% of Median - all other occupations	6.10	1.43	0.38	0.32	1.45	0.18
<b>Total Households Earning from 80% to 120% of Median</b>	<b>30.7</b>	<b>42.6</b>	<b>8.5</b>	<b>6.2</b>	<b>23.5</b>	<b>3.9</b>

Notes:

(1) Appendix C Tables 1 through 12 contain additional information on worker occupation categories and compensation levels.

**TABLE 3  
WORKER HOUSEHOLDS BY AFFORDABILITY LEVEL  
JOBS HOUSING NEXUS ANALYSIS  
CAMPBELL, CA**

*Per 100,000 Sq.Ft. of Building Area*

	Office	High Tech Office	Retail	Hotel	Light Industrial	Warehouse
<b>NUMBER OF HOUSEHOLDS BY INCOME TIER <sup>(1)</sup></b>						
Extremely Low (0% - 30% AMI)	2.6	1.5	36.0	15.1	6.5	3.7
Very Low Income (30% - 50% AMI)	12.0	9.1	40.8	19.6	16.7	7.3
Low Income (50% to 80% AMI)	22.0	22.0	26.2	13.7	22.1	6.2
Moderate Income (80% to 120% AMI)	30.7	42.6	8.5	6.2	23.5	3.9
<b>Subtotal - Affordable Categories</b>	<b>67.3</b>	<b>75.3</b>	<b>111.5</b>	<b>54.6</b>	<b>68.8</b>	<b>21.2</b>
Above Moderate Income (> 120% AMI)	88.0	157.7	5.0	3.6	47.6	2.1
<b>Total New Worker Households</b>	<b>155.3</b>	<b>233.0</b>	<b>116.5</b>	<b>58.2</b>	<b>116.5</b>	<b>23.3</b>
<b>PERCENTAGE OF HOUSEHOLDS BY INCOME TIER</b>						
Extremely Low (0% - 30% AMI)	1.7%	0.7%	30.9%	26.0%	5.6%	15.9%
Very Low Income (30% - 50% AMI)	7.7%	3.9%	35.0%	33.6%	14.4%	31.5%
Low Income (50% to 80% AMI)	14.2%	9.4%	22.5%	23.5%	19.0%	26.8%
Moderate Income (80% to 120% AMI)	19.8%	18.3%	7.3%	10.7%	20.2%	16.7%
<b>Subtotal - Affordable Categories</b>	<b>43.4%</b>	<b>32.3%</b>	<b>95.7%</b>	<b>93.8%</b>	<b>59.1%</b>	<b>90.9%</b>
Above Moderate Income (> 120% AMI)	56.6%	67.7%	4.3%	6.2%	40.9%	9.1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Notes:

(1) Appendix C Tables 1 through 12 for information regarding worker compensation levels.

**TABLE 4  
HOUSING DEMAND NEXUS FACTORS PER SQ.FT. OF BUILDING AREA  
JOBS HOUSING NEXUS ANALYSIS  
CAMPBELL, CA**

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	Number of Housing Units per Square Foot of Building Area <sup>(1)</sup>					
	Office	High Tech Office	Retail	Hotel	Light Industrial	Warehouse
Extremely Low (0% - 30% AMI)	0.00002634	0.00001539	0.00036032	0.00015136	0.00006512	0.00003708
Very Low Income (30% - 50% AMI)	0.00012013	0.00009123	0.00040780	0.00019575	0.00016744	0.00007346
Low Income (50% to 80% AMI)	0.00022013	0.00022012	0.00026196	0.00013698	0.00022089	0.00006236
Moderate Income (80% to 120% AMI)	0.00030683	0.00042606	0.00008511	0.00006229	0.00023495	0.00003889
<b>Total</b>	<b>0.00067343</b>	<b>0.00075280</b>	<b>0.00111520</b>	<b>0.00054638</b>	<b>0.00068840</b>	<b>0.00021179</b>

Notes:

<sup>(1)</sup>Calculated by dividing number of households in Table 3 by 100,000 square feet to convert to households per square foot of building.

#### **IV. TOTAL HOUSING NEXUS COSTS**

This section takes the conclusions of the previous section on the number of households in the Extremely Low, Very Low, Low, and Moderate Income categories associated with each building type, and identifies the total cost of assistance required to make housing affordable. This section puts a cost on the units at each income level to produce the “total nexus cost.” The concept is that impact fees paid by new non-residential development in Campbell as mitigation for affordable housing impacts are used to finance creation of new affordable units at a variety of income levels to address the impacts.

A key component of the analysis is the size of the gap between what households can afford and the cost of producing new housing in Campbell, known as the ‘affordability gap.’ Affordability gaps are calculated for each of the four categories of Area Median Income (AMI): Extremely Low (under 30% of median), Very Low (30% to 50%), Low (50% to 80%), and Moderate (80% to 120%). The following summarizes the analysis of mitigation cost which is based on the affordability gap or net cost to deliver units that are affordable to worker households in the lower income tiers.

##### **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 analysis assumes that the City will assist Moderate Income households earning between 80% and 120% of Area Median Income with ownership units. The prototype affordable unit should reflect a modest unit consistent with what the City is likely to assist using impact fee funds and appropriate for housing the average Moderate Income worker household. The affordable units financed with impact fee funds are assumed to be more modest than much of the market rate development activity in the City. The typical moderate income project assumed for Campbell is a two-bedroom unit for a three-person household. An attached condominium unit at approximately 30 units per acre (averaging 1,100 square feet per unit) is assumed.

For Low-, Very Low-, and Extremely Low-Income households, it is assumed that the City will assist in the development of multi-family rental units at a density of between 30 and 35 units per acre (averaging 900 square feet per unit). The analysis uses a two-bedroom affordable rental unit for a three-person household. The maximum allowable residential density in Campbell is currently 27 units per acre; however, the affordable projects assumed for purposes of the affordability gap analysis would be eligible for a State Density Bonus of 35% resulting in an effective maximum allowable density of 36 units per acre (27 units per acre X 1.35 = 36 units per acre with density bonus).

The affordability gap analysis is intended to reflect the types of affordable units likely to be assisted using impact fee revenues and may differ from affordable units being delivered through

the City's inclusionary program. As an example, while the City's inclusionary program currently produces ownership units for Low-Income households, in the use of impact fee revenues, it is assumed the City would follow the more common practice of assisting rental units to address the housing needs of this tier. Additionally, although the Extremely Low Income tier is not currently served by the City's inclusionary program, a share of units produced with impact fees could serve this income group.

**Development Costs**

KMA prepared an estimate of the total development cost for the two affordable housing prototypes described above (inclusive of land acquisition costs, direct construction costs, indirect costs of development, and financing) based on a review of development pro formas for recent affordable projects, data on recent residential land sale transactions, and other construction data sources such as RS Means. It is estimated that the new affordable for-sale condominium unit would have a total development cost of approximately \$584,000 and the new affordable multi-family apartment unit would have a total development cost of approximately \$500,000.

**Development Costs for Affordable Units**

Income Group	Unit Tenure / Type	Development Cost
Under 30% AMI	Rental	\$500,000
30% to 50% AMI	Rental	\$500,000
50% to 80% AMI	Rental	\$500,000
80% to 120% AMI	Ownership	\$584,000

Development cost assumptions were designed to be reflective of averages for affordable projects within three of the Santa Clara County jurisdictions participating in this multi-jurisdiction work program – the cities of Campbell, Los Altos, and Saratoga. These three cities are grouped together because average multi-family densities in these areas are assumed to be lower than in the other participating Santa Clara County cities – Santa Clara and Milpitas. The primary development cost variable among Campbell, Los Altos, and Saratoga is the cost of land. Based on recent residential land sale transactions, Campbell will likely represent the lower tier of land costs among these three jurisdictions. To make the affordability gaps broadly applicable, development cost estimates reflect land acquisition costs that are on the lower end of the range. This conservative approach has been utilized in order to avoid overstating costs applicable to lower land cost locations within the jurisdictions.

Development cost estimates were informed by KMA's review of pro forma information for over a dozen local multi-family affordable housing projects. Direct construction costs from these projects were adjusted to account for such factors as time, unit size, housing type, and project density to appropriately reflect the multi-family prototype assumed in the analysis. Other costs, such as land acquisition costs, are more site and area specific than direct construction costs

and therefore the inputs for those costs were derived from other sources. Prevailing wages are assumed because use of impact fee monies to finance construction of the affordable units would trigger a prevailing wage requirement. Tables 5 and 7 (pages 29 and 31) provide further details.

The list below identifies some of the multi-family affordable projects for which KMA had pro forma information. In addition to the following projects, KMA also had access to the pro formas for several other active, pending projects, which are not listed due to their preliminary nature.

- Ashland-Kent, Alameda County
- Downtown Hayward Senior, Hayward
- Hayward Senior II, Hayward
- Laguna Commons, Fremont
- Marea Alta, San Leandro
- Onizuka Crossing, Sunnyvale
- Dublin Veterans Housing, Dublin
- Sequoia Belle Haven, Menlo Park
- South Hayward BART, Hayward
- San Lorenzo Senior, San Lorenzo
- South Second St Studios, San Jose
- Station Center 1 & 2, Union City
- University Ave Senior, East Palo Alto

In identifying recent affordable projects to inform the analysis of affordable unit development costs, the focus was on 100% affordable projects of the type the City would likely assist using impact fee revenues. Since no recent 100% affordable projects were identified in Campbell, cost information is drawn from projects in other local jurisdictions as listed above. Construction costs do not vary to a great degree from jurisdiction to jurisdiction; therefore, the examples used are expected to be representative for Campbell as well. Land costs are an exception for which there is a greater level of variation. As described above, the analysis incorporated local land sales data for the applicable West Valley cities in identifying affordable unit development costs. Affordable units produced through the City's inclusionary program are not used as examples for this analysis because these are units within primarily market rate projects not likely representative of the types of projects to be assisted using impact fees and would not reflect the applicable prevailing wage requirement.

## Unit Values

For affordable ownership units, unit values are based on an estimate of the restricted affordable purchase prices for a qualifying Moderate Income household. For a 2-bedroom unit, KMA calculated the affordable sales price for the matching 3-person household at \$367,000. Details of the calculation are presented in Table 6 (page 30).

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. The funding sources include tax-exempt permanent debt financing supported by the project's operating income / rents, 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 extremely 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.

On this basis, KMA estimated the unit value (total permanent funding sources) of the Extremely Low-Income rental units at \$205,500, the Very Low-Income units at \$281,500, and the Low-income units at \$320,500 as shown in the table below. Maximum rents are per the California Tax Credit Allocation Committee (TCAC), consistent with the assumption that Low Income Housing Tax Credits will be used as part of the financing<sup>2</sup>. Details for these calculations are presented in Table 7 (page 31).

**Unit Values for Affordable Units**

Income Group	Unit Tenure / Type	Household Size	Maximum Monthly Rent / Housing Cost	Unit Values / Sales Price	Basis for Unit Value
Under 30% AMI	Rental	3 persons	\$753	\$205,500	<i>Supported</i>
30% to 50% AMI	Rental	3 persons	\$1,256	\$281,500	<i>Debt + Tax</i>
50% to 80% AMI	Rental	3 persons	\$1,507	\$320,500	<i>Credit Equity</i>
80% to 120% AMI	Ownership	3 persons	\$3,093	\$367,000	<i>Supported Home Price</i>

**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 follows:

<sup>2</sup> TCAC rents are slightly above those determined per the City's inclusionary ordinance with a difference of approximately \$50 per month for a two bedroom Very Low-Income unit. Use of TCAC rents in the analysis is a conservative assumption in that it results in a lower affordability gap and lower resulting nexus findings than the use of rents under the City's inclusionary ordinance.

**Affordability Gap Calculation**

	Unit Value / Sales Price	Development Cost	Affordability Gap
<i>Affordable Rental Units</i>			
Extremely Low (Under 30% AMI)	\$205,500	\$500,000	\$294,500
Very Low (30% to 50% AMI)	\$281,500	\$500,000	\$218,500
Low (50% to 80% AMI)	\$320,500	\$500,000	\$179,500
<i>Affordable Ownership Units</i>			
Moderate (80% to 120% AMI)	\$367,000	\$584,000	\$217,000

AMI = Area Median Income

Tables 5 through 7 (pages 29 to 31) present the detailed affordability gap calculations. Note that the affordability gaps are the same as those assumed in the residential nexus analysis.

**Maximum Fees to Mitigate Impacts**

The last step in the nexus analysis calculates the cost of delivering affordable housing to the households created by new non-residential development.

Table 8 (page 32) summarizes the analysis. The demand for affordable units in each income range that is generated per square foot of building area is drawn from Table 4 (page 21) in the previous section. The "Maximum Fee per Square Foot" represents the results of the following calculation:

Affordability Gap (from above)	X	No. affordable units generated per square foot of building area. (from Table 4)	=	Maximum Fee Per Square Foot of Building Area
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The maximum impact fees for the six building types in Campbell are as follows:

**Maximum Fee Per Square Foot of Building Area**

Building Type	Maximum Supported Fee Per Square Foot
Office	\$140.10
High Tech Office	\$156.40
Retail	\$260.70
Hotel	\$125.50
Light Industrial	\$146.50
Warehouse	\$46.60

Note: Nexus findings are not recommended fee levels. See Table 8 (page 32) for detail.

These totals represent the maximum impact fee that could be charged for new non-residential construction to mitigate its impacts on the need for affordable housing. The totals are not recommended fee levels; they represent only the maximums established by this analysis.

These 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. These factors are especially pronounced with the Retail category, yielding a very high nexus cost.

EDD data for 2015 indicates compensation for Retail workers in Santa Clara County averages approximately \$33,000 per year. This means many workers qualify as Very Low Income (four-person households earning \$55,800 and below<sup>3</sup>); as shown in Table 3, approximately two-thirds of Retail workers fall in the Extremely Low or Very Low Income categories. Virtually all Retail employee households earn less than 120% of the median income. Hotel workers have similar compensation levels (averaging \$36,000 annually); however, since there are fewer employees per square feet of building area, the resulting mitigation costs are much lower on a per square foot basis.

Maximum fee levels for Office (\$140 per square foot), High Tech Office (\$156 per square foot), and Light Industrial (\$146 per square foot) are somewhat similar. This outcome reflects the combination of differing employment density estimates and differing occupational and compensation structures which, in combination, produce similar nexus findings. While high tech has the highest employment density of the three building types, it also has the lowest percentage of workers falling into one of the affordable income categories. Conversely, while light industrial has the lowest employment density, it has the highest percentage of lower income workers of the three building types.

### **Conservative Assumptions**

In establishing the maximum impact fee, 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. In addition, there are ‘induced’ employment effects when the direct employees spend their earnings in the local economy. It would certainly be appropriate to include the affordable housing demand generated by the indirect and induced jobs in this nexus

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<sup>3</sup> Income criteria vary by household size.

analysis. For simplicity, however, and because the results using only direct employees are significantly higher than the fee levels that are typically considered for adoption, we limit it to direct employees only.

- A downward adjustment of 20% 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 jobs in new workplace buildings. This is a conservative assumption because many displaced workers may exit the workforce entirely by retiring rather than seek a new job in one of the industries serving new residents. In addition, development of new workspace buildings will typically occur only to the extent net new demand exists after space vacated by businesses in declining sectors of the economy has been re-occupied. The 20% adjustment is conservative in that it is mainly necessary to cover a special case scenario in which buildings vacated by declining industries cannot be readily occupied by other users due to their special purpose nature or due to obsolescence.
- 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 used in the analysis are probably overstated, especially for Retail and Hotel, which tend to have a high number of part time employees.
- Affordability gaps are based upon the assumption that 4% Low Income Housing Tax Credit financing will be available. This reduces the affordability gap that needs to be filled if affordable units are to be made available.

In summary, many less conservative assumptions could be made that would justify a much higher maximum linkage fee.

Table 5  
 Affordability Gap Calculation for Moderate Income  
 Jobs Housing Nexus Analysis  
 Campbell, CA

<b>I. Affordable Prototype</b>	
Tenure	For-Sale
Density	30 du/acre
Unit Size	1,100 SF
Bedrooms	2-Bedrooms
Construction Type	Condominiums (Type V)

<b>II. Development Costs</b>		Per Unit
Land Acquisition		\$138,000
Directs		\$319,000 <sup>[1]</sup>
Indirects		\$111,000
Financing		\$16,000
Total Costs		<u>\$584,000</u>

<b>III. Affordable Sales Price</b>		Per Unit
Household Size		3 person HH
110% of Median Income <sup>[2]</sup>		\$106,040
Maximum Affordable Sales Price		<u>\$367,000 <sup>[3]</sup></u>

<b>IV. Affordability Gap</b>		Per Unit
Affordable Sales Price		\$367,000
(Less) Development Costs		<u>(\$584,000)</u>
Affordability Gap - Moderate Income		<u>(\$217,000)</u>

<sup>[1]</sup> Construction costs include prevailing wages.

<sup>[2]</sup> 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.

<sup>[3]</sup> See Table 6 for Moderate Income home price estimate.

Table 6  
 Estimated Affordable Home Prices - Moderate Income  
 Jobs Housing Nexus Analysis  
 Campbell, CA

Unit Size Household Size	2-Bedroom Unit 3-person HH	3-Bedroom Unit 4-person HH	4-Bedroom Unit 5-person HH
100% AMI Santa Clara County 2016	\$96,400	\$107,100	\$115,650
Annual Income @ 110%	\$106,040	\$117,810	\$127,215
% for Housing Costs	35%	35%	35%
Available for Housing Costs	\$37,114	\$41,234	\$44,525
(Less) Property Taxes	(\$4,392)	(\$4,884)	(\$5,232)
(Less) HOA	(\$2,700)	(\$2,820)	(\$2,940)
(Less) Utilities	(\$1,416)	(\$1,776)	(\$2,208)
(Less) Insurance	(\$700)	(\$800)	(\$900)
(Less) Mortgage Insurance	(\$4,698)	(\$5,211)	(\$5,603)
Income Available for Mortgage	\$23,208	\$25,743	\$27,643
Mortgage Amount	\$348,300	\$386,300	\$414,800
Down Payment (homebuyer cash)	\$18,300	\$20,350	\$21,800
Supported Home Price	\$366,600	\$406,650	\$436,600
<u>Key Assumptions</u>			
- Mortgage Interest Rate <sup>(1)</sup>	5.30%	5.30%	5.30%
- Down Payment <sup>(2)</sup>	5.00%	5.00%	5.00%
- Property Taxes (% of sales price) <sup>(3)</sup>	1.20%	1.20%	1.20%
- HOA (per month) <sup>(4)</sup>	\$225	\$235	\$245
- Utilities (per month) <sup>(5)</sup>	\$118	\$148	\$184
- Mortgage Insurance (% of loan amount)	1.35%	1.35%	1.35%

(1) Mortgage interest rate based on 15-year Freddie Mac average; assumes 30-year fixed rate mortgage.

(2) Down payment amount is an estimate for Moderate Income homebuyers.

(3) Property tax rate is an estimated average for new projects.

(4) Homeowners Association (HOA) dues is an estimate for the average new project.

(5) Utility allowances from Santa Clara County Housing Authority (2016).

Table 7  
 Affordability Gaps for Extremely Low, Very Low, and Low Income  
 Jobs Housing Nexus Analysis  
 Campbell, CA

	Extremely Low	Very Low	Low Income
<b>I. Affordable Prototype</b>			
Tenure	Rental 900 square feet ~30-35 du/acre		
Average Unit Size			
Density			
<b>II. Development Costs <sup>[1]</sup></b>			
	Per Unit	Per Unit	Per Unit
Land Acquisition	\$129,000	\$129,000	\$129,000
Directs	\$261,000	\$261,000	\$261,000
Indirects	\$91,000	\$91,000	\$91,000
Financing	\$19,000	\$19,000	\$19,000
Total Costs	\$500,000	\$500,000	\$500,000
<b>III. Supported Financing</b>			
<u>Affordable Rents</u>			
Average Number of Bedrooms	2 Bedrooms	2 Bedrooms	2 Bedrooms
Maximum TCAC Rent <sup>[2]</sup>	\$753	\$1,256	\$1,507
(Less) Utility Allowance <sup>[3]</sup>	(\$74)	(\$74)	(\$74)
Maximum Monthly Rent	\$679	\$1,182	\$1,433
<u>Net Operating Income (NOI)</u>			
Gross Potential Income	<u>Per Unit</u>	<u>Per Unit</u>	<u>Per Unit</u>
Monthly	\$679	\$1,182	\$1,433
Annual	\$8,148	\$14,184	\$17,196
Other Income	\$250	\$250	\$250
(Less) Vacancy 5.0%	(\$420)	(\$722)	(\$872)
Effective Gross Income (EGI)	\$7,978	\$13,712	\$16,574
(Less) Operating Expenses	(\$5,600)	(\$5,600)	(\$5,600)
(Less) Property Taxes <sup>[4]</sup>	\$0	\$0	\$0
Net Operating Income (NOI)	\$2,378	\$8,112	\$10,974
<u>Permanent Financing</u>			
Permanent Loan (tax exempt)	\$32,000	\$108,000	\$147,000
Deferred Developer Fee	\$2,500	\$2,500	\$2,500
4% Tax Credit Equity	\$171,000	\$171,000	\$171,000
Total Sources	\$205,500	\$281,500	\$320,500
<b>IV. Supported Financing</b>			
Supported Permanent Financing	\$205,500	\$281,500	\$320,500
(Less) Total Development Costs	(\$500,000)	(\$500,000)	(\$500,000)
Affordability Gap	(\$294,500)	(\$218,500)	(\$179,500)

<sup>[1]</sup> Development costs estimated by KMA based on affordable project pro formas in Santa Clara County (includes prevailing wages) and residential land sale comps.

<sup>[2]</sup> Maximum rents per Tax Credit Allocation Committee (TCAC) for projects utilizing Low Income Housing Tax Credits.

<sup>[3]</sup> Utility allowances from Santa Clara County Housing Authority (2016).

<sup>[4]</sup> Assumes tax exemption for non-profit general partner.

**TABLE 8  
TOTAL HOUSING NEXUS COST  
JOBS HOUSING NEXUS ANALYSIS  
CAMPBELL, CA**

INCOME CATEGORY	Affordability Gap Per Unit	Nexus Cost Per Sq.Ft. of Building Area <sup>3</sup>					
		Office	High Tech Office	Retail	Hotel	Light Industrial	Warehouse
Extremely Low (0% - 30% AMI)	\$294,500 <sup>1</sup>	\$7.80	\$4.50	\$106.10	\$44.60	\$19.20	\$10.90
Very Low Income (30% - 50% AMI)	\$218,500 <sup>1</sup>	\$26.20	\$19.90	\$89.10	\$42.80	\$36.60	\$16.10
Low Income (50% to 80% AMI)	\$179,500 <sup>1</sup>	\$39.50	\$39.50	\$47.00	\$24.60	\$39.70	\$11.20
Moderate Income (80% to 120% AMI)	\$217,000 <sup>2</sup>	\$66.60	\$92.50	\$18.50	\$13.50	\$51.00	\$8.40
<b>Total</b>		<b>\$140.10</b>	<b>\$156.40</b>	<b>\$260.70</b>	<b>\$125.50</b>	<b>\$146.50</b>	<b>\$46.60</b>

Notes:

<sup>(1)</sup> Assumes rental units. Affordability Gap reflected is the remaining gap after financing available through 4% tax credits. See Table 7.

<sup>(2)</sup> Assumes ownership unit. See Table 5.

<sup>(3)</sup> Calculated by multiplying housing demand factors from Table 4 by the affordability gap.

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

This appendix provides a discussion of various specific factors and assumptions in relation to the nexus concept to supplement the overview provided in Section II.

### **1. 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.

Local analyses of housing conditions have found that new housing affordable to lower income households is not being added to the supply in sufficient quantity to meet the needs of new employee households. If this were not the case and significant numbers of units were being added to the supply to accommodate the Low to Moderate income groups, or if residential units were experiencing significant long term vacancy levels, particularly in affordable units, then the need for new units would be questionable.

### **2. No Excess Supply of Affordable Housing**

An assumption of this residential 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 development of new market rate residential units. Based on a review of the current Census information for the City of Campbell, conditions are consistent with this underlying assumption. According to the Census (2010 to 2014 ACS), approximately 40% of all households in the City were paying thirty percent or more of their income on housing. In addition, housing vacancy is minimal.

### **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 buildings accommodate new employees, although not necessarily inside the new buildings themselves.

#### **4. 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 the 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 jobs housing 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 the security guards, the delivery services, the landscape maintenance workers, 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.

#### **5. 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. Boom periods also tend to go hand-in-hand with rising development costs and increasing home prices. These factors can bring market rate housing out of reach of a larger percentage of the workforce and increase the cost of delivering affordable units.

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.

**APPENDIX B: NON-DUPLICATION BETWEEN POTENTIAL  
RESIDENTIAL AND NON-RESIDENTIAL IMPACT FEE PROGRAMS**

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The City of Campbell is considering establishing an impact fee on non-residential and certain residential construction to help mitigate the impacts of the new buildings on the demand for affordable housing in the City. KMA conducted both a Non-Residential Nexus Analysis and a Residential Nexus to assist the City in updating its Affordable Housing programs; in this appendix, KMA conducts an 'overlap analysis' to determine whether any double-counting of impacts is possible.

To briefly summarize the Non-Residential Nexus Analysis (which is a jobs-housing nexus analysis), the logic begins with jobs located in new workplace buildings including office buildings, retail spaces and hotels. 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 levels.

In the Residential Nexus Analysis, the logic begins with the households purchasing or renting new market rate units. The purchasing power of those households generates new jobs in the local economy. The nexus analysis quantifies the jobs created by the spending of 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 levels.

Some of the jobs that are counted in the Non-Residential Nexus Analysis are also counted in the Residential Nexus Analysis. The overlap potential exists in jobs generated by the expenditures of City residents, such as expenditures for food, personal services, restaurant meals and entertainment. However, many jobs counted in the jobs housing nexus 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 at all. 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 non-residential nexus analyses.

Theoretically, there is a set of conditions in which 100% of the jobs counted for purposes of the Non-Residential Nexus 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 pays the non-residential fee and the apartments would pay a residential impact fee. In this special case, the two programs mitigate the affordable housing demand of the very same workers. 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 Non-Residential 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 the combined mitigation requirements do not exceed the nexus even if every job counted in the Residential Nexus Analysis is also counted in the Non-Residential Nexus Analysis. As discussed, the theoretical possibility of 100% overlap exists mainly with retail jobs that serve residents of new housing in Campbell; therefore, the overlap analysis is focused on the retail land use.

*Recommended Non-Residential Fee as a Percent of Maximum Fee*

The Non-Residential Nexus Analysis calculates the maximum mitigation amount supported by the analysis. KMA recommended a fee in the range of \$5 - \$10 per square foot for retail development. The overlap analysis is conducted on the high end of this range; if the City ultimately selects a higher fee level, the overlap analysis should be revised to the higher fee level.

Building Type	Maximum Nexus Amount	Maximum Recommended Fee Level	Percent of Maximum
Retail	\$260.70	\$10.00	4%

Source: Keyser Marston Associates Summary, Context Materials and Recommendations Report.

The conclusion is that the maximum recommended fee level for Campbell represents 4% of the nexus cost. So, at most, the Non-Residential fee in Campbell would mitigate approximately 4% of the demand for affordable units generated by new non-residential space.

KMA notes that new residents in Campbell will also make retail purchases in other jurisdictions in Santa Clara County, some of which have non-residential housing impact fee programs in place. The highest retail fee in Santa Clara County is currently in Palo Alto, which charges \$19.85 per square foot for new retail space. This represents just 8% of the maximum nexus amount for new non-residential space.

*Residential Requirement under Consideration as a Percent of Maximum Fee*

KMA has recommended that the City of Campbell consider an affordable housing impact fee in the range of \$20 - \$25 per square foot for rental apartment projects. The table below compares the maximum supported fee amounts for apartments to the upper end of the recommended fee range of \$25 per square foot. Again, if the City ultimately selects a higher fee level, this overlap analysis should be revised.

<b>Proposed Fee as Percent of Maximum Fee Amount, Apartment Units</b>	
	<i>Apartments</i>
Maximum Nexus Amount	\$48.00
Maximum Recommended Fee	\$25.00
Max Fee as Percent of Nexus	52%

Source: Keyser Marston Associates Summary, Context Materials and Recommendations Report.

The conclusion is that the maximum recommended affordable housing impact fee level for apartments is equal to 52% of the maximum supported by the Residential Nexus analysis.

KMA also recommended consideration of fees applicable to small for-sale projects of nine units or less. KMA recommended fees of between \$15 to \$25 per square foot be considered. At the upper end, a \$25 per square foot fee would equate to 92% of the \$27.10 nexus result applicable to the single family large lot prototype.

### **Combined Requirements within Nexus Maximums**

The highest recommended non-residential fee level for Campbell mitigates 4% of the maximum supported impact fee amount in Campbell. The recommended impact fee level for new apartments represents 52% of the maximum supported impact fee amount. Therefore, the combined affordable housing mitigations would not exceed the nexus even if there were 100% overlap in the jobs counted in the two nexus analyses.

<b>Total Percent of Housing Demand Mitigated</b>	
	<i>Apartments</i>
Max Residential Fee as Percent of Residential Nexus	52%
Max Non-Res. Fee as Percent of Non-Residential Nexus for Retail	4%
Total Percent of Demand Mitigated	56%

For small projects of fewer than 10 units, the theoretical situation described above in which 100% overlap occurs is probably even more remote. However, even under this scenario, a potential \$25 per square foot fee applicable to small for-sale projects (representing the upper end of the recommended range) would represent 92% of the nexus. When added to the retail fee representing 4% of the nexus, the two requirements combined (92% + 4% = 96%) still do not mitigate more than 100% of the affordable housing demand generated.

**APPENDIX C: SUPPORTING NEXUS TABLES**

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APPENDIX C TABLE 1  
 2014 NATIONAL OFFICE WORKER DISTRIBUTION BY OCCUPATION  
 JOBS HOUSING NEXUS MODEL  
 CAMPBELL, CA

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Major Occupations (3% or more)	2014 National Office Industry Occupation Distribution	
Management Occupations	2,478,949	9.0%
Business and Financial Operations Occupations	3,102,766	11.2%
Computer and Mathematical Occupations	6,461,261	23.4%
Architecture and Engineering Occupations	1,358,359	4.9%
Healthcare Practitioners and Technical Occupations	1,152,766	4.2%
Sales and Related Occupations	1,789,343	6.5%
Office and Administrative Support Occupations	5,752,417	20.9%
All Other Office Occupations	<u>5,488,426</u>	<u>19.9%</u>
<b>INDUSTRY TOTAL</b>	27,584,287	100.0%

Industries weighted to reflect Santa Clara County industry mix.

APPENDIX C TABLE 2  
 AVERAGE ANNUAL COMPENSATION, 2015  
 OFFICE WORKER OCCUPATIONS  
 JOBS HOUSING NEXUS MODEL  
 CAMPBELL, CA

<u>Occupation</u> <sup>1</sup>	<u>2015 Avg. Compensation</u> <sup>2</sup>	<u>% of Total Occupation Group</u> <sup>3</sup>	<u>% of Total Office Workers</u>
<i>Page 1 of 3</i>			
<i>Management Occupations</i>			
General and Operations Managers	\$157,600	25.0%	2.2%
Marketing Managers	\$190,500	7.0%	0.6%
Sales Managers	\$167,900	6.3%	0.6%
Computer and Information Systems Managers	\$186,700	20.1%	1.8%
Financial Managers	\$168,700	9.1%	0.8%
Architectural and Engineering Managers	\$190,600	4.3%	0.4%
Managers, All Other	\$163,400	5.6%	0.5%
All Other Management Occupations (Avg. All Categories)	<u>\$162,300</u>	<u>22.8%</u>	<u>2.0%</u>
<i>Weighted Mean Annual Wage</i>	<b>\$170,200</b>	<b>100.0%</b>	<b>9.0%</b>
<i>Business and Financial Operations Occupations</i>			
Human Resources Specialists	\$89,400	7.2%	0.8%
Management Analysts	\$111,500	13.8%	1.5%
Training and Development Specialists	\$95,300	4.0%	0.5%
Market Research Analysts and Marketing Specialists	\$110,200	12.6%	1.4%
Business Operations Specialists, All Other	\$98,100	12.3%	1.4%
Accountants and Auditors	\$94,200	21.7%	2.4%
Financial Analysts	\$109,600	5.2%	0.6%
All Other Business and Financial Operations (Avg. All Categories)	<u>\$96,400</u>	<u>23.2%</u>	<u>2.6%</u>
<i>Weighted Mean Annual Wage</i>	<b>\$100,100</b>	<b>100.0%</b>	<b>11.2%</b>
<i>Computer and Mathematical Occupations</i>			
Computer Systems Analysts	\$110,000	12.4%	2.9%
Computer Programmers	\$95,300	10.2%	2.4%
Software Developers, Applications	\$144,400	28.4%	6.7%
Software Developers, Systems Software	\$140,300	11.5%	2.7%
Web Developers	\$108,100	4.1%	1.0%
Network and Computer Systems Administrators	\$101,500	6.2%	1.4%
Computer User Support Specialists	\$76,500	11.1%	2.6%
All Other Computer and Mathematical Occupations (Avg. All Categories)	<u>\$125,600</u>	<u>16.0%</u>	<u>3.8%</u>
<i>Weighted Mean Annual Wage</i>	<b>\$120,000</b>	<b>100.0%</b>	<b>23.4%</b>

<u>Occupation</u> <sup>1</sup>	<u>2015 Avg. Compensation</u> <sup>2</sup>	<u>% of Total Occupation Group</u> <sup>3</sup>	<u>% of Total Office Workers</u>
<b>Page 2 of 3</b>			
<i>Architecture and Engineering Occupations</i>			
Architects, Except Landscape and Naval	\$89,500	6.0%	0.3%
Civil Engineers	\$101,200	11.2%	0.6%
Computer Hardware Engineers	\$138,100	8.0%	0.4%
Electrical Engineers	\$130,000	7.6%	0.4%
Electronics Engineers, Except Computer	\$132,400	6.3%	0.3%
Industrial Engineers	\$116,300	5.0%	0.2%
Mechanical Engineers	\$113,300	10.3%	0.5%
Engineers, All Other	\$124,100	4.9%	0.2%
Architectural and Civil Drafters	\$61,900	5.4%	0.3%
Electrical and Electronics Engineering Technicians	\$70,200	4.5%	0.2%
All Other Architecture and Engineering Occupations (Avg. All Categories)	<u>\$113,400</u>	<u>30.8%</u>	<u>1.5%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$111,000</b>	<b>100.0%</b>	<b>4.9%</b>
<i>Healthcare Practitioners and Technical Occupations</i>			
Dentists, General	\$158,300	7.4%	0.3%
Physicians and Surgeons, All Other	\$153,300	6.1%	0.3%
Registered Nurses	\$123,500	12.9%	0.5%
Dental Hygienists	\$96,500	15.6%	0.7%
Veterinary Technologists and Technicians	\$38,700	4.1%	0.2%
Licensed Practical and Licensed Vocational Nurses	\$60,400	5.6%	0.2%
All Other Healthcare Practitioners and Technical Occupations (Avg. All Categories)	<u>\$111,800</u>	<u>48.4%</u>	<u>2.0%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$111,100</b>	<b>100.0%</b>	<b>4.2%</b>
<i>Sales and Related Occupations</i>			
First-Line Supervisors of Non-Retail Sales Workers	\$115,400	4.5%	0.3%
Advertising Sales Agents	\$78,900	6.9%	0.4%
Insurance Sales Agents	\$75,400	5.9%	0.4%
Securities, Commodities, and Financial Services Sales Agents	\$91,800	4.6%	0.3%
Sales Representatives, Services, All Other	\$89,500	33.6%	2.2%
Sales Representatives, Wholesale and Manufacturing, Technical and Scientific Proc	\$118,700	11.8%	0.8%
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scienti	\$77,000	5.8%	0.4%
Real Estate Sales Agents	\$64,600	5.5%	0.4%
All Other Sales and Related Occupations (Avg. All Categories)	<u>\$55,500</u>	<u>21.5%</u>	<u>1.4%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$83,200</b>	<b>100.0%</b>	<b>6.5%</b>

Occupation <sup>1</sup>

2015 Avg.  
Compensation <sup>2</sup>      % of Total  
Occupation  
Group <sup>3</sup>      % of Total  
Office  
Workers

Page 3 of 3

*Office and Administrative Support Occupations*

First-Line Supervisors of Office and Administrative Support Workers	\$70,600	6.7%	1.4%
Bookkeeping, Accounting, and Auditing Clerks	\$50,300	8.3%	1.7%
Customer Service Representatives	\$48,200	15.5%	3.2%
Receptionists and Information Clerks	\$36,600	5.9%	1.2%
Executive Secretaries and Executive Administrative Assistants	\$67,200	4.8%	1.0%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive Office Clerks, General	\$45,000	10.6%	2.2%
Office Clerks, General	\$40,900	13.6%	2.8%
All Other Office and Administrative Support Occupations (Avg. All Categories)	<u>\$48,100</u>	<u>34.5%</u>	<u>7.2%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$48,700</b>	<b>100.0%</b>	<b>20.9%</b>

**Weighted Average Annual Wage - All Occupations**      \$100,000      80.1%

<sup>1</sup> Including occupations representing 4% or more of the major occupation group.

<sup>2</sup> The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

<sup>3</sup> Occupation percentages are based on the 2014 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2014 Occupational Employment Survey data applicable to Santa Clara County, updated by the California Employment Development Department to 2015 wage levels.

APPENDIX C TABLE 3  
 2014 NATIONAL HIGH TECH OFFICE WORKER DISTRIBUTION BY OCCUPATION  
 JOBS HOUSING NEXUS MODEL  
 CAMPBELL, CA

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Major Occupations (2% or more)	2014 National High Tech Office Industry Occupation Distribution	
Management Occupations	102,887	10.1%
Business and Financial Operations Occupations	95,874	9.4%
Computer and Mathematical Occupations	559,429	54.8%
Architecture and Engineering Occupations	25,236	2.5%
Arts, Design, Entertainment, Sports, and Media Occupations	21,891	2.1%
Sales and Related Occupations	68,708	6.7%
Office and Administrative Support Occupations	112,078	11.0%
All Other High Tech Office Occupations	<u>34,207</u>	<u>3.4%</u>
<b>INDUSTRY TOTAL</b>	1,020,309	100.0%

Industries weighted to reflect Santa Clara County industry mix.

APPENDIX C TABLE 4  
 AVERAGE ANNUAL COMPENSATION, 2015  
 HIGH TECH OFFICE WORKER OCCUPATIONS  
 JOBS HOUSING NEXUS MODEL  
 CAMPBELL, CA

<u>Occupation</u> <sup>1</sup>	<u>2015 Avg. Compensation</u> <sup>2</sup>	<u>% of Total Occupation Group</u> <sup>3</sup>	<u>% of Total High Tech Office Workers</u>
<i>Page 1 of 2</i>			
<i>Management Occupations</i>			
General and Operations Managers	\$157,600	25.8%	2.6%
Marketing Managers	\$190,500	6.8%	0.7%
Sales Managers	\$167,900	7.3%	0.7%
Computer and Information Systems Managers	\$186,700	37.5%	3.8%
Financial Managers	\$168,700	5.2%	0.5%
Managers, All Other	\$163,400	4.5%	0.4%
All Other Management Occupations (Avg. All Categories)	<u>\$162,300</u>	<u>13.0%</u>	<u>1.3%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$173,000</b>	<b>100.0%</b>	<b>10.1%</b>
<i>Business and Financial Operations Occupations</i>			
Human Resources Specialists	\$89,400	9.1%	0.9%
Management Analysts	\$111,500	19.8%	1.9%
Training and Development Specialists	\$95,300	7.6%	0.7%
Market Research Analysts and Marketing Specialists	\$110,200	16.9%	1.6%
Business Operations Specialists, All Other	\$98,100	15.7%	1.5%
Accountants and Auditors	\$94,200	12.7%	1.2%
Financial Analysts	\$109,600	5.5%	0.5%
All Other Business and Financial Operations (Avg. All Categories)	<u>\$96,400</u>	<u>12.6%</u>	<u>1.2%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$101,700</b>	<b>100.0%</b>	<b>9.4%</b>
<i>Computer and Mathematical Occupations</i>			
Computer Systems Analysts	\$110,000	14.6%	8.0%
Computer Programmers	\$95,300	12.0%	6.6%
Software Developers, Applications	\$144,400	25.0%	13.7%
Software Developers, Systems Software	\$140,300	12.4%	6.8%
Network and Computer Systems Administrators	\$101,500	6.0%	3.3%
Computer User Support Specialists	\$76,500	11.5%	6.3%
All Other Computer and Mathematical Occupations (Avg. All Categories)	<u>\$125,600</u>	<u>18.4%</u>	<u>10.1%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$119,100</b>	<b>100.0%</b>	<b>54.8%</b>
<i>Architecture and Engineering Occupations</i>			
Computer Hardware Engineers	\$138,100	36.2%	0.9%
Electrical Engineers	\$130,000	10.5%	0.3%
Electronics Engineers, Except Computer	\$132,400	15.5%	0.4%
Industrial Engineers	\$116,300	8.5%	0.2%
Engineers, All Other	\$124,100	5.1%	0.1%
Electrical and Electronics Engineering Technicians	\$70,200	8.5%	0.2%
All Other Architecture and Engineering Occupations (Avg. All Categories)	<u>\$113,400</u>	<u>15.6%</u>	<u>0.4%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$124,100</b>	<b>100.0%</b>	<b>2.5%</b>

Occupation<sup>1</sup>

2015 Avg. Compensation<sup>2</sup>      % of Total Occupation Group<sup>3</sup>      % of Total Tech Office Workers

Page 2 of 2

*Arts, Design, Entertainment, Sports, and Media Occupations*

Multimedia Artists and Animators	\$81,600	12.0%	0.3%
Graphic Designers	\$74,400	22.1%	0.5%
Producers and Directors	\$109,500 <sup>4</sup>	4.2%	0.1%
Reporters and Correspondents	\$54,100	4.6%	0.1%
Public Relations Specialists	\$89,800	8.5%	0.2%
Editors	\$77,600	11.7%	0.2%
Technical Writers	\$105,600	22.3%	0.5%
Writers and Authors	\$77,000	4.0%	0.1%
All Other Arts, Design, Entertainment, Sports, and Media Occupations (Avg. All Categories)	<u>\$71,900</u>	<u>10.6%</u>	<u>0.2%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$84,300</b>	<b>100.0%</b>	<b>2.1%</b>

*Sales and Related Occupations*

First-Line Supervisors of Non-Retail Sales Workers	\$115,400	4.5%	0.3%
Sales Representatives, Services, All Other	\$89,500	48.3%	3.3%
Sales Representatives, Wholesale and Manufacturing, Technical and Scientific Proc	\$118,700	23.7%	1.6%
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific	\$77,000	5.8%	0.4%
Sales Engineers	\$139,400	9.8%	0.7%
All Other Sales and Related Occupations (Avg. All Categories)	<u>\$55,500</u>	<u>7.9%</u>	<u>0.5%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$99,100</b>	<b>100.0%</b>	<b>6.7%</b>

*Office and Administrative Support Occupations*

First-Line Supervisors of Office and Administrative Support Workers	\$70,600	6.4%	0.7%
Bookkeeping, Accounting, and Auditing Clerks	\$50,300	10.4%	1.1%
Customer Service Representatives	\$48,200	24.5%	2.7%
Executive Secretaries and Executive Administrative Assistants	\$67,200	6.8%	0.7%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	\$45,000	11.6%	1.3%
Office Clerks, General	\$40,900	15.6%	1.7%
All Other Office and Administrative Support Occupations (Avg. All Categories)	<u>\$48,100</u>	<u>24.8%</u>	<u>2.7%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$49,600</b>	<b>100.0%</b>	<b>11.0%</b>

**Weighted Average Annual Wage - All Occupations**      **\$113,000**      **96.6%**

<sup>1</sup> Including occupations representing 4% or more of the major occupation group.

<sup>2</sup> The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

<sup>3</sup> Occupation percentages are based on the 2014 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2014 Occupational Employment Survey data applicable to Santa Clara County, updated by the California Employment Development Department.

<sup>4</sup> Santa Clara County wage data not available for this occupation. Estimated based on wage data from San Francisco & San Mateo Counties.

**APPENDIX C TABLE 5  
 2014 NATIONAL RETAIL WORKER DISTRIBUTION BY OCCUPATION  
 JOBS HOUSING NEXUS MODEL  
 CAMPBELL, CA**

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<b>Major Occupations (2% or more)</b>	<b>2014 National Retail Industry Occupation Distribution</b>	
Management Occupations	628,109	2.3%
Food Preparation and Serving Related Occupations	11,168,090	40.7%
Personal Care and Service Occupations	761,400	2.8%
Sales and Related Occupations	8,674,839	31.6%
Office and Administrative Support Occupations	2,539,341	9.3%
Installation, Maintenance, and Repair Occupations	632,209	2.3%
Production Occupations	572,365	2.1%
Transportation and Material Moving Occupations	1,225,101	4.5%
All Other Retail Occupations	<u>1,239,781</u>	<u>4.5%</u>
<b>INDUSTRY TOTAL</b>	27,441,236	100.0%

Industries weighted to reflect Santa Clara County industry mix.

APPENDIX C TABLE 6  
 AVERAGE ANNUAL COMPENSATION, 2015  
 RETAIL WORKER OCCUPATIONS  
 JOBS HOUSING NEXUS MODEL  
 CAMPBELL, CA

<u>Occupation</u> <sup>1</sup>	<u>2015 Avg. Compensation</u> <sup>2</sup>	<u>% of Total Occupation Group</u> <sup>3</sup>	<u>% of Total Retail Workers</u>
<i>Page 1 of 2</i>			
<i>Management Occupations</i>			
General and Operations Managers	\$157,600	50.1%	1.1%
Sales Managers	\$167,900	11.9%	0.3%
Food Service Managers	\$57,200	28.3%	0.6%
All Other Management Occupations (Avg. All Categories)	<u>\$162,300</u>	<u>9.8%</u>	<u>0.2%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$130,900</b>	<b>100.0%</b>	<b>2.3%</b>
<i>Food Preparation and Serving Related Occupations</i>			
First-Line Supervisors of Food Preparation and Serving Workers	\$36,900	7.1%	2.9%
Cooks, Fast Food	\$21,300	5.0%	2.0%
Cooks, Restaurant	\$27,500	9.8%	4.0%
Food Preparation Workers	\$24,400	6.5%	2.6%
Combined Food Preparation and Serving Workers, Including Fast Food	\$23,000	28.3%	11.5%
Waiters and Waitresses	\$25,500	21.2%	8.6%
Dishwashers	\$20,300	4.2%	1.7%
All Other Business and Financial Operations (Avg. All Categories)	<u>\$25,300</u>	<u>18.0%</u>	<u>7.3%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$25,300</b>	<b>100.0%</b>	<b>40.7%</b>
<i>Personal Care and Service Occupations</i>			
First-Line Supervisors of Personal Service Workers	\$42,800	4.3%	0.1%
Nonfarm Animal Caretakers	\$32,400	10.8%	0.3%
Hairdressers, Hairstylists, and Cosmetologists	\$24,600	51.9%	1.4%
Manicurists and Pedicurists	\$21,900	12.5%	0.3%
Skincare Specialists	\$30,400	4.7%	0.1%
All Other Personal Care and Service Occupations (Avg. All Categories)	<u>\$29,100</u>	<u>15.8%</u>	<u>0.4%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$26,900</b>	<b>100.0%</b>	<b>2.8%</b>
<i>Sales and Related Occupations</i>			
First-Line Supervisors of Retail Sales Workers	\$51,400	12.0%	3.8%
Cashiers	\$26,600	31.0%	9.8%
Retail Salespersons	\$29,200	50.3%	15.9%
All Other Sales and Related Occupations (Avg. All Categories)	<u>\$55,500</u>	<u>6.7%</u>	<u>2.1%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$32,800</b>	<b>100.0%</b>	<b>31.6%</b>

<u>Occupation</u> <sup>1</sup>	<u>2015 Avg. Compensation</u> <sup>2</sup>	<u>% of Total Occupation Group</u> <sup>3</sup>	<u>% of Total Retail Workers</u>
<i>Page 2 of 2</i>			
<i>Office and Administrative Support Occupations</i>			
First-Line Supervisors of Office and Administrative Support Workers	\$70,600	6.4%	0.6%
Bookkeeping, Accounting, and Auditing Clerks	\$50,300	6.9%	0.6%
Customer Service Representatives	\$48,200	11.3%	1.0%
Receptionists and Information Clerks	\$36,600	4.1%	0.4%
Shipping, Receiving, and Traffic Clerks	\$36,500	4.9%	0.5%
Stock Clerks and Order Fillers	\$31,300	47.3%	4.4%
Office Clerks, General	\$40,900	8.2%	0.8%
All Other Office and Administrative Support Occupations (Avg. All Categories)	<u>\$48,100</u>	<u>10.9%</u>	<u>1.0%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$40,100</b>	<b>100.0%</b>	<b>9.3%</b>
<i>Installation, Maintenance, and Repair Occupations</i>			
First-Line Supervisors of Mechanics, Installers, and Repairers	\$80,600	7.9%	0.2%
Computer, Automated Teller, and Office Machine Repairers	\$46,200	6.7%	0.2%
Automotive Service Technicians and Mechanics	\$52,700	37.4%	0.9%
Tire Repairers and Changers	\$32,300	9.4%	0.2%
Maintenance and Repair Workers, General	\$47,300	7.8%	0.2%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	<u>\$55,900</u>	<u>30.8%</u>	<u>0.7%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$53,100</b>	<b>100.0%</b>	<b>2.3%</b>
<i>Production Occupations</i>			
First-Line Supervisors of Production and Operating Workers	\$68,400	6.2%	0.1%
Bakers	\$29,200	16.2%	0.3%
Butchers and Meat Cutters	\$35,100	20.5%	0.4%
Meat, Poultry, and Fish Cutters and Trimmers	\$27,500	4.2%	0.1%
Laundry and Dry-Cleaning Workers	\$26,300	15.3%	0.3%
Pressers, Textile, Garment, and Related Materials	\$24,300	6.1%	0.1%
All Other Production Occupations (Avg. All Categories)	<u>\$40,800</u>	<u>31.6%</u>	<u>0.7%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$35,700</b>	<b>100.0%</b>	<b>2.1%</b>
<i>Transportation and Material Moving Occupations</i>			
Driver/Sales Workers	\$34,400	18.0%	0.8%
Light Truck or Delivery Services Drivers	\$39,300	16.2%	0.7%
Parking Lot Attendants	\$21,500	6.7%	0.3%
Cleaners of Vehicles and Equipment	\$25,800	6.8%	0.3%
Laborers and Freight, Stock, and Material Movers, Hand	\$31,700	23.6%	1.1%
Packers and Packagers, Hand	\$25,300	13.8%	0.6%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	<u>\$37,300</u>	<u>15.0%</u>	<u>0.7%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$32,300</b>	<b>100.0%</b>	<b>4.5%</b>
<b>Weighted Average Annual Wage - All Occupations</b>	<b>\$33,000</b>		<b>91.0%</b>

<sup>1</sup> Including occupations representing 4% or more of the major occupation group.

<sup>2</sup> The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

<sup>3</sup> Occupation percentages are based on the 2014 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2014 Occupational Employment Survey data applicable to Santa Clara County, updated by the California Employment Development Department to 2015 wage levels.

**APPENDIX C TABLE 7  
 2014 NATIONAL HOTEL WORKER DISTRIBUTION BY OCCUPATION  
 JOBS HOUSING NEXUS MODEL  
 CAMPBELL, CA**

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<b>Major Occupations (2% or more)</b>	<b>2014 National Hotel Industry Occupation Distribution</b>	
Management Occupations	68,960	4.5%
Food Preparation and Serving Related Occupations	379,520	24.7%
Building and Grounds Cleaning and Maintenance Occupations	489,570	31.9%
Personal Care and Service Occupations	61,530	4.0%
Sales and Related Occupations	33,960	2.2%
Office and Administrative Support Occupations	310,980	20.3%
Installation, Maintenance, and Repair Occupations	76,990	5.0%
Production Occupations	34,090	2.2%
All Other Hotel Occupations	<u>78,960</u>	<u>5.1%</u>
<b>INDUSTRY TOTAL</b>	1,534,560	100.0%

APPENDIX C TABLE 8  
 AVERAGE ANNUAL COMPENSATION, 2015  
 HOTEL WORKER OCCUPATIONS  
 JOBS HOUSING NEXUS MODEL  
 CAMPBELL, CA

<u>Occupation</u> <sup>1</sup>	<u>2015 Avg. Compensation</u> <sup>2</sup>	<u>% of Total Occupation Group</u> <sup>3</sup>	<u>% of Total Hotel Workers</u>
<i>Page 1 of 2</i>			
<i>Management Occupations</i>			
General and Operations Managers	\$157,600	22.9%	1.0%
Sales Managers	\$167,900	9.3%	0.4%
Financial Managers	\$168,700	4.4%	0.2%
Food Service Managers	\$57,200	11.1%	0.5%
Lodging Managers	\$54,300	40.2%	1.8%
All Other Management Occupations (Avg. All Categories)	<u>\$162,300</u>	<u>12.2%</u>	<u>0.5%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$107,000</b>	<b>100.0%</b>	<b>4.5%</b>
<i>Food Preparation and Serving Related Occupations</i>			
First-Line Supervisors of Food Preparation and Serving Workers	\$36,900	5.3%	1.3%
Cooks, Restaurant	\$27,500	13.8%	3.4%
Bartenders	\$26,300	7.8%	1.9%
Waiters and Waitresses	\$25,500	29.5%	7.3%
Food Servers, Nonrestaurant	\$33,200	8.3%	2.1%
Dining Room and Cafeteria Attendants and Bartender Helpers	\$21,300	10.5%	2.6%
Dishwashers	\$20,300	6.5%	1.6%
All Other Business and Financial Operations (Avg. All Categories)	<u>\$25,300</u>	<u>18.1%</u>	<u>4.5%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$26,300</b>	<b>100.0%</b>	<b>24.7%</b>
<i>Building and Grounds Cleaning and Maintenance Occupations</i>			
First-Line Supervisors of Housekeeping and Janitorial Workers	\$55,800	5.8%	1.9%
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	\$29,000	6.1%	1.9%
Maids and Housekeeping Cleaners	\$31,100	85.1%	27.1%
All Other Building and Grounds Cleaning and Maintenance Occupations (Avg. All Categories)	<u>\$31,900</u>	<u>3.0%</u>	<u>1.0%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$32,400</b>	<b>100.0%</b>	<b>31.9%</b>
<i>Personal Care and Service Occupations</i>			
First-Line Supervisors of Personal Service Workers	\$42,800	4.3%	0.2%
Amusement and Recreation Attendants	\$23,900	15.0%	0.6%
Baggage Porters and Bellhops	\$25,000	34.4%	1.4%
Concierges	\$32,900	17.8%	0.7%
Recreation Workers	\$31,100	9.8%	0.4%
All Other Personal Care and Service Occupations (Avg. All Categories)	<u>\$29,100</u>	<u>18.6%</u>	<u>0.7%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$28,400</b>	<b>100.0%</b>	<b>4.0%</b>

<u>Occupation</u> <sup>1</sup>	<u>2015 Avg. Compensation</u> <sup>2</sup>	<u>% of Total Occupation Group</u> <sup>3</sup>	<u>% of Total Hotel Workers</u>
<b>Page 2 of 2</b>			
<i>Sales and Related Occupations</i>			
Cashiers	\$26,600	24.1%	0.5%
Retail Salespersons	\$29,200	11.7%	0.3%
Sales Representatives, Services, All Other	\$89,500	50.6%	1.1%
All Other Sales and Related Occupations (Avg. All Categories)	<u>\$55,500</u>	<u>13.5%</u>	<u>0.3%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$62,700</b>	<b>100.0%</b>	<b>2.2%</b>
<i>Office and Administrative Support Occupations</i>			
First-Line Supervisors of Office and Administrative Support Workers	\$70,600	7.5%	1.5%
Bookkeeping, Accounting, and Auditing Clerks	\$50,300	5.2%	1.1%
Hotel, Motel, and Resort Desk Clerks	\$26,300	71.8%	14.5%
All Other Office and Administrative Support Occupations (Avg. All Categories)	<u>\$48,100</u>	<u>15.5%</u>	<u>3.1%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$34,300</b>	<b>100.0%</b>	<b>20.3%</b>
<i>Installation, Maintenance, and Repair Occupations</i>			
First-Line Supervisors of Mechanics, Installers, and Repairers	\$80,600	8.0%	0.4%
Maintenance and Repair Workers, General	\$47,300	89.8%	4.5%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	<u>\$55,900</u>	<u>2.1%</u>	<u>0.1%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$50,200</b>	<b>100.0%</b>	<b>5.0%</b>
<i>Production Occupations</i>			
Bakers	\$29,200	6.7%	0.1%
Laundry and Dry-Cleaning Workers	\$26,300	85.0%	1.9%
All Other Production Occupations (Avg. All Categories)	<u>\$40,800</u>	<u>8.3%</u>	<u>0.2%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$27,700</b>	<b>100.0%</b>	<b>2.2%</b>
<b>Weighted Average Annual Wage - All Occupations</b>	<b>\$36,000</b>		<b>92.6%</b>

<sup>1</sup> Including occupations representing 4% or more of the major occupation group.

<sup>2</sup> The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

<sup>3</sup> Occupation percentages are based on the 2014 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2014 Occupational Employment Survey data applicable to Santa Clara County, updated by the California Employment Development Department to 2015 wage levels.

APPENDIX C TABLE 9  
 2014 NATIONAL LIGHT INDUSTRIAL WORKER DISTRIBUTION BY OCCUPATION  
 JOBS HOUSING NEXUS MODEL  
 CAMPBELL, CA

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Major Occupations (2% or more)	2014 National Light Industrial Industry Occupation Distribution	
Management Occupations	349,650	8.8%
Business and Financial Operations Occupations	256,476	6.4%
Computer and Mathematical Occupations	282,133	7.1%
Architecture and Engineering Occupations	379,825	9.5%
Life, Physical, and Social Science Occupations	605,361	15.2%
Sales and Related Occupations	132,409	3.3%
Office and Administrative Support Occupations	444,439	11.1%
Installation, Maintenance, and Repair Occupations	444,487	11.1%
Production Occupations	602,981	15.1%
Transportation and Material Moving Occupations	245,346	6.2%
All Other Light Industrial Occupations	<u>245,863</u>	<u>6.2%</u>
<b>INDUSTRY TOTAL</b>	3,988,970	100.0%

Industries weighted to reflect Santa Clara County industry mix. Includes Research & Development.

APPENDIX C TABLE 10  
 AVERAGE ANNUAL COMPENSATION, 2015  
 LIGHT INDUSTRIAL WORKER OCCUPATIONS  
 JOBS HOUSING NEXUS MODEL  
 CAMPBELL, CA

<u>Occupation</u> <sup>1</sup>	<u>2015 Avg. Compensation</u> <sup>2</sup>	<u>% of Total Occupation Group</u> <sup>3</sup>	<u>% of Total Light Industrial Workers</u>
<i>Page 1 of 3</i>			
<i>Management Occupations</i>			
General and Operations Managers	\$157,600	25.3%	2.2%
Marketing Managers	\$190,500	4.5%	0.4%
Computer and Information Systems Managers	\$186,700	6.4%	0.6%
Financial Managers	\$168,700	5.4%	0.5%
Industrial Production Managers	\$147,500	4.2%	0.4%
Architectural and Engineering Managers	\$190,600	9.6%	0.8%
Natural Sciences Managers	\$177,200	15.9%	1.4%
Managers, All Other	\$163,400	8.3%	0.7%
All Other Management Occupations (Avg. All Categories)	<u>\$162,300</u>	<u>20.5%</u>	<u>1.8%</u>
	<b>Weighted Mean Annual Wage</b>	<b>100.0%</b>	<b>8.8%</b>
<i>Business and Financial Operations Occupations</i>			
Purchasing Agents, Except Wholesale, Retail, and Farm Products	\$81,100	8.7%	0.6%
Compliance Officers	\$93,800	8.3%	0.5%
Cost Estimators	\$77,900	4.4%	0.3%
Human Resources Specialists	\$89,400	6.2%	0.4%
Management Analysts	\$111,500	11.1%	0.7%
Training and Development Specialists	\$95,300	4.6%	0.3%
Market Research Analysts and Marketing Specialists	\$110,200	9.6%	0.6%
Business Operations Specialists, All Other	\$98,100	18.8%	1.2%
Accountants and Auditors	\$94,200	13.5%	0.9%
Financial Analysts	\$109,600	4.7%	0.3%
All Other Business and Financial Operations (Avg. All Categories)	<u>\$96,400</u>	<u>10.1%</u>	<u>0.6%</u>
	<b>Weighted Mean Annual Wage</b>	<b>100.0%</b>	<b>6.4%</b>
<i>Computer and Mathematical Occupations</i>			
Computer Systems Analysts	\$110,000	10.5%	0.7%
Computer Programmers	\$95,300	6.0%	0.4%
Software Developers, Applications	\$144,400	19.1%	1.4%
Software Developers, Systems Software	\$140,300	18.6%	1.3%
Network and Computer Systems Administrators	\$101,500	9.0%	0.6%
Computer User Support Specialists	\$76,500	7.7%	0.5%
Statisticians	\$152,500	5.0%	0.4%
All Other Computer and Mathematical Occupations (Avg. All Categories)	<u>\$125,600</u>	<u>24.1%</u>	<u>1.7%</u>
	<b>Weighted Mean Annual Wage</b>	<b>100.0%</b>	<b>7.1%</b>

<u>Occupation</u> <sup>1</sup>	<u>2015 Avg. Compensation</u> <sup>2</sup>	<u>% of Total Occupation Group</u> <sup>3</sup>	<u>% of Total Light Industrial Workers</u>
<b>Page 2 of 3</b>			
<i>Architecture and Engineering Occupations</i>			
Aerospace Engineers	\$109,700	8.2%	0.8%
Biomedical Engineers	\$119,300	5.3%	0.5%
Computer Hardware Engineers	\$138,100	5.2%	0.5%
Electrical Engineers	\$130,000	9.6%	0.9%
Electronics Engineers, Except Computer	\$132,400	6.8%	0.6%
Industrial Engineers	\$116,300	10.3%	1.0%
Mechanical Engineers	\$113,300	16.3%	1.6%
Engineers, All Other	\$124,100	8.4%	0.8%
Electrical and Electronics Engineering Technicians	\$70,200	4.8%	0.5%
Engineering Technicians, Except Drafters, All Other	\$77,400	4.6%	0.4%
All Other Architecture and Engineering Occupations (Avg. All Categories)	<u>\$113,400</u>	<u>20.4%</u>	<u>1.9%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$115,000</b>	<b>100.0%</b>	<b>9.5%</b>
<i>Life, Physical, and Social Science Occupations</i>			
Biochemists and Biophysicists	\$112,100	9.4%	1.4%
Medical Scientists, Except Epidemiologists	\$103,700	21.7%	3.3%
Chemists	\$84,200	9.4%	1.4%
Biological Technicians	\$59,400	12.5%	1.9%
Chemical Technicians	\$54,900	4.1%	0.6%
Social Science Research Assistants	\$50,800	5.9%	0.9%
All Other Life, Physical, and Social Science Occupations (Avg. All Categories)	<u>\$86,000</u>	<u>37.0%</u>	<u>5.6%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$85,500</b>	<b>100.0%</b>	<b>15.2%</b>
<i>Sales and Related Occupations</i>			
Cashiers	\$26,600	11.5%	0.4%
Counter and Rental Clerks	\$35,600	8.9%	0.3%
Retail Salespersons	\$29,200	12.0%	0.4%
Sales Representatives, Services, All Other	\$89,500	14.9%	0.5%
Sales Representatives, Wholesale and Manufacturing, Technical and Scientific Products	\$118,700	17.8%	0.6%
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products	\$77,000	20.2%	0.7%
All Other Sales and Related Occupations (Avg. All Categories)	<u>\$55,500</u>	<u>14.7%</u>	<u>0.5%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$67,900</b>	<b>100.0%</b>	<b>3.3%</b>
<i>Office and Administrative Support Occupations</i>			
First-Line Supervisors of Office and Administrative Support Workers	\$70,600	5.5%	0.6%
Bookkeeping, Accounting, and Auditing Clerks	\$50,300	8.9%	1.0%
Customer Service Representatives	\$48,200	9.3%	1.0%
Production, Planning, and Expediting Clerks	\$66,500	4.3%	0.5%
Shipping, Receiving, and Traffic Clerks	\$36,500	5.9%	0.7%
Executive Secretaries and Executive Administrative Assistants	\$67,200	9.4%	1.0%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	\$45,000	18.3%	2.0%
Office Clerks, General	\$40,900	18.4%	2.1%
All Other Office and Administrative Support Occupations (Avg. All Categories)	<u>\$48,100</u>	<u>19.9%</u>	<u>2.2%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$49,600</b>	<b>100.0%</b>	<b>11.1%</b>

<u>Occupation</u> <sup>1</sup>	<u>2015 Avg. Compensation</u> <sup>2</sup>	<u>% of Total Occupation Group</u> <sup>3</sup>	<u>% of Total Light Industrial Workers</u>
<b>Page 3 of 3</b>			
<i>Installation, Maintenance, and Repair Occupations</i>			
First-Line Supervisors of Mechanics, Installers, and Repairers	\$80,600	8.3%	0.9%
Computer, Automated Teller, and Office Machine Repairers	\$46,200	4.9%	0.5%
Automotive Body and Related Repairers	\$46,400	13.9%	1.5%
Automotive Service Technicians and Mechanics	\$52,700	33.6%	3.7%
Industrial Machinery Mechanics	\$57,100	6.1%	0.7%
Maintenance and Repair Workers, General	\$47,300	7.4%	0.8%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	<u>\$55,900</u>	<u>25.9%</u>	<u>2.9%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$54,500</b>	<b>100.0%</b>	<b>11.1%</b>
<i>Production Occupations</i>			
First-Line Supervisors of Production and Operating Workers	\$68,400	6.8%	1.0%
Team Assemblers	\$35,200	10.7%	1.6%
Bakers	\$29,200	4.5%	0.7%
Food Batchmakers	\$24,300	4.5%	0.7%
Printing Press Operators	\$38,800	6.7%	1.0%
Inspectors, Testers, Sorters, Samplers, and Weighers	\$47,000	6.0%	0.9%
Dental Laboratory Technicians	\$45,600	7.2%	1.1%
Packaging and Filling Machine Operators and Tenders	\$29,200	7.9%	1.2%
Helpers--Production Workers	\$26,800	4.8%	0.7%
All Other Production Occupations (Avg. All Categories)	<u>\$40,800</u>	<u>41.0%</u>	<u>6.2%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$39,800</b>	<b>100.0%</b>	<b>15.1%</b>
<i>Transportation and Material Moving Occupations</i>			
First-Line Supervisors of Helpers, Laborers, and Material Movers, Hand	\$53,500	4.5%	0.3%
Heavy and Tractor-Trailer Truck Drivers	\$47,200	4.8%	0.3%
Light Truck or Delivery Services Drivers	\$39,300	6.8%	0.4%
Automotive and Watercraft Service Attendants	\$25,700	10.5%	0.6%
Industrial Truck and Tractor Operators	\$38,500	5.9%	0.4%
Cleaners of Vehicles and Equipment	\$25,800	36.9%	2.3%
Laborers and Freight, Stock, and Material Movers, Hand	\$31,700	11.2%	0.7%
Packers and Packagers, Hand	\$25,300	9.8%	0.6%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	<u>\$37,300</u>	<u>9.7%</u>	<u>0.6%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$31,500</b>	<b>100.0%</b>	<b>6.2%</b>
<b>Weighted Average Annual Wage - All Occupations</b>	<b>\$80,000</b>		<b>93.8%</b>

<sup>1</sup> Including occupations representing 4% or more of the major occupation group.

<sup>2</sup> The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

<sup>3</sup> Occupation percentages are based on the 2014 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2014 Occupational Employment Survey data applicable to Santa Clara County, updated by the California Employment Development Department to 2015 wage levels.

APPENDIX C TABLE 11  
 2014 NATIONAL WAREHOUSE WORKER DISTRIBUTION BY OCCUPATION  
 JOBS HOUSING NEXUS MODEL  
 CAMPBELL, CA

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Major Occupations (2% or more)	2014 National Warehouse Industry Occupation Distribution	
Management Occupations	25,100	3.5%
Business and Financial Operations Occupations	14,700	2.0%
Office and Administrative Support Occupations	161,880	22.3%
Installation, Maintenance, and Repair Occupations	23,190	3.2%
Production Occupations	29,150	4.0%
Transportation and Material Moving Occupations	438,040	60.3%
All Other Warehouse Occupations	<u>34,030</u>	<u>4.7%</u>
<b>INDUSTRY TOTAL</b>	726,090	100.0%

APPENDIX C TABLE 12  
 AVERAGE ANNUAL COMPENSATION, 2015  
 WAREHOUSE WORKER OCCUPATIONS  
 JOBS HOUSING NEXUS MODEL  
 CAMPBELL, CA

<u>Occupation</u> <sup>1</sup>	<u>2015 Avg. Compensation</u> <sup>2</sup>	<u>% of Total Occupation Group</u> <sup>3</sup>	<u>% of Total Warehouse Workers</u>
<i>Page 1 of 2</i>			
<i>Management Occupations</i>			
General and Operations Managers	\$157,600	37.2%	1.3%
Sales Managers	\$167,900	4.9%	0.2%
Administrative Services Managers	\$122,400	5.3%	0.2%
Transportation, Storage, and Distribution Managers	\$118,800	36.1%	1.2%
All Other Management Occupations (Avg. All Categories)	<u>\$162,300</u>	<u>16.6%</u>	<u>0.6%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$143,000</b>	<b>100.0%</b>	<b>3.5%</b>
<i>Business and Financial Operations Occupations</i>			
Wholesale and Retail Buyers, Except Farm Products	\$66,100	9.9%	0.2%
Purchasing Agents, Except Wholesale, Retail, and Farm Products	\$81,100	7.7%	0.2%
Human Resources Specialists	\$89,400	12.2%	0.2%
Logisticians	\$99,600	15.2%	0.3%
Training and Development Specialists	\$95,300	9.1%	0.2%
Market Research Analysts and Marketing Specialists	\$110,200	5.3%	0.1%
Business Operations Specialists, All Other	\$98,100	18.9%	0.4%
Accountants and Auditors	\$94,200	10.0%	0.2%
All Other Business and Financial Operations (Avg. All Categories)	<u>\$96,400</u>	<u>11.8%</u>	<u>0.2%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$92,600</b>	<b>100.0%</b>	<b>2.0%</b>
<i>Office and Administrative Support Occupations</i>			
First-Line Supervisors of Office and Administrative Support Workers	\$70,600	5.4%	1.2%
Customer Service Representatives	\$48,200	8.5%	1.9%
Shipping, Receiving, and Traffic Clerks	\$36,500	21.2%	4.7%
Stock Clerks and Order Fillers	\$31,300	34.5%	7.7%
Office Clerks, General	\$40,900	6.0%	1.3%
All Other Office and Administrative Support Occupations (Avg. All Categories)	<u>\$48,100</u>	<u>24.3%</u>	<u>5.4%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$40,600</b>	<b>100.0%</b>	<b>22.3%</b>

Occupation <sup>1</sup>

2015 Avg.  
Compensation <sup>2</sup>      % of Total  
Occupation  
Group <sup>3</sup>      % of Total  
Warehouse  
Workers

Page 2 of 2

*Installation, Maintenance, and Repair Occupations*

First-Line Supervisors of Mechanics, Installers, and Repairers	\$80,600	9.1%	0.3%
Bus and Truck Mechanics and Diesel Engine Specialists	\$58,600	7.7%	0.2%
Maintenance and Repair Workers, General	\$47,300	61.6%	2.0%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	<u>\$55,900</u>	<u>21.6%</u>	<u>0.7%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$53,100</b>	<b>100.0%</b>	<b>3.2%</b>

*Production Occupations*

First-Line Supervisors of Production and Operating Workers	\$68,400	8.3%	0.3%
Team Assemblers	\$35,200	19.1%	0.8%
Inspectors, Testers, Sorters, Samplers, and Weighers	\$47,000	21.9%	0.9%
Packaging and Filling Machine Operators and Tenders	\$29,200	17.1%	0.7%
Helpers—Production Workers	\$26,800	9.8%	0.4%
All Other Production Occupations (Avg. All Categories)	<u>\$40,800</u>	<u>23.8%</u>	<u>1.0%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$40,000</b>	<b>100.0%</b>	<b>4.0%</b>

*Transportation and Material Moving Occupations*

First-Line Supervisors of Helpers, Laborers, and Material Movers, Hand	\$53,500	4.9%	2.9%
Heavy and Tractor-Trailer Truck Drivers	\$47,200	8.1%	4.9%
Industrial Truck and Tractor Operators	\$38,500	21.0%	12.7%
Laborers and Freight, Stock, and Material Movers, Hand	\$31,700	42.8%	25.8%
Machine Feeders and Offbearers	\$31,400 <sup>4</sup>	5.4%	3.2%
Packers and Packagers, Hand	\$25,300	10.4%	6.3%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	<u>\$37,300</u>	<u>7.4%</u>	<u>4.5%</u>
<b>Weighted Mean Annual Wage</b>	<b>\$35,200</b>	<b>100.0%</b>	<b>60.3%</b>

**Weighted Average Annual Wage - All Occupations**      **\$42,000**      **95.3%**

<sup>1</sup> Including occupations representing 4% or more of the major occupation group.

<sup>2</sup> The methodology utilized by the Bureau of Labor Statistics Occupational Employment Survey assumes that hourly paid employees are employed full-time. Annual compensation is calculated by multiplying hourly wages by 40 hours per work week by 52 weeks.

<sup>3</sup> Occupation percentages are based on the 2014 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2014 Occupational Employment Survey data applicable to Santa Clara County.

<sup>4</sup> Wage data not available for Santa Clara County; wages estimated based on Alameda County wages for that occupation.



# City Council Report

Item:  
Category: **New Business**  
Meeting Date: **July 21, 2015**

**TITLE: HOUSING IMPACT FEE NEXUS STUDY (Resolution / Roll Call Vote)**

## RECOMMENDATION

That the City Council of the City of Campbell adopt a resolution authorizing the City Manager to execute a consultant contract, not to exceed \$40,000, with the Silicon Valley Community Foundation for the preparation of a nexus study and feasibility study.

## BACKGROUND

On October 3, 2006, the City Council adopted Ordinance No. 2074, implementing an Inclusionary Housing Ordinance requiring new residential developments with 10 or more units to provide 15% of the units as affordable to very low, low, and/or moderate-income households. This requirement was consistent with the affordable housing obligation already in effect for development projects located within the former Redevelopment Project Area. This requirement was also consistent with the method in which many California cities realize affordable housing production.

In 2009, the California Court of Appeals held in *Palmer/Sixth Street Properties vs. City of Los Angeles* ("*Palmer*"), that the imposition of an inclusionary housing requirement to a "rental" apartment development violated rent control limitations of the Costa-Hawkins Rental Act of 1995. The decision invalidated inclusionary housing requirements statewide as they pertained to rental housing projects. However, the Costa-Hawkins Act includes an exception for projects where the owner has agreed by contract to build affordable housing in consideration of a direct financial contribution or any other forms of assistance specified in California's Density Bonus Law.

The FY2012 Work Plan for the Community Development Department directed staff to "Modify the Inclusionary Housing Ordinance to eliminate rental units pursuant to recent case law" (i.e., *Palmer*). However on April 16, 2013, the motion to take the first reading of the ordinance failed to get a majority vote and the City Council (3-2) directed staff to schedule a study session to discuss the *Palmer* case and information related to housing impact fees, an alternative mechanism to facilitate the creation of affordable housing when inclusionary housing requirements are inapplicable. The October 1, 2013 City Council study session discussion was then tabled until a decision was made by Governor Jerry Brown regarding Assembly Bill (AB) 1229. If passed, AB1229 would effectively supersede the *Palmer* holding and grant local governments the authority to require inclusionary housing for rental units. However, on October 13, 2013, the Governor vetoed AB 1229.

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On June 15, 2015, the California Supreme Court in *California Building Industry Association v. City of San Jose* (“*CBIA v. San Jose*”) held that local ordinances requiring a proportion of new housing to be affordable can be justified so long as they bear a reasonable relationship to the public welfare. The Court disapproved *Building Industry Association v. City of Patterson*, a 2009 Court of Appeal case, concluding that the *Patterson* court failed to recognize that the ordinance was imposed to further the public purpose of increasing affordable housing, not to mitigate the "deleterious impact" caused by the project at issue. Like San Jose, the City of Patterson had given developers the option to build affordable housing units or pay an in-lieu fee. The Court held that where developers may *elect* to pay an in-lieu fee rather than provide affordable units, the in-lieu fee does not need to be justified by a nexus study. The Court’s decision helps support inclusionary ordinances and in-lieu fees for “for-sale” affordable housing. It should be noted that *CBIA v. San Jose* did not overturn the *Palmer* decision; so new rental projects remain protected from initial affordability requirements, for the time being. However, following *CBIA v. San Jose*, new legislation may be introduced to permit agencies to apply affordable housing ordinances to rental housing. In the meantime, the Court’s unanimous decision will make it easier for jurisdictions to adopt “rental” housing impact fees and commercial linkage fees, each justified by a nexus study, as discussed further in this report.

## **DISCUSSION**

While there was some discussion about housing impact fees during the 2015-2022 Housing Element update, the City Council ultimately decided not to include an explicit policy related to housing impact fees until such time as they fully understood how such fees would be used and the method required to receive them. Thus, the FY2015 Work Plan for the Community Development Department calls for a discussion of housing impact fees. Additionally, a study session on the City’s Density Bonus Ordinance is tentatively scheduled for September 15th, 2015. The September study session will include an overview of the Density Bonus ordinance, its relationship to the City’s Inclusionary ordinance, and any recommended amendments to the City’s affordable housing regulations, given the *Palmer* case, the more recent *CBIA v. San Jose* case, and any outcomes that result from the California Supreme Court ruling.

Under the City’s existing Inclusionary Housing ordinance, an applicant may elect, in lieu of building affordable units within a for-sale residential project, one of the following alternative modes of compliance:

1. Rental units. Construct the same or a greater number of low-income and very-low-income rental units/bedrooms as would have been required for the owner-occupied units.
2. Off-site construction. Construct an equal or greater number of off-site affordable units that are either greater in number, larger, or affordable to households with lower incomes than would otherwise be required, thus providing a greater public

benefit. The City may require an in-lieu fee as a security to ensure that the off-site units are completed in the required time-frame.

3. Land dedication. Dedicate without cost to the city, a lot or lots within or contiguous to the residential project, sufficient and suitable (e.g., no hazardous material or other material constraints) to accommodate at least the required affordable units for the residential project. Land use approvals must be obtained and a viable financing plan shall be in place to ensure development of the lot(s) with affordable housing is economically feasible and will be served by utilities, streets and other needed infrastructure.
4. In-lieu housing fee (only allowed when density is six or fewer units per acre). The applicant may elect to pay an in-lieu housing fee (described further in this report) in lieu of constructing the required affordable housing units.

#### *What is an In-Lieu Housing Fee?*

An in-lieu housing fee is a fee adopted “in place of” providing inclusionary affordable units. While a nexus study (described later in this report) is not needed to support in-lieu fees as long as the developer has the option of constructing affordable homes on-site, there must be a reasonable relationship between the in-lieu fee and the cost of providing the affordable housing. The difference between the cost to build an affordable unit and the “affordable” price charged to the low-income buyer (the “affordability gap”) can be several hundred thousand dollars per unit. At the time the Campbell’s Inclusionary ordinance was written, the City hired Keyser Marston Associates, Inc. (KMA)<sup>1</sup> to determine an in-lieu fee that “would require a developer to pay its fair share without creating an undue hardship”. However, it was also noted at that time that “developers in most cases if given the choice, will pay the in-lieu fee ... and not build the affordable units...”.

The City of Campbell’s in-lieu fee provision is only for projects that contains 10 or more units at a density of 6 units per acre or less. Low density projects typically consist of large single-family homes and it may be cost prohibitive to provide affordable units within that type of project. In-lieu fees are paid prior to issuance of building permits and are deposited into the City of Campbell housing trust fund. All earnings from investment of the fees are expended exclusively to provide or assure continued provision of affordable housing in the city through acquisition, construction, development assistance, rehabilitation, financing, rent subsidies or other methods, and for costs of administering programs which serve those ends.

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<sup>1</sup> KMA is a consultant that has been providing affordable housing nexus analyses for over 25 years.

*What is a Housing Impact Fee?*

While an in-lieu fee is applied to *for-sale* projects, an affordable housing impact fee is a per square foot fee levied on *rental* housing. Unlike an in-lieu fee, a “housing impact fee” requires a nexus study. The fees are based on the idea that every person who moves into a market-rate home will generate a need for services typically provided by employees paid less than the median income (hair dressers, coffee baristas, gardeners, preschool teachers, etc.). The nexus study determines how many affordable homes will be needed to house the workers required to serve the new market rate households. Providing an adequate supply of affordable homes for these new low-wage workers requires a subsidy. The subsidy per unit is the difference between the cost to develop the affordable unit and the affordable price or unit value (the “affordability gap”). The affordability gap depends on the affordability level in question (i.e. Very Low, Low, and Moderate) which changes the price that can be charged. The funds generated from the fee are used to facilitate construction of new affordable housing through provision of direct financial assistance to developers, development incentives, funding for rehabilitation of existing housing stock, or land acquisition. Some Housing Impact Fee ordinances contain provisions that allow developers to voluntarily provide affordable units instead of paying a fee. A developer would *not* be required to build the required number of affordable housing units and also pay a housing impact fee.

*What is a Residential Financial Feasibility Study?*

Adoption of fees on new residential construction can be contentious with the development community. A residential financial feasibility study analyzes the impact that affordable housing requirements (e.g., fees) could have on the financial feasibility of residential development. The feasibility analysis is based on the relationship between a project’s revenue potential, the estimated development costs, and a reasonable developer profit commensurate with the cost of funding and development risk. If a housing impact fee is put in place, developers will generally “price in” the fee when evaluating a projects economics. Downward pressure on land costs could result as developers adjust what they are willing to pay for land to reflect the fee requirement. Several components of the feasibility analysis are conducted as part of the base nexus study (e.g. market rents and sale prices); however other feasibility components such as land costs, construction costs, and developer returns would need to be analyzed.

*What is a Commercial Linkage Fee?*

Similar to the demand created by market rate housing, a portion of jobs created by new commercial development (hotel, retail, office, etc.) are for low-paid employees who may not be able to afford market-rate housing. With commercial linkage fees (also known as job-housing linkage fees) developers are expected to ameliorate some of the housing impacts generated by such projects. This impact is measured through a commercial linkage fee nexus study that shows the connection between the construction of new commercial buildings, employment, and the need for affordable housing.

*Who has adopted a Housing Impact Fee?*

Following the *Palmer* decision and the Legislature's inability until recently to pass overriding legislation, communities throughout the State have adopted housing impact fees. Within the Bay Area, at least seven cities and two counties have adopted a Housing Impact Fee, as indicated by the table below. The fee structure varies considerably by jurisdiction. Fees may be levied on a square-foot basis or a per unit basis, and may also vary by the type of development (i.e., apartment, condos, etc.). Additionally, some per square-foot or unit based fees increase based on the size of the units or the number of total units within a development.

BAY AREA HOUSING IMPACT FEE SUMMARY			
JURISDICTION	BASE FEE AMOUNT(S)	EXAMPLE FEE (PER UNIT)	
		1-BD APARTMENT (1,000 SQ. FT.)	2-BD APARTMENT (1,500 SQ. FT.)
Cupertino	\$15 - \$25 per SF (increased 7/1/15 from \$3/sf) (based on type – single family, multi-family)	\$15,000 to \$25,000	\$22,500 to \$37,500
Mountain View	\$17 per SF	\$17,000	\$25,550
San Jose	\$17 per SF	\$17,000	\$25,550
San Carlos	\$2.38 to \$28.27 per SF (based on number of units)	\$2,380 to \$28,270	\$3,570 to \$42,405
Fremont	\$27 per SF (recently increased from \$19.50 per SF)	\$27,000	\$40,500
Walnut Creek	\$15 per SF	\$15,000	\$22,500
Berkeley	\$20,000 per unit (with \$8,000 discount) previously \$28,000	Nexus Study in progress to update fees	\$20,000
Marin County	\$ 5 / sq. ft. (>2,000 to < 3,000 sq. ft.) \$10 / sq. ft. (≥ 3,000 sq. ft.)	\$5,000 to \$10,000	\$7,500 to \$15,000
Napa County	\$ 9.00 / sq. ft. (1,200 to 2,000 sq. ft.) \$10.75 / sq. ft. (2,001 to 3,000 sq. ft.) \$12.25 / sq. ft. (> 3,000 sq. ft.)	\$9,000 to \$12,250	\$13,500 to \$18,375

*What is the Process to Implement Housing and Commercial Impact Fees?*

To satisfy the statutory threshold for adoption impact fees, the City would have to contract for preparation of a "nexus study".

Impact Fees are subject to the Mitigation Fee Act, which prescribes specific procedural restrictions on the creation and use of impact fees. To establish an impact fee, a City must (1) identify the purpose and use of a proposed impact fee; (2) show that there is a reasonable relationship (i.e., a nexus) between the fee's use and the type of development project on which the fee is imposed; (3) determine how there is a reasonable relationship between a stated public need and the type of development project on which the fee is imposed; and (4) demonstrate the relationship between the amount of the fee and the cost of the public facility.

Other Bay Area cities and one combined county (discussed below) are considering housing impact fees and are either currently conducting a nexus study or considering a nexus study for housing impact fees as shown in the following table.

<b>JURISDICTION</b>	<b>LEVEL OF INTEREST</b>
San Mateo County, and Palo Alto	Currently conducting a Nexus Study
Sunnyvale	Currently conducting a Nexus Study
Milpitas	Seriously considering a Nexus Study
Gilroy, Los Altos, Los Altos Hills, Los Gatos, Morgan Hill, Santa Clara, and Saratoga	Potentially considering a multi-city Nexus Study (Santa Clara County)

In February 2014, 15 jurisdictions in San Mateo County (and the City of Palo Alto) hired a consultant to develop nexus studies for commercial linkage fees and housing impact fees to mitigate the impacts of new development on the demand for affordable housing. Some jurisdictions elected to conduct both fee studies, while others did not. The preparation of these fee studies may result in the adoption of new impact fees on either residential, commercial or both types of developments. As part of this multi-city nexus study effort, the consultant prepared a draft model nexus study report that will serve as a model for the other jurisdictions. After receiving input and comments from the jurisdictions and stakeholders, the consultant will prepare draft nexus studies for each jurisdiction incorporating data, inputs, results, and recommendations that are specific to each jurisdiction.

On June 16, 2015, the City of Campbell hosted a meeting by the Silicon Valley Community Foundation (SVCF) to explore the potential for a Santa Clara County multi-city affordable housing nexus and feasibility study (similar to San Mateo County). The goal of the meeting was to provide information for cities to consider a study that could look at charging fees on commercial or residential developments to fund affordable housing. The meeting included an informal interactive discussion on the basics of the effort including a potential timeline and process. Each City that decides to participate in the multi-city effort would execute a memorandum of understanding / contract with SVCF who would then contract with a consultant to prepare the nexus studies for each participating jurisdiction. SVCF has identified Keyser Marston Associates, Inc. (KMA) as the potential consultant. KMA recently completed nexus studies for several local cities including San Jose, Fremont, and Mountain View. KMA also prepared the in-lieu fee analysis for the City of Campbell, as previously discussed. KMA has prepared a proposal that summarizes their qualifications and describes the potential process in more detail (reference Nexus Study Proposal Attachment 1).

## **NEXUS STUDY PROPOSAL**

KMA's proposal includes the preparation of residential and non-residential/ commercial affordable housing nexus analyses. While the City Council may choose not to implement housing impact or commercial linkage fees in Campbell, the Nexus study will provide the City Council with the appropriate analysis to make an informed decision.

*Residential Analysis:* The housing impact fee analysis would examine the relationship between new market-rate residential development and the demand for affordable housing within the community. The nexus study would identify the rent/price of the new market rate unit, the income of the household that buys or rents it, the consumption of goods and services of the household, the new jobs generated by that consumption, and the fact that some of the jobs have lower paying compensation levels that result in new worker households needing affordable housing. Identifying this nexus provides the justification for cities to adopt housing impact fees. The results of the nexus study create the upper bounds for a legally defensible fee. The actual amount of a fee is the result of additional considerations, including comparable fees in the region, economic feasibility, and community desire.

*Non-Residential / Commercial Analysis:* The commercial linkage fee analysis would examine jobs located in new commercial buildings including office/ R&D/ medical office buildings, retail/ restaurants/ services, and hotels. The analysis would then calculate the average wages of the workers associated with each commercial building to derive the annual income of the new worker households. The analysis would also identify the area median income (AMI) level of the new worker households to identify the number of worker households that would require affordable housing. The consultant would account for any share of jobs counted in the commercial linkage fee analysis that are also included in the residential nexus analysis (e.g., the service sector).

A full description of the proposed residential and commercial analysis is provided under “Task 1” and “Task 2” of the KMA proposal (pages 20-23 of attachment 2). The Nexus Study (“Task 3”) would also include an analysis of the affordability gap and maximum fee level supported given the information collected in the residential and non-residential nexus analyses.

#### *Financial Feasibility – Optional Analysis*

The City will have the option of acquiring a financial feasibility report to analyze the impact that a fee (or other requirements) would have on the financial feasibility of residential development. Proformas modeling the development economics of prototypical residential projects will be prepared and used as a tool to evaluate and test the ability of new residential developments to absorb the cost of affordable housing inclusionary/fee requirements. Because fees for non-residential/commercial development tend to be lower compared to residential development, relative to costs, a full financial feasibility analysis of commercial linkage fees is not typically warranted. The cost of the optional feasibility analysis would range from \$7,500 to \$15,000 or more depending on the number of prototypes (single family, condos, rental, etc.), and other factors, as described on pages 26 to 27 of Attachment 2. The financial feasibility analysis could be completed concurrently with the nexus study or could be contracted for after the City Council has had a chance to review the nexus study and make a more informed decision about next steps.

#### **NEXT STEPS**

Each city is being asked to ‘opt in’ or ‘opt out’ by July 31, 2015. The time to complete the nexus study (and optional feasibility study) would be approximately 10 months from the date that the multi-city contract is executed between SVCF and the consultant. The estimated time to complete the nexus study is based on the time it took for the San Mateo multi-city effort.

The City of Campbell could participate in the multi-city effort without actually implementing any fees. The information provided by the study could help inform the Council’s decision on whether to implement fees in the future. The shared cost of a multi-city nexus study would be less than the cost if the City of Campbell performed the study on its own. Furthermore, a regional approach may be better received from the development community.

If the Council decides to participate in the Nexus Study, the Council should discuss the results of the analysis at a future study session. The discussion should include how such a fee would coincide with the City’s other affordable housing policies and how such a fee would affect economic development efforts. The staffing necessary to administer use of housing impact fees will also have to be considered. As the Council may recall, with the dissolution of the Redevelopment Agency, the City no longer employs a dedicated Housing Coordinator. As such, the Community Development Department has

limited staffing to administer current housing programs (a senior planner is allocated 30% of her time to such programs). Moreover, use of impact fees for more active facilitation of development (e.g. land acquisition and public/private partnerships) would require contracting for specialized development and legal services.

### FISCAL IMPACTS

The estimated cost to each City of the multi-city effort is approximately \$15,000 to \$25,000 (depending on the number of participating jurisdictions) with a target cost of \$20,000. If the City were to prepare a nexus study (or studies) independently, it could cost approximately \$50,000 to \$90,000. Therefore, participation in a regional study would be more economical. The funding to participate in the nexus study could come from the City of Campbell Housing Assistance Fund. The cost of the optional feasibility analysis would range from \$7,500 to \$15,000 or more depending on the number of prototypes (single family, condos, rental, etc.), and other factors.

### ALTERNATIVES

1. Authorize the City Manager to negotiate and execute a consultant contract with the Silicon Valley Community Foundation for an alternative amount.
2. Do not authorize the City Manager to execute a consultant contract with SVCF for the preparation of a nexus study.

### Exhibits

1. Resolution authorizing the City Manager to execute a consultant contract, not to exceed \$40,000, with the Silicon Valley Community Foundation for the preparation of a nexus study and feasibility study.
1. Nexus Study Proposal

Prepared by: Cindy McCormick  
Cindy McCormick, Senior Planner

Reviewed by: Paul Kermoyan  
Paul Kermoyan, Community Development Director

Reviewed by: Jesse Takahashi  
Jesse Takahashi, Finance Director

Approved by: Mark Linder  
Mark Linder, City Manager



# City Council Report

Item:  
Category: **New Business**  
Meeting Date: **October 6, 2015**

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**TITLE: HOUSING IMPACT FEE NEXUS STUDY (Resolution / Roll Call Vote)**

## RECOMMENDATION

Staff recommends that the City Council take the following action:

1. **Adopt a resolution** authorizing the City Manager to execute a consultant contract, not to exceed \$40,000, with the Silicon Valley Community Foundation for the preparation of a nexus study and feasibility analysis.

## BACKGROUND

On July 21, 2015, the City Council considered authorizing a consultant contract with the Silicon Valley Community Foundation (SVCF) for the preparation of a multi-city nexus study and feasibility analysis (Reference staff report, **Attachment 3**). The vote was split 2-to-2 with one member absent (Vice Mayor Baker), resulting in a "no-action" vote. Essentially, the issue warrants reconsideration by the full Council for a decision.

## DISCUSSION

SVCF has continued their effort to work with other cities in the South Bay area as well as four cities in Alameda County. Due to the added interest, the scope of work has been expanded at a cost savings to the cities. SVCF is also actively fundraising to help cover costs. Keyser Marston Associates (KMA) has provided an updated proposal to reflect the revised scope of work (**Attachment 2**). The updated scope of work includes a non-residential nexus study and regional feasibility analysis. Campbell's cost to participate would be between approximately \$25,000 and \$40,000. The initial cost (\$25,000) is based on ten (10) participating cities and could go up or down accordingly. Additional analysis can be contracted by the City, including analyzing the financial feasibility of for-sale projects and evaluating the City's current inclusionary policies. The maximum amount, including the optional analysis, is estimated not to exceed \$40,000. These options and their costs are described on page 31 of **Attachment 2**.

The multi-city nexus study began in September 2015. The time to complete the proposed nexus study and regional rental feasibility analysis would be approximately eight to nine months. An update will be provided by SVCF during the Public Hearing and it is expected that there will be a small grace period for the City of Campbell to join the effort. The shared cost of a multi-city nexus study would be less than the cost if the

City of Campbell performed the study on its own. Furthermore, a regional approach may be better received from the development community.

The nexus study would provide the basis for any potential impact fees and would document the permissible and recommended fee levels for both residential and commercial development. The scope of work includes a custom report tailored for Campbell's unique conditions, a residential nexus study for rental and ownership developments, a non-residential nexus study for retail, office, hotel, etc., review of development costs for commercial development, and a summary of residential and non-residential fees in neighboring cities. The scope of work also includes a rental financial feasibility analysis which analyzes the impacts that fees can have on the financial feasibility of new construction in the "West Valley Cities" geographic sub area. This type of analysis is important to address concerns raised by developers regarding financial feasibility related to fees on new construction. A summary and recommendations report would be written for the general public and decision makers, laying out the report's analysis and conclusions and the context for the recommendations. Recommendations applicable to residential development will focus on requirements for rental projects and small for-sale projects.

The City of Campbell could participate in the multi-city effort without actually implementing any fees. The information provided by the study could help inform the Council's decision on whether to implement fees in the future. The nexus study would provide the Council with a maximum supported fee level from a legal or nexus perspective, while the financial feasibility analysis could be used to test the viability of any housing impact fee requirements.

Housing impact fees could provide an alternative affordable housing mechanism in light of current legislation, case law, and the City's goals for providing affordable housing as discussed in the 2015-2023 Housing Element. While a nexus study is not currently needed to support inclusionary housing requirements, a nexus study would demonstrate the relationship between new housing, jobs, and the need for affordable housing in Campbell. A nexus study would be necessary, however, to support requirements on rental projects. Rental units may be a more feasible option for satisfying the City's regional obligation for low and very-low income units, as opposed to for-sale affordable units that are typically developed at the moderate-income level. Furthermore, Campbell may wish to adopt impact fees for smaller for-sale projects (e.g., 1-9 units).

## **OPTIONAL ANALYSIS**

There was also some interest from the Council in considering a nexus study under a competitive RFP outside of the regional effort. The estimated cost for Campbell to contract individually for this work is approximately \$35,000 to \$80,000, depending on the level of information requested (e.g., residential, non-residential, financial feasibility, etc.) and the consultant used. The following table provides information on the cost and timeline experienced by other cities.

<u>Jurisdiction</u>	<u>Type of Study</u>	<u>Cost</u>	<u>Timeline</u>	<u>Consultant</u>
Mountain View 2012	Residential & Commercial	\$54,000 to 90,000 <sup>1</sup>	12+ months	Keyser Marston Associates
Sunnyvale 2014	Residential & Commercial	\$35,000 to \$70,000 <sup>1</sup>	3+ months	Economics and Planning Systems
Fremont 2014	Residential only	\$35,000	6 months	Keyser Marston Associates
San Jose	Residential only	\$100,000 - \$200,000 <sup>2</sup>	9 months	Keyser Marston Associates
Cupertino 2015	Residential & Commercial	\$80,000	7-8 months	Keyser Marston Associates

If the Council is interested in individually contracting the preparation of a nexus study, staff could prepare a competitive request for proposals (RFP) for a residential nexus study, an non-residential nexus study, financial feasibility analysis, and impact fee recommendations report, or any combination thereof.

**FISCAL IMPACTS**

The estimated cost to the City of Campbell to join the multi-city effort would be between approximately \$25,000 and \$40,000 (depending on any optional analysis requested and on the number of participating jurisdictions). The cost of the optional analysis (financial feasibility of for-sale projects and policy evaluation) would range from approximately \$1,500 to \$15,000, depending on the level of analysis and assistance requested. If the City were to independently prepare a comparable nexus study and feasibility analysis, it could cost approximately \$70,000 to \$90,000. Therefore, participation in a regional study would be more economical. The funding to participate in the nexus study could come from the City of Campbell Housing Assistance Fund.

<sup>1</sup> In some cases, Commercial Linkage Fee studies and Housing Impact Nexus Fee studies were completed at different times. Information obtained from the first study reduced the timeline and costs needed for the second study. The higher range represents the cost for both studies plus a feasibility analysis.

<sup>2</sup> The additional cost was due to lengthening the outreach process and requesting additional feasibility analysis.

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**ALTERNATIVES**

1. Authorize the City Manager to negotiate and execute a consultant contract with the Silicon Valley Community Foundation for an alternative amount.
2. Authorize staff to prepare a competitive request for proposals (RFP) for a residential nexus study, a non-residential nexus study, financial feasibility analysis, and impact fee recommendations report.
3. Do not authorize consideration of a nexus study.

Exhibits

1. Resolution
2. Nexus Study Proposal (updated)
3. July 21, 2015 Staff Report

Prepared by: Cindy McCormick  
Cindy McCormick, Senior Planner

Reviewed by: Paul Kermoyan  
Paul Kermoyan, Community Development Director

Reviewed by: S. Etman for  
Jesse Takahashi, Finance Director

Approved by: Mark Linder  
FOR Mark Linder, City Manager

*Proposal to Provide*

**Multi-Jurisdiction Affordable  
Housing Nexus Studies**

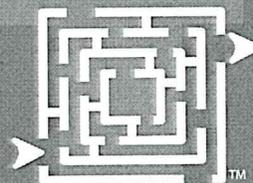
*Submitted to:*

**Silicon Valley Community  
Foundation**

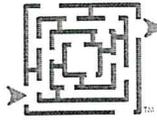
*Submitted by:*

**Keyser Marston Associates, Inc.**

*July 31, 2015*



**KEYSER  
MARSTON  
ASSOCIATES**



KEYSER MARSTON ASSOCIATES  
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

July 31, 2015

ADVISORS IN:  
REAL ESTATE  
REDEVELOPMENT  
AFFORDABLE HOUSING  
ECONOMIC DEVELOPMENT

Mr. Vu-Bang Nguyen, AICP  
Silicon Valley Community Foundation  
2440 West El Camino Real, Suite 300  
Mountain View, CA 94040

SAN FRANCISCO  
A. JERRY KEYSER  
TIMOTHY C. KELLY  
KATE EARLE FUNK  
DEBBIE M. KERN  
REED T. KAWAHARA  
DAVID DOEZEMA

Re: Proposal of Services: Multi-Jurisdiction Affordable Housing Nexus Studies

LOS ANGELES  
KATHLEEN H. HEAD  
JAMES A. RABE  
GREGORY D. SOO-HOO  
KEVIN E. ENGSTROM  
JULIE L. ROMNEY

Dear Mr. Nguyen,

The following proposal of services is to undertake affordable housing nexus studies for multiple jurisdictions joined together in a coordinated work program. We have updated our proposal following our recent discussions with you to reflect the anticipated participation by six jurisdictions in Santa Clara County and four in Alameda County. We have also made modifications to the scope of services to reflect preparation of financial feasibility analyses as part of the base scope of services to all jurisdictions.

SAN DIEGO  
GERALD M. TRIMBLE  
PAUL C. MARRA

Our experience and qualifications in preparing these nexus analyses in a wide range of jurisdictions and economic conditions is unequalled on the West Coast. We have been responsible for nexus supported affordable housing programs for clients and conditions as diverse as the cities of San Francisco, Seattle, to Mill Valley to Napa County.

The overall approach and scope of services outlined in the following proposal is based on our extensive experience in doing these nexus studies. We have tried to identify the most cost effective way of doing these nexus studies for multiple jurisdictions in a manner that preserves our preferred approach of using local inputs and tailoring results to local conditions. Tailoring results to local conditions will be of particular importance considering the wide range of real estate and economic conditions in Santa Clara and Alameda counties from the affluent communities of the West Valley, to the central East Bay, and the big core Silicon Valley cities.

We have arrived at a proposed approach and scope we feel strikes a good balance between realizing the cost advantages of a multi-jurisdiction approach with our conviction about using local inputs and tailoring recommendations to local conditions. We think direct interaction with the staff of the participating jurisdictions would be advisable. To that end, we are recommending two major workshops with the staff members of the various jurisdictions assembled together. The first workshop would be early in the work program. We would explain our methodology, provide examples of the input we are seeking from the participants, discuss how inputs might vary from one jurisdiction to the next, and open up a dialogue to

ADVISORS IN:  
REAL ESTATE  
REDEVELOPMENT  
AFFORDABLE HOUSING  
ECONOMIC DEVELOPMENT

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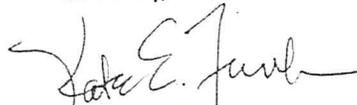
SAN DIEGO  
GERALD M. TRIMBLE  
PAUL C. MARRA

engage staff. The second workshop would be after we have run the nexus analyses and completed the feasibility tasks. We would walk through analysis results, step by step, talk about what the results mean and do not mean, talk about tailoring programs to local policies and conditions and what the next steps need to be. We believe such interaction will pay off at the end of the process.

In this work scope, we are proposing a clear division of services – “Base Services” for all participating jurisdictions, and “Optional Services” that individual jurisdictions may contract for or not. Optional Services include working with staff on local policy objectives, tailoring programs to meet local concerns, as well as assisting in the adoption process. The Optional Services are something of a menu from which all or selected services may be contracted.

We hope you will find that the refinements incorporated into this revised proposal bring us closer to a final work program we can move forward with. Of course, we are more than happy to discuss further adjustments as you continue your conversations with the participating jurisdictions.

Sincerely,



Kate Earle Funk



David Doezema

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# 01 Statement of Qualifications

## Firm Profile

Keyser Marston Associates, Inc. (KMA) has one of the largest real estate advisory practices on the West Coast. Founded in 1973, Keyser Marston serves a diverse client base throughout the West, including nearly every major municipality in California, public housing authorities, ports, transit agencies, base closure authorities, county and special districts, school districts, colleges and universities, and hospitals.

Keyser Marston's unique strength is the depth, continuity and availability of our principals who average more than twenty years of practical experience in working with business and government. Their personal involvement is a key factor in the firm's ongoing success. Their knowledge and expertise bring clarity to the complexities of real estate development. KMA's many long term, on-going client relationships are a testament to the quality of our work and responsiveness to client needs.

Keyser Marston has been at the forefront of affordable housing nexus analyses for over 25 years. We have experience with over 45 affordable housing nexus assignments. We have worked with virtually all types of land uses in economies as diverse as the City of Los Angeles and Napa County. We have recently conducted nexus work in several cities in Silicon Valley and southern Alameda County, including Cupertino, Mountain View, San Jose, Palo Alto, Fremont and Newark.

KMA has also developed nexus analyses in support of fees for condominium conversion (San Francisco and San Diego), child care for about six cities, open space and a few other nexus type analyses.



## Previous Nexus Experience: Commercial

Our nexus work commenced with an assignment for the City and County of Sacramento to design a comprehensive fee program for all types of non-residential construction throughout the City and County. The City's ordinance was challenged by the local Building Industry Association and was tried in the Federal Courts through the Ninth Circuit Court of Appeals, which ruled in favor of the City. The builders petitioned the U.S. Supreme Court, which reviewed the case and elected not to hear it, letting stand the lower court's decision. At all levels of the court, the sufficiency of the nexus was among the provisions challenged, and as a result we worked closely with the attorneys in the defense, preparing for the possible challenge in the U.S. Supreme Court. The experience has served us well ever since.

Following the Sacramento experience, KMA worked with a consultant team on the nexus analysis in support of the City of San Diego Housing Impact Fee, which was adopted in 1989. (KMA recently completed an updated nexus analysis for the City of San Diego in support of the increased fees.) For the City of Los Angeles, KMA led a consultant team in a large and lengthy work program to develop a nexus program. A unique challenge in Los Angeles was to develop a fee system to address the many high-density development locations within the broad diversity of economic conditions citywide.

In 2001, KMA assisted the City of Seattle's Office of Housing, the lead agency in a program to transform the downtown high-rise entitlement program to a housing mitigation program. The program was restructured to make payment of a substantial housing and child care "bonus" the principal means of achieving bonus FAR for developing high-rise office and hotel buildings. KMA prepared the supporting nexus analyses and assisted the City in designing the program overall. Later, we again

worked for Seattle in a rezoning program for higher density residential structures in the downtown area. We prepared a nexus analysis to support requirements for affordable units or in-lieu fee payment.

KMA has also assisted the cities of Walnut Creek, Mountain View, St. Helena and San Mateo with the formulation of jobs housing nexus programs, most of which are now adopted. We have also done analyses to support a number of update and expansion programs such as for San Francisco, Sacramento, Palo Alto, Napa County, City of Napa, Cupertino and San Diego.

Following is a list of our commercial nexus assignments:

- Santa Cruz County
- City and County of Sacramento
- Emeryville
- San Diego
- Walnut Creek
- City and County of Napa
- San Francisco
- Los Angeles
- Seattle
- Mountain View
- St. Helena
- Palo Alto
- Cupertino
- San Ramon
- Menlo Park\*
- San Mateo
- San Carlos\*
- Redwood City\*
- Irvine
- Signal Hill

*\*Project specific affordable housing needs analyses*



## Previous Nexus Experience: Residential

KMA's first market rate residential nexus analysis was prepared for the City of Seattle in 2005. KMA had previously completed an affordable housing nexus analysis on office and hotel projects in Downtown Seattle; a few years later the City approached us to undertake an analysis that would allow the City to also charge market rate residential projects a fee for affordable housing impacts.

Following the Seattle analysis, KMA performed additional market rate residential nexus analyses for San Francisco to support its inclusionary program. Altogether, KMA prepared five assignments prior to the Palmer decision. Since Palmer and Patterson, KMA has now prepared or has under preparation an additional twenty similar analyses. Post-Palmer clients have included the Cities of San Diego, Sacramento, San Jose, San Francisco, and many smaller cities throughout the Bay Area and San Diego County.

Select nexus projects, both commercial and residential, are described in further detail on the following pages.



Following is a list of our residential nexus assignments:

- Seattle, Washington
- San Francisco\*
  - *nexus analysis in support of updated inclusionary program*
  - *nexus analysis in support of a fee on conversion of units to condominiums*
- San Diego\*
- County of Napa
- Fremont
- Elk Grove
- Bainbridge Island, Washington
- Hayward
- Walnut Creek
- Solana Beach
- Concord
- Carlsbad
- City of Sacramento
- County of Sacramento
- Daly City
- Livermore
- Emeryville
- San Jose
- Rancho Cordova
- West Hollywood
- Honolulu, Hawaii
- Cupertino
- Richmond
- Newark
- San Ramon
- Santa Cruz County
- Mill Valley
- Solana Beach

*\*work also included study of a condominium conversion fee.*



## KMA Experience with Legal Challenges

As noted previously, KMA's first nexus analysis was in support of a Housing Trust Fund fee on all non-residential construction in Sacramento. Following adoption by the City, the Commercial Builders of Northern California ("Builders"), joined by the Pacific Legal Foundation, sued the City on a host of issues, including the sufficiency of the Keyser Marston nexus analysis. The case was first heard in federal court and the City prevailed. The Builders then appealed and the case was heard by the Ninth District Court of Appeals in San Francisco. The City again prevailed and the Builders appealed to the U. S. Supreme Court. The U.S. Supreme Court reviewed the lower court's decision and the supporting material, including the KMA nexus analysis, and refused to hear the case, issuing a Writ of Certiorari, letting stand the lower court's ruling.

Throughout the process KMA worked with attorneys, particularly the consulting attorney as well as the City Attorney, in framing the arguments for the defense. Many hours were spent brainstorming key conceptual issues surrounding nexus and its application. We played "devil's advocate" in anticipation of questions from the judges. We at KMA have always felt that the experience of going to court, which resulted in such a thorough exploration of nexus issues, has served us well in taking on future nexus assignments of all kinds.

The initial Sacramento challenge was immediately following the Nollan U. S. Supreme Court decision but before the passage of AB 1600 which articulated for California much of what we had determined was advisable for all nexus based impact fees.

Following the Sacramento court experience, we worked with the same consulting attorneys on other assignments and KMA had the benefit of much attorney input on the drafting of language for our reports covering key nexus concepts, how to frame disclaimers, and other aspects of

the documentation. In more recent years, we have been fortunate to have the benefit of input from other attorneys in the drafting of our residential nexus documentation.

KMA has not been involved in other trials; however KMA has worked in many cities where legal threats have been made to City Councils in an effort to halt the adoption of proposed program. It has been our role to make City Councils comfortable that the subject has gone to court before and that, while not all issues associated with nexus have been tested in court, we believe the City is on solid ground with our nexus analyses.

As a rule, we always welcome working with attorneys, in house or consulting, on nexus assignments. We frequently urge clients to invite their attorneys to the work sessions with staff to familiarize them with the analysis methodology and to air concerns internally before entering the public arena.



# Selected Nexus Assignments: Residential and Commercial

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## ***City of San Jose***

### ***Key Attributes***

Residential Nexus Study  
Financial Feasibility Analysis  
Review of Impact Fees in Other Cities

### ***Status***

Program adopted in 2014

KMA has prepared a residential nexus analysis to support an impact fee on market rate rental projects in San Jose. Two prototype projects, including apartments and high rise apartments, were analyzed in the nexus analysis. Other tasks included financial feasibility, in depth comparison to impact fees in other jurisdictions, and participation in the public presentation and adoption process, including a series of stakeholder meetings. The program was adopted in December 2014.

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## ***City of Sacramento***

### ***Key Attributes***

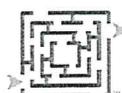
Jobs-Housing Nexus Study  
Residential Nexus Study  
Financial Feasibility Analysis  
Long Term Repeat Client

### ***Status***

Residential Nexus Study completed 2013  
Jobs Housing adopted 1989; updated 2004  
Updated nexus completed 2006; program changes not adopted at that time

KMA's nexus work commenced with a jobs-housing linkage analysis for the City and County of Sacramento, conducted in 1987. As discussed earlier, the City's resulting ordinance was challenged through the Ninth Circuit Court of Appeals, which upheld the ordinance, and the Supreme Court declined to hear it, letting stand the lower court's decision. The sufficiency of the nexus was among the provisions challenged but upheld. Since then, KMA has assisted the City and County with periodic updates to the jobs-housing nexus analysis.

Earlier this year KMA completed a residential nexus and real estate financial feasibility analysis for the City of Sacramento, and is assisting with an overhaul to the City's Mixed Income Housing Ordinance. As the City of Sacramento experienced severely stressed real estate condition in the Recession and the recovery has been slow, there has been a strong focus on market and financial feasibility considerations.



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## **City of Fremont**

### **Key Attributes**

Residential Nexus Study  
Broad Range of Unit Types

### **Status**

Adopted 2010  
Updated 2014

Keyser Marston Associates prepared a residential nexus analysis as a key component of an overall program revision to allow payment of fees as an alternative to on-site provision for ownership units and impact fees for rental projects. Program revision included fees per square foot of residential area to address the broad range of unit types developed within the city. Revised program was adopted in 2010.

KMA developed a set of recommendations regarding impact fee levels that were ultimately incorporated into the adopted ordinance.

KMA prepared an update in late 2014 and adjusted fees were adopted.

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## **City of Walnut Creek**

### **Key Relevant Attributes**

Jobs-Housing Nexus Update Study  
Residential Nexus Study

### **Status**

Original program adopted 2005  
Revisions adopted 2010

KMA assisted the City with the design and adoption of both an inclusionary housing and jobs housing linkage program. Most recently, KMA prepared a residential nexus analysis in support of the City's inclusionary housing program; the study was completed in 2010. KMA had earlier prepared a jobs housing nexus study to support a linkage program with a \$5 per square foot fee on all commercial uses; the program was adopted in February 2005. Many program features were customized to meet specific concerns and opportunities in this city.

Both programs were the subject of an extensive hearing process and careful deliberation of all features by the Planning Commission and Council.



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## ***City of San Diego***

### ***Key Attributes***

Jobs-Housing Nexus Update Study  
Residential Nexus Study  
Long Term Repeat Client

### ***Status***

Original Jobs Housing program adopted 1990  
Updated Jobs Housing fees adopted 2013  
Original Residential program adopted 2003  
Updated Residential Program adopted 2011

KMA has prepared and updated the City of San Diego's jobs-housing nexus analysis several times over the course of more than 20 years of working for the City. The City of San Diego Housing Impact Fee Ordinance was established in 1990; KMA performed the nexus analysis in support of the housing impact fees. Subsequently, KMA has provided updated analyses for the City in 2004, 2008, 2010, and most recently in 2013 in relation to an update to the program adopted by the City Council in 2014.

KMA also prepared a residential nexus in support of the City of San Diego's inclusionary program which KMA had originally helped design and adopt in 2003. The update analysis included six residential development prototypes to represent a diversity of residential projects across the City. A significant factor addressed in the analysis was the decline in residential values since the peak in 2006. KMA prepared a separate nexus analysis addendum to address condominium conversions. Program was adopted in 2011 following an extensive public hearing process.

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## ***City of Mountain View***

### ***Key Attributes***

Jobs-Housing Nexus Update Study  
Review of Programs in Other Cities

### ***Status***

Original Program adopted 2001  
Revisions adopted 2012

KMA prepared an updated jobs-housing nexus analysis for the City of Mountain View in 2012. The analysis covered three land use categories: Office/High-Tech, Commercial/Retail/ Entertainment; and Hotel. As part of this work program, KMA conducted a review of the jobs-housing impact fee programs in other jurisdictions. In addition, KMA conducted an Overlap Analysis to ensure that the residential and non-residential affordable housing linkage fees did not double-count new jobs. The City adopted revisions to the program in 2012 and increased fees again in late 2014.

KMA also prepared the City's original jobs-housing analysis, which was used to support the adoption of the program in late 2001.



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## ***City of Emeryville***

### ***Key Relevant Attributes***

Jobs-Housing Nexus Study  
Residential Nexus Study  
Review of Fees in Other Cities

### ***Status***

Program was adopted in 2014

KMA completed both a residential nexus analysis and a non-residential analysis for this small city. Emeryville was previously almost entirely comprised of areas under California Redevelopment Law and had a vigorous affordable housing program funded by the mandatory 20% set aside plus its own inclusionary requirements. With the end of redevelopment, the affordable housing program is in need of full restructuring. The KMA nexus analyses and other tasks assisted the City in overhauling its program for the era ahead. The program was adopted in 2014.

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## ***City and County of Napa***

### ***Key Relevant Attributes***

Jobs-Housing Nexus Study  
Residential Nexus Study  
Repeat Client  
Review of Programs in Other Cities

### ***Status***

Original program adopted 1994  
Revisions adopted 2004  
Update adopted 2014

KMA undertook an economic nexus analysis for five building types in the City and County of Napa. We also assisted with the design of a companion inclusionary housing program affecting all residential development. The major building types included wine production facilities. An interesting aspect of this assignment was an examination of a potential nexus in the grape growing and wine production industry. Local surveys were undertaken for the other building types.

Program was adopted in 1994. KMA performed an update of the program and the revision was adopted in the summer of 2004. In 2009, KMA reviewed and partially updated the 2004 analysis to support reconsideration of the fee levels. KMA recently prepared a third update for the County in 2014.



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## **City of Menlo Park: Facebook Campus**

### **Key Relevant Attributes**

Housing Needs Analysis

### **Status**

Project approved 2012.

KMA conducted a housing needs analysis for the proposed Facebook Campus in Menlo Park. The analysis utilizes the KMA jobs-housing nexus methodology to estimate the housing needs by affordability tier generated by the new employees located on the Facebook campus. The study was completed in 2011.

Prior to the Facebook analysis, KMA prepared a similar analysis for the 955,000 sq. ft. Menlo Gateway project.

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## **City of Palo Alto: Stanford Medical Center**

### **Key Relevant Attributes**

Housing Needs Analysis

### **Status**

Project approved

KMA prepared a housing needs analysis for the proposed rebuilding and expansion of Stanford University Medical Center in the City of Palo Alto. The analysis utilizes the KMA jobs-housing nexus methodology to estimate the housing needs generated by the additional employees in the expanded Medical Center, taking into account the unique employment profile of a Tertiary Care teaching hospital. The study was completed in 2009.



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## **City of San Francisco**

### **Key Relevant Attributes**

Jobs-Housing Nexus Study  
Residential Nexus Study

### **Status**

Jobs Housing update adopted 2002  
Residential Nexus adopted 2007  
Update to residential and non residential  
is currently in process

KMA assisted the City in an update and expansion of its jobs housing linkage program. The analysis included a close examination of space production – primarily office – during the 1980s, and job growth, and identified many dynamics of change that did not necessarily result in net new employment.

Keyser Marston Associates prepared financial analyses of the existing inclusionary program plus alternative update options, working intensely for several months with a task force consisting of developers, housing advocates and non-profit developers. The result was a negotiated agreement that was adopted by the Board of Supervisors with minimal debate. KMA's work included analyzing costs, sales prices, impacts on land values and profit level on prototypical residential buildings. KMA advised on a range of other modifications to the ordinance and program to tailor it to the wide range of conditions in San Francisco. The update was successfully adopted in the summer of 2006.

As a follow up task, KMA worked in 2007 with the City Attorney's office to prepare a residential nexus study to support the inclusionary program. The analysis was developed to support on-site requirements, the higher off-site/in lieu requirements, and even higher requirements for special zones anticipated to be the beneficiaries of rezoning to higher density levels. Report adopted by Board of Supervisors.

KMA was recently engaged to provide updated nexus analyses for both residential and jobs-housing linkage programs.



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## ***City of San Mateo***

### ***Key Relevant Attributes***

Jobs-Housing Nexus Study

### ***Status***

Program not adopted.

In 2003, KMA prepared an economic nexus analysis demonstrating relationships among construction of new buildings, employees, households and affordable housing demand. The City decided not to adopt a commercial linkage fee program at that time.

KMA also prepared a child care nexus analysis for the City in 2004, which was adopted.

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## ***City of Cupertino***

### ***Key Relevant Attributes***

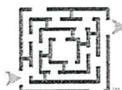
Jobs-Housing Nexus Study  
Inclusionary Housing Study  
Review of Programs in Other Cities  
Repeat Client

### ***Status***

Program adopted 2007  
Update adopted 2015

The City of Cupertino first established a linkage fee in 1992 to link housing needs created by the development of office and industrial projects and provide nominal fees to support the development of affordable housing for families and individuals who work in Cupertino but live elsewhere. KMA was retained by the City to update the nexus analysis based on current market conditions. The updated nexus analysis addressed office, retail and hotel developments.

KMA prepared updated residential and non-residential nexus analyses in 2014/15.



## 02 Key Personnel

**David Doezema**, a Principal of Keyser Marston, will serve as Principal in Charge of the nexus analyses. Mr. Doezema served as principal in charge or had primary responsibility for the nexus on recent KMA assignments for San Jose, San Diego, Honolulu, Fremont, Newark, and Rancho Cordova. Mr. Doezema has experience with over 15 affordable housing nexus analyses and was a leader in the development of KMA's residential nexus methodology. Other nexus experience includes the prior KMA work for San Francisco as well as assignments for Seattle, Walnut Creek, Mountain View, Sacramento, Santa Cruz County, Emeryville, Daly City, and project-specific affordable housing analyses for the Facebook Campus in Menlo Park and the Stanford Medical Center expansion in Palo Alto.

**Kate Funk**, a Senior Principal of Keyser Marston, will serve as Consulting Principal and advise on overall policy recommendations and program direction. She will also play a key role in the workshops and other meetings envisioned in the work scope. Over the past twenty five years, Ms. Funk has pioneered the development of nexus studies to support affordable housing policy programs and is a recognized leader in structuring affordable housing inclusionary and fee programs. Initially, Ms. Funk developed a methodology for job/housing studies to support fee programs on commercial and industrial development. Under her direction, KMA has assisted over 40 jurisdictions evaluate linkage fee options. The methodology developed by Ms. Funk was subject to a legal challenge as part of a court case brought by the Commercial Builders of Northern California against the City of Sacramento. In recent years, Ms. Funk has developed and refined residential nexus studies to link market rate housing development to the need for affordable housing, often working with lawyers to tailor the analyses and programs to the ever changing legal environment.

**Reed Kawahara**, a Principal in the San Francisco office, will be responsible for the financial feasibility analysis. Mr. Kawahara has expertise in financial feasibility and pro forma modeling of a wide variety of land use projects including large land development/subdivisions, single family residential, multi-family residential, affordable housing, retail, and mixed use projects. He is experienced in inclusionary programs, structuring financing plans involving conventional debt instruments, tax increment, tax exempt housing bonds, tax credits, and other affordable housing programs.

**Harriet Ragozin**, a Senior Associate at Keyser Marston, will assist with the residential and non residential nexus analyses. Harriet joined Keyser Marston Associates in 2003 and has been working on affordable housing since then. She has had a role in many nexus assignments and inclusionary programs, including much of the firm's prior work for the City of San Francisco. She has also done extensive support work on more traditional real estate assignments, including in depth financial feasibility modeling and other tasks. With her lengthy experience in numerous nexus/inclusionary jobs in recent years, she is highly qualified to prepare the nexus technical analyses.

Resumes for each of the proposed staff members are included on the following pages.

*This team has completed dozens of housing nexus analyses together, providing*

# Unparalleled Experience





## DAVID DOEZEMA

*Mr. Doezema is a Principal in Keyser Marston Associates' San Francisco office. He joined KMA in 2002.*

### **Key Role**

Mr. Doezema focuses on affordable housing nexus, successor agency finance, fiscal impact analysis, and financial analysis and modeling.

### **Affordable Housing Nexus**

Mr. Doezema has experience with more than 15 affordable housing nexus analyses in support of affordable housing requirements on residential and non-residential development and was lead principal on KMA's recent residential nexus assignment for the City of San Jose. Other examples include San Diego, San Francisco, Seattle, Mountain View, Emeryville, Daly City, Newark, Fremont, and Rancho Cordova. Affordable housing analyses for specific projects include the Facebook Campus in Menlo Park and the Stanford Medical Center expansion in Palo Alto.

### **Successor Agency Finance**

Mr. Doezema assists cities and counties in relation to redevelopment dissolution including preparation and review of recognized obligation payment schedules, cash flow analyses, and fiscal consultant reports for refinance of tax allocation bonds. He has been responsible for on-going pass through calculations for all 13 successor agencies in San Mateo County on behalf the County Controller's Office.

### **Fiscal Impact Analysis**

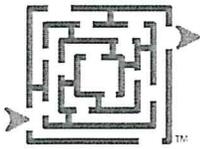
Mr. Doezema has experience preparing fiscal impact analyses on projects throughout California, spanning a wide variety of land uses including master planned communities, military base reuse plans, medical facilities, and mixed-use projects.

### **Sports Facilities**

Mr. Doezema had a key role in KMA's services to the City of Santa Clara on the Levi's Stadium project and negotiations with the San Francisco 49ers. Mr. Doezema was involved from the initial concept through stadium opening and was responsible for analyzing numerous aspects of the project including construction finance, funding of on-going operations of the Stadium Authority, public financing, fair market rent for the City's land, and fiscal and economic impacts.

### **Professional Credentials**

Mr. Doezema holds a master's degree in urban planning and a bachelor's degree in civil and environmental engineering from the University of Michigan, Ann Arbor.



Keyser Marston Associates

Years in  
the Industry

15+



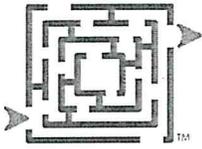


## KATE EARLE FUNK

*Ms. Funk is a founder and Senior Principal in Keyser Marston's San Francisco office. Previously with Larry Smith and Company, she has over 40 years of experience in real estate and urban economics.*

### Key Role

With her broad experience, Ms. Funk has managed projects involving market and financial analyses, and urban economic analyses for policy planning.



Keyser Marston Associates

*Years in  
the Industry*

**40+**

### **Affordable Housing Nexus Studies**

Over the past twenty five years, Ms. Funk has pioneered the development of nexus studies to support affordable housing policy programs. Initially she developed a methodology for job housing studies to support fee programs on commercial and industrial development. Under her direction, a model to perform the analysis was developed, and since then over 25 jurisdictions have been assisted in the design of jobs-housing linkage fee programs, most of them successfully adopted. In recent years she has developed and refined residential nexus studies to link market rate housing development to the need for affordable housing. Thus far, over 20 residential nexus analyses have been completed, often working with attorneys to tailor the analyses and programs to the ever changing legal environment.

### **Other Nexus Work**

In addition to the affordable housing nexus work, Ms. Funk has prepared other AB 1600 analyses, linking new development to demand for childcare, parks/open space, and the arts. Examples of cities that have adopted such programs are San Mateo, West Sacramento, Santa Monica, and Seattle.

### **Hotel and Conference Centers**

Ms. Funk has focused on hotel and conference center market and financial feasibility analyses, particularly those involving an in-depth examination of demand generated by local firms and institutions. Assignments have been conducted for Santa Cruz and Mountain View where local firms were extensively interviewed to determine their role in supporting a new facility. She has also assisted numerous redevelopment agencies in hotel transactions negotiations including Santa Rosa, Sacramento, Oakland, Seaside, Fremont, and Milpitas.

### **Professional Credentials**

In her professional career, Ms. Funk has been a speaker for organizations such as CRA, California League of Cities, CALED, CALALHFA, and classes at UC Berkeley and USC. She is a member of the Lambda Alpha Honorary Land Economics Society. Ms. Funk received her Bachelor of Arts degree from Smith College in Northampton, Massachusetts.





## REED KAWAHARA

*A Principal in Keyser Marston Associates' San Francisco office, Mr. Kawahara has over 20 years of experience in urban planning, financial feasibility, real estate development, and market analysis. Before joining KMA, Mr. Kawahara worked in real estate development with BRIDGE Housing Corporation.*

### Key Role

During his tenure at Keyser Marston, Mr. Kawahara has developed expertise in financial feasibility and pro forma modeling of a wide variety of projects. He is experienced in structuring financing plans involving conventional debt instruments, tax increment, tax exempt housing bonds, tax credits, and Community Facilities District financing. Mr. Kawahara has also advised cities and agencies in the negotiation of public-private partnership agreements ranging from small residential and retail projects to large, multi-phased new communities.

### Areas of Specialization:

#### Market Analysis

Mr. Kawahara is experienced in analyzing real estate markets for both commercial and residential land uses. This work has ranged from traditional market studies, to retail leakage analysis, to preparation of economic development strategies.

#### Real Estate Financial Feasibility

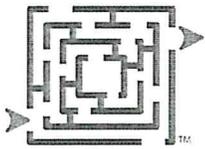
Mr. Kawahara is experienced in pro forma modeling and financial feasibility analysis of development projects including market studies, capital cost budgets, income and expenses, multi-year cash flow projections, sources of financing, and developer return analysis.

#### Public-Private Partnerships

Over the years, Mr. Kawahara has been instrumental in negotiating partnerships between public agencies and private developers for a wide range of complex development projects including mixed-use, transit-oriented development (TOD), residential, and various retail/office projects.

#### Professional Credentials

Mr. Kawahara received a B.A. in political science from the University of California, Davis and a master's degree in political science and urban studies from San Francisco State University. He is a member of ICSC, the Non-Profit Housing Association of Northern California, SPUR, and a former member of the San Francisco Redevelopment Agency South Beach-Rincon Point Citizens Advisory Committee. Mr. Kawahara is a frequent presenter on real estate economic and financial feasibility issues to such groups as CRA, APA, NPH, CSMFO, and graduate courses at local universities.



Keyser Marston Associates

Years in  
the Industry

20+



## HARRIET G. RAGOZIN

*Ms. Ragozin is a Senior Associate in Keyser Marston Associates' San Francisco office. She joined KMA in 2003 and has participated in affordable housing and child care nexus analyses, inclusionary housing analyses, residential and commercial real estate feasibility analyses, redevelopment tax increment projections, and market assessments.*

### **Affordable Housing Policy**

Ms. Ragozin has worked extensively on affordable housing policy analyses, including inclusionary housing analyses, in-lieu fee studies, jobs-housing nexus analyses and residential nexus analyses. Former inclusionary housing and in-lieu fee work includes studies conducted for the cities of San Francisco, Palo Alto, Cupertino, Napa, Novato, and Campbell, among others. Typical tasks include the evaluation of development economics, the calculation of full cost recovery in-lieu fees for ownership and rental projects, and the evaluation of alternative program structures.

She has conducted jobs-housing nexus analyses, which quantify the linkages between construction of new commercial buildings and affordable housing demand, for Napa, San Diego, Walnut Creek, Sacramento, Cupertino and others. In addition to a quantitative nexus analysis, typical tasks also include evaluation of proposed fee levels in the context of local real estate economics, recommended fee levels, and surveys of similar fees in other jurisdictions.

She has also conducted many residential nexus analyses, which quantify the linkages between new market rate residential development and the demand for affordable housing, for many jurisdictions including Fremont, Hayward, Napa County, San Francisco and others.

### **Residential Financial Analyses**

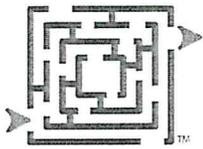
Ms. Ragozin has assisted in the assessment of market and financial feasibility analyses for proposed residential developments. Projects include market rate housing, affordable housing, and mixed-use projects. Such services have been provided in the cities of Santa Rosa, San Jose, Walnut Creek, Lafayette, Redwood City, San Leandro, Union City, and others.

### **Child Care Nexus Analyses**

Ms. Ragozin has conducted child care nexus analyses linking new real estate development to the demand for child care facilities in the jurisdiction. Example cities include San Mateo, San Francisco, and Redwood City.

### **Professional Credentials**

Ms. Ragozin holds a master's degree in public policy from the Goldman School of Public Policy at the University of California, Berkeley, and a bachelor's degree in economics from Williams College.



Keyser Marston Associates

Years in  
the Industry

10+



## 03 Scope of Services

The following scope of services is for the preparation of residential and non-residential affordable housing nexus analyses for jurisdictions participating in a multi-jurisdiction effort. These affordable housing nexus analyses will enable jurisdictions to adopt housing impact fees and provide support for inclusionary housing requirements. The effort will be focused on jurisdictions within Santa Clara and Alameda Counties. It is anticipated that six jurisdictions in Santa Clara County and four jurisdictions in Alameda County will participate including Campbell, Los Altos, Milpitas, Santa Clara, Saratoga, the County of Santa Clara, Fremont, Union City, San Leandro, and Albany. The scope of services and proposed budget assume that if San Jose participates, it will have a separate but parallel contract and scope of services. For Fremont, only a non-residential nexus analysis is needed. The scope of services provides for the preparation of individual nexus analyses for each jurisdiction to establish jurisdiction-specific maximum affordable housing impact fee levels for residential and commercial development.

The residential nexus scope provides for an analysis of both for-sale and rental housing as part of the base scope of services. The San Jose case clarified that a nexus analysis is not needed to support inclusionary housing requirements (a nexus remains necessary to support requirements on rental projects under Palmer); however, a nexus analysis is still recommended on for-sale projects if requirements will apply to small projects or single units. In addition, potentially, some communities may wish to adopt impact fees for ownership projects in place of inclusionary requirements. For-sale units are included in the scope of work to provide jurisdictions with the flexibility to decide later whether or not for-sale units should be included in the nexus report.

A series of optional services are described that individual jurisdictions may wish to consider in addition to the basic scope of services. Optional services would include assistance with any custom or special analyses required by individual jurisdictions, assistance with program customization and participation in stakeholder meetings and public hearings as part of the adoption process.

### *Project Initiation and Analysis Parameters*

To initiate the work program, a “kick-off” conference call will be held (possibly using a “webinar” format) with all the participating jurisdictions. The purpose of the initial call will be to walk through the scope, time line, and analysis approach, and outline some of the assumptions and analysis choices that we will be seeking feedback on during the first in-person workshop. We would also prepare a written data request list which we could review as part of the call. Data to be requested is generally readily available and will not require time consuming digging or compilation on the part of staff).

The kick-off call will be followed by an in-person workshop in which staff of all the participating jurisdictions would participate. We anticipate the workshop to be held approximately 4-6 weeks into the work program. In advance of the work session, KMA will review available existing documents such as housing elements, stock of affordable units, construction trends, and other relevant materials. We would also conduct some initial market research to help facilitate an informed discussion of residential prototypes.

KMA expects initial analysis decisions to be discussed as part of the workshop would include:

- Land use categories to be addressed in the commercial nexus study and major commercial projects in the pipeline.
- Prototypical residential projects for each of the jurisdictions to be used as a starting point in the conduct of the residential nexus analysis (building types, densities, etc.). The prototypes can be adjusted following completion of the market evaluation, but an initial discussion at this stage is often useful. Given the range of market conditions experienced in Santa Clara and Alameda counties, we expect the relevant residential prototypes, pricing and rent levels to vary significantly between the participating jurisdictions.
- Housing affordability levels or income tiers to be addressed in the residential and commercial nexus analyses (e.g. Extremely Low, Very Low, Low, and Moderate); the selected affordability levels should align with expectations for spending the fee revenues.



- Affordability gaps will be discussed in concept and in terms of analysis decisions such as typical affordable units to be assisted at each affordability tier and the choice of assuming availability of tax credits to offset the cost of producing affordable units.
- Selection of up to six (6) jurisdictions (in addition to the participating jurisdictions) for inclusion in a survey of affordable housing requirements as described in Task 4.

An assumption of this proposal is that Baird and Driskell will assist with organization and facilitation throughout the assignment including the kickoff conference call, the initial all hands workshop and collection of requested data from individual jurisdictions.

### **TASK 1: RESIDENTIAL NEXUS ANALYSES**

This task includes preparation of residential nexus analyses to support potential affordable housing impact fees and requirements on residential development. The tasks in this section provide the technical analysis demonstrating the linkages between new market units and the demand for more affordable units. This analysis meets the needs of the California Code for the implementation of impact fees, or AB 1600 type mitigation fees. The overall concept of the nexus analysis is as follows:

Residents of new market rate residential units generate demand for services ranging from retail and restaurants to health care, education, and government. KMA's methodology tracks and quantifies a series of steps commencing with the price or rent levels of the new market rate unit, the income of the household that buys or rents it, the consumption of goods and services of the household, the new jobs generated by that consumption, and the fact that some of the jobs have lower paying compensation levels that result in new worker households needing affordable housing.

The steps of the analysis include:

#### **1. Identification of Market Rate Residential Prototypes Applicable to Each Jurisdiction**

KMA's practice when preparing a nexus analysis for a single jurisdiction is to conduct market surveys and describe prototype projects that represent the typical range of market rate projects in that jurisdiction. For this multi-jurisdictional effort, we anticipate that six to ten residential prototypes will be sufficient to address the range of densities and configurations likely to be experienced across the participating jurisdictions. However, while the prototypes will apply to multiple jurisdictions, the price and rent levels will be customized. The result will be nexus analyses that are customized to each jurisdiction based on:

- Inclusion of only those residential prototypes that are relevant to the individual jurisdiction; and
- Customized price and rent levels reflective of the market conditions of each individual jurisdiction.

KMA will develop a draft set of residential development prototypes representative of the types of projects likely to be experienced across the participating jurisdictions for discussion at the initial workshop. We would then follow up with individual jurisdictions with the assistance of Baird and Driskell as needed to refine the prototype assumptions. Any final adjustments to prototypes could be made following the meeting to review the complete draft of the technical analysis.

#### **2. Market Survey**

The selected residential prototypes will be articulated with prices and rents applicable to each jurisdiction based upon a market survey. KMA will utilize market data from published and purchased data sources from firms such as Real Estate Economics and Real Facts.

For jurisdictions that have experienced little recent residential development activity, it may be necessary to estimate pricing or rents. KMA can estimate pricing by making adjustments from projects in other jurisdictions or utilizing other data sources such as resales from older existing projects.



### 3. Residential Nexus Analyses

KMA's nexus analysis tracks and quantifies a series of steps commencing with the price and rent levels of the new market rate residential units, the income of the household that buys or rents it, the consumption of goods and services of the household, the new jobs generated by that consumption, and the fact that some of the jobs have lower paying compensation levels that result in new worker households needing affordable housing.

KMA's nexus analysis methodology uses two models to perform the nexus analysis. It is a methodology developed more than ten years ago as part of an assignment for the City of Seattle and used in more than twenty subsequent residential nexus assignments since then.

The overall concept is as follows: Residents of new market rate units generate demand for services ranging from retail and restaurants to health care, education, and government. KMA's methodology tracks and quantifies a series of steps commencing with the price or rent of the new market rate unit, the household consumption of goods and services, the new jobs generated by that consumption, and the fact that some of the jobs have lower paying compensation levels that result in new worker households needing affordable housing.

The steps used in KMA's analysis are as follows:

*Step One: Household Income for Residents of New Market Rate Units* – Household income and purchasing power of residents in new market rate residential units is estimated based upon the price and rent levels. Price and rent levels are established based on market research on projects selling and renting in each jurisdiction. Household income is then estimated based on the income needed to qualify for a mortgage or lease for the prototype units.

*Step Two: Demand for Goods and Services and Resulting Jobs* – Household incomes from step one are input into the commercially available IMPLAN model to estimate the jobs generated at establishments that serve new residents.

All jobs serving new residents from restaurants, to retail, to schools, to healthcare are included. The IMPLAN model was developed roughly twenty-five years ago and has been refined over the years. It is widely used in planning applications throughout the U.S. Data sets specific to Santa Clara and Alameda Counties are utilized in the model. The analysis is almost always run to measure the impact within the county in which the jurisdiction is located, creating efficiencies in running all of the jurisdictions at the same time.

*Step Three: Compensation Levels and Affordable Housing Demand of Workers* – KMA's jobs-housing nexus model is used to estimate affordable housing demand of the retail, education, health care and other workers who provide goods and services to new residents. The KMA jobs housing nexus model was developed over 25 years ago for jobs housing impact fee programs and refined over the years. The model analyzes compensation levels of workers using detailed local data by occupation. Compensation levels for jobs are then converted to a distribution of household income that accounts for multiple-earner households. The output of the KMA model is the number of employee households at various income affordability levels.

The conclusion of the nexus analysis is the number of worker households, by affordability level, associated with each new market rate unit. The number of worker households quantified in the analysis conclusion varies depending on the price/rent level starting point of the analysis and the square foot size of the unit used to bring the analysis conclusions down to the per square foot level. In a subsequent task, the cost of delivering affordable units to the worker households is determined to enable findings to be converted into a maximum supported fee level per unit or per square foot.

For this multi-jurisdiction effort, we will prepare two separate "base" residential nexus technical analyses which reflect the separate county-specific income limits, census demographic information, and IMPLAN data sets that are applicable to Santa Clara and Alameda counties. The base technical analyses for the two counties will then be adapted for each jurisdiction using inputs specific to each of the participating jurisdictions.



## **TASK 2: NON-RESIDENTIAL NEXUS ANALYSES**

Non-residential nexus analyses will be prepared to support potential jobs housing linkage fee programs for each of the jurisdictions that request these services.

### **1. Economic Overview and Review of Market Conditions**

The tasks in this section provide contextual information regarding commercial development trends and expected future patterns in the participating jurisdictions. KMA will research trends in commercial development in Santa Clara County and review non-residential projects in the pipeline in the various jurisdictions. The review of market conditions is intended to provide context for understanding the diversity of market conditions, development prototypes, and end users of commercial space likely to be seen in the participating jurisdictions in the coming years and will serve as a foundation for identification and articulation of non-residential prototypes.

### **2. Building Type Selection for Non-Residential Nexus Analysis**

KMA will work with each jurisdiction to identify a set of commercial development prototypes that provide a representative cross section of commercial development expected to occur in the coming years. Prototypes are expected to span retail, office, and hotel uses. Additional prototypes such as medical office, research and development/ biotech, and/or other non-residential use categories may be considered based on input and discussions with staff and findings of the review of market conditions. KMA has customarily used prototypes of 100,000 square feet in size to make the steps of the analysis easier for readers to follow and compare by land use. The results are in all cases converted to the per square foot level in the final steps of the analysis so that the conclusions may be applied to projects of any size. If there is a desire to represent prototype sizes that are more representative of actual project sizes, we are certainly willing to modify this customary approach, as we have recently done for another commercial nexus assignment.

## **3. Jobs Housing Nexus Analysis**

This section produces the quantitative nexus analysis that meets the requirements of AB 1600 to demonstrate the relationships between the construction of the building types under study and the mitigation required (the impact fee).

KMA has developed a methodology to perform the nexus analysis in a highly efficient manner. The analysis uses employment data drawn from readily available, published government sources that provide cross matrices of occupations by industry types, and local, recent compensation data from the state Employment Development Department, which are updated regularly. KMA updates and refines the methodology frequently, to ensure that it continues to reflect best practices.

For ease of analysis and understanding, we normally conduct the analysis on prototype buildings of 100,000 square feet (as discussed above, building sizes could also be modified to reflect representative project sizes). At the conclusion of the analysis, the findings are divided by the building size to express the linkage in fractions of housing units. The maximum supported mitigation fee is ultimately expressed on a dollar-per-square-foot basis.

The analysis will contain the following steps or subtasks:

- *Category or Building Type Definition* –The types of buildings to be addressed in the study will be defined in the course of the work effort based on recent trends and expected development patterns over the next several years.
- *Translation to Number of Employees* – The findings on employment density and trends from the macro level nexus task, above, will be utilized in this section to estimate the number of employees associated with the prototype 100,000 square foot building.
- *Adjustments for Workers Per Household* – Using U.S. Census data, the number of employees will be adjusted to the number of households, recognizing that many households have more than one working member.



- *Allocation of Employee Households to Income Categories* – The nexus analysis then distributes the employees into an allocation by occupation and from occupation to income level using local wage and salary inputs. To calculate household income, the model employs a distribution of the number of workers per household by household size. For example, four-person households can have one, two, three, or four workers in the household. The model uses Census data to develop a distribution of the number of workers per worker household, by household size. The new employee households are then placed into income categories based on household size and household income.
- *Conclusions on the Number of Households at Each Income Category* – The conclusions are first expressed for the total prototype building and then converted to the per square foot level. The analysis produces findings on the number of housing units for each income classification.

For this multi-jurisdiction effort, two separate “base” jobs housing nexus technical analyses will be prepared which reflect the separate county-specific income limits and census demographic information applicable to Santa Clara and Alameda counties. The base jobs housing nexus analyses for the two counties will then be adapted to each of the participating jurisdictions.

### **TASK 3: AFFORDABILITY GAPS AND MAXIMUM FEE LEVELS SUPPORTED**

This task provides the dollar link between the residential and non-residential nexus findings (from the prior tasks) and the cost of mitigation to determine the maximum justifiable fee levels. This link is made through the application of a set of affordability gaps which represent the net cost or subsidy required to produce affordable units for new worker households.

#### **1. Affordability Gaps**

The mitigation cost is the cost to deliver the affordable units in demand, as concluded in the residential and non-residential nexus analyses. The mitigation cost per unit is the affordability gap, or the difference between the cost to develop the affordable unit and the affordable price or unit value. The affordability gap depends on the affordability level in question (i.e. Very Low, Low, and Moderate). Affordable sales prices and rent levels are determined based on Area Median Income.

An affordability gap will be established at each affordability level to be analyzed in the nexus. The scope assumes three to four sets of affordability gaps will be developed that are representative of development costs within different geographic subareas, for example:

- West Valley (i.e. Los Gatos, Saratoga, Campbell, Los Altos, others)
- Silicon Valley Core Cities (i.e. Santa Clara, Milpitas)
- Central East Bay (i.e. Union City, San Leandro)
- North East Bay (Albany) – could be merged with Union City and San Leandro pending the results of the analysis.

Final selection of the appropriate geographic subareas for purposes of the affordability gap analysis will be based on input from participating jurisdictions and affordable unit development cost information assembled in the course of the work effort. While Fremont may be closely linked with the other Silicon Valley communities, due to its location in Alameda County with its separate income limits, it will either need to be grouped with the Alameda County cities for affordability gap purposes or occupy its own separate category.

Development costs should reflect a lower end average cost experience for delivering affordable units within each of the identified geographic sub-areas. Very Low and Low Income Households are generally assumed to be accommodated in rental units (as opposed to ownership units). Typically we assemble development cost information on



built or pipeline 100% affordable projects. For the moderate income tier, affordability gaps are typically based on a modest for-sale product such as a townhome or condominium. We assume Baird and Driskell will facilitate access to information about such projects in Santa Clara and Alameda Counties. The affordability gap analysis can be conducted with or without the assumption of federal tax credits and low cost financing availability, an analysis decision to be discussed as part of the initial work session as described above.

## **2. Mitigation Cost and Maximum Fees**

The affordability gap for each income level is applied to the number of affordable units required to mitigate increased affordable housing demand from Tasks 1 and 2 to produce the total nexus cost, or the highest fee level supported by the nexus analyses.

For the residential nexus analyses, findings may be expressed either on a per market rate unit basis, on a per square foot basis, or both. Each of the residential prototypes identified at the outset of the nexus analysis with market prices and rents tailored for each jurisdiction will produce a different impact fee level. The conclusion of this task will be maximum supported fee levels from a legal or nexus perspective for each market rate prototype in each of the participating communities.

For the non-residential nexus analyses, findings will be expressed in terms of the maximum supported fee level per square foot of building area for each of the non-residential development prototypes identified in the analysis.

## **3. Overlap Analyses**

For jurisdictions that pursue fees on both commercial and residential, KMA recommends that an analysis of potential overlap be prepared. There is a degree of overlap between jobs included in the residential and commercial nexus analyses. The extreme example is a mixed-use retail/residential project where the retail almost exclusively serves the new residents in the project. In this instance,

residential and commercial nexus analyses would each be counting some of the same jobs. While there is some overlap that needs to be addressed, a commercial nexus analysis typically counts many jobs that are not included in the residential nexus and vice versa. KMA has developed a methodology that examines the potential for overlap and demonstrates that the combined residential and commercial fees do not exceed the amount supported by the nexus after accounting for potential overlap.

## **4. Internal Review and Adjustment**

The results of the initial draft residential and non-residential nexus analyses, affordability gap calculations from Tasks 1 through 3 will be refined, calibrated, and summarized in a concise format suitable for internal review. At this point we suggest an all hands meeting to discuss results and further options for fine-tuning analysis assumptions and inputs. Once the technical analysis has been finalized, KMA will proceed to the report drafting phase. Each jurisdiction will also need to decide whether for-sale units are to be included in the residential nexus analysis before report drafting can begin.

### **TASK 4: TASKS TO ASSIST WITH SELECTING FEE LEVELS**

#### **1. Summary of residential and non-residential fees in other jurisdictions**

KMA will survey affordable housing requirements on market rate apartment development and non-residential development for each of the participating jurisdictions plus up to six additional comparison jurisdictions.

- a. *Residential Requirements* – The survey will address affordable housing requirements applicable to rental residential development and will provide a summary of key ordinance features such as thresholds and onsite alternatives. The results of the survey will be summarized in one or more charts. A brief narrative will summarize the key conclusions that may be drawn from the comparison.



b. *Non-residential requirements* – KMA will prepare a chart containing a comprehensive listing of jurisdictions that have commercial linkage fees in place. The chart will include an identification of fee levels by building type as well as a summary of key ordinance features such as thresholds and exemptions. KMA has previously assembled most of this information for other assignments. A brief narrative will summarize the key conclusions that may be drawn from the chart.

## 2. Residential Financial Feasibility

In adopting new fee programs, many jurisdictions find it informative to have an accompanying real estate financial feasibility analysis which analyzes the impacts that fees can have on the financial feasibility of new construction. Adoption of fees on new construction can be contentious with the development community and financial feasibility concerns are often raised by developers. It is for this reason that KMA sometimes incorporates a financial feasibility component to accompany our nexus analyses.

KMA will prepare an analysis of financial feasibility for apartment projects located within each of four geographic sub areas which, as an example, could be defined as:

- West Valley Cities (i.e. Los Gatos, Saratoga, Campbell, Los Altos, others).
- Silicon Valley Core Cities (i.e. Santa Clara, Milpitas, Fremont)
- East Bay Central (i.e. San Leandro, Union City)
- East Bay North (Albany)

The financial feasibility analysis will be intended to provide a representative picture of current apartment feasibility conditions within each of the four geographic areas. The focus of the feasibility analysis will be on apartment projects based on the expectation that many jurisdictions will consider impact fee requirements on apartments only based on the San Jose decision which allows existing inclusionary requirements on for-sale projects to remain in place without a need for nexus support. The feasibility analysis will be illustrative and will not analyze specific

projects in specific locations on specific sites. Representative figures for rent levels and fees and permit costs will need to be used for each of the sub areas understanding conditions may vary within individual communities.

We will conduct the financial feasibility analysis for two apartment prototypes, which we anticipate to include a higher-density prototype with structured parking and a lower-density apartment prototype with surface parking. A survey of market rents will already have been conducted as part of the base nexus study but other feasibility components such as land costs, construction costs, and developer returns will need to be analyzed.

The financial feasibility analysis will be presented as a residual land value analysis that identifies land values supported by current development economics. Residual land values can then be compared against recent land sales to draw conclusions about financial feasibility. As part of the financial feasibility analysis, KMA will analyze the impact potential fee requirements would have on the financial feasibility of residential development. Pro formas modeling the development economics of selected prototypical apartment projects will be prepared, first assuming 100% market rate projects. The pro formas will then be used as a tool to evaluate and test the ability of new apartment developments to absorb the cost of potential affordable housing fee requirements.

**Development Costs** – KMA will estimate the cost to develop each prototype. Key cost components include: on-site improvements, vertical construction costs, parking costs, architectural and engineering fees, impact and planning fees, financing costs, overhead costs, and all other “indirect” costs of construction. These estimates will be based on KMA’s database of cost data from similar residential projects, third party data sources, as well as contacts with members of the development community. It is assumed that participating jurisdictions will provide an estimate of applicable impact and permit fee requirements and that Baird and Driskell will facilitate the collection and assembly of this information.



**Apartment Values** – KMA will use the data gathered in the market survey to estimate current rental rates for apartment prototypes. Additionally, KMA will collect and evaluate the prices of recently sold apartment complexes and the capitalization rates reflected in the prices to the extent available. We obtain market data from a variety of sources including Dataquick, CoStar, Real Facts, and current market listings for new apartments on the market. Other data helpful in understanding market conditions includes building permit data and trends (Construction Industry Research Board), residential absorption rates and inventories, and residential pipeline projects.

It is assumed that jurisdictions will provide information on recently completed and pipeline apartment projects by completing a KMA-prepared template outlining the basic requested information such as number of units, average unit size, construction type, and number of stories. It is assumed that Baird and Driskell will coordinate the collection of information about pipeline apartment projects from each jurisdiction.

**Warranted Investment and Financial Feasibility** – In order for a new development project to be financially feasible, the projected income/revenues must exceed the development costs enough to generate a return (profit) to the developer that adequately recognizes the development risks. As a function of the large volume of residential projects KMA evaluates at any given time, we are well attuned to the developer return thresholds that are required by the private marketplace. To supplement our own sources, we also utilize third party sources to adjust developer return thresholds and cap rates including Real Estate Research Corporation (RERC) and Korpacz Investor Survey, both of which provide regular updates on the housing market.

**Testing** – KMA will utilize the financial feasibility analysis to test the viability of potential affordable housing fee requirements. If the analysis indicates the potential requirements are not currently viable, KMA will estimate the degree to which land values would need to decrease or apartment rents would need to increase to render the requirements feasible.

### **3. Non-Residential Total Development Costs**

Understanding existing and proposed non-residential fee levels in the context of total development costs is another consideration that many cities include in their fee setting discussions. This task allows potential fee levels to be framed in terms of a percentage of the total development costs. Because fee levels for non-residential development tend to be far lower relative to costs compared to residential, full financial feasibility testing is usually not warranted.

This analysis evaluates the cost but not the rental income side of the financial feasibility equation. Total development costs inclusive of local land costs, local fees and all indirect costs will be summarized in the analysis.

KMA will prepare total development cost summaries for non-residential development located within three to four geographic subareas which, as an example, could be defined as:

- West Valley Cities (i.e. Los Gatos, Saratoga, Campbell, Los Altos, others).
- Silicon Valley Core Cities (i.e. Santa Clara, Milpitas, Fremont)
- East Bay (i.e. San Leandro, Union City, Albany)

For this task, KMA would first identify prototype projects for each of the non-residential land uses (office, retail, etc.) within each of the subareas. KMA would review information on projects in the pipeline to ensure that the prototypes represent projects that are likely to occur over the next several years. For each of the sub areas, KMA will analyze three to five non-residential prototypes.

It is assumed that jurisdictions will provide information on major pipeline projects through completion of a KMA-prepared template outlining the basic information requested such as square footage, construction type, parking configuration, and number of stories. It is assumed that Baird and Driskell will coordinate collection of information about non-residential pipeline projects from each jurisdiction.



Once prototypes have been established, KMA would estimate the cost to develop each prototype. KMA could estimate total development costs including estimates for land acquisition, on-site land improvements, vertical construction costs, parking costs, and indirects. These estimates will be based on existing analyses done for the City, information that KMA has on similar projects, as well as data provided by members of the development community. It is assumed that participating jurisdictions will provide an estimate of applicable impact and permit fee requirements and that Baird and Driskell will facilitate the collection and assembly of this information.

#### **4. Small For-Sale Project Fee Context**

One of the purposes of conducting the residential nexus analysis on for-sale projects will be to support potential fee requirements on smaller for-sale projects. While inclusionary requirements applicable to for-sale units do not require nexus support as affirmed by the recent San Jose decision, when requirements apply to small projects where on-site compliance is not practical, nexus support for fee alternatives is still recommended.

To provide context for fees that apply to small for-sale projects, KMA will put potential fee levels in the context of a percentage of the sales prices for market rate units to assist in evaluating the likelihood that proposed requirements would influence development decisions.

### **TASK 5: WRITTEN PRODUCTS AND REPORTS**

#### **1. Residential and Non-Residential Nexus Reports**

KMA will prepare separate nexus study reports for each of the participating jurisdictions. Each report will include a description of the analysis, the methodology, the assumptions, and the findings. The reports will be supported by tables, data, and other materials relevant to the analysis. Separate reports will be provided for the residential and non-residential nexus analyses. The explanation of nexus analysis approach and assumptions will be similar across the reports for each jurisdiction.

KMA will prepare draft nexus reports for all of the jurisdictions more or less concurrently unless there is a desire to prioritize reports for certain jurisdictions based upon specific timing needs. Before we can begin drafting the reports, we will need to have finalized the technical analysis and confirmed with individual jurisdictions as to whether for-sale units are to be included as part of the nexus report. If requested, KMA could provide examples of residential and non-residential nexus reports in advance to provide an early opportunity for feedback on the report “template” to be used.

KMA will provide one draft and one final version of each report. Additional interim drafts for individual jurisdictions may be provided on a time and materials basis.

We also anticipate an all hands conference call following circulation of the drafts to review any general comments. All jurisdictions will be responsible for providing a single set of consolidated written comments on the draft reports.

#### **2. Summary and Recommendations Report**

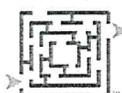
A concise summary report covering all the analyses and recommendations will be prepared for the adoption process. The summary and recommendations report would be written for the general public and decision makers, laying out the analysis and conclusions and the context of the recommendations. Recommendations applicable to residential development will focus on requirements for rental projects and small for-sale projects. All other materials would be appendix documents for those interested in the detail and for reference in the ordinance language.

### **TASK 6: MEETINGS AND COMMUNICATIONS**

KMA is recommending the following meetings and conference calls during the conduct of this assignment:

#### **In-Person Workshops**

1. *Initial Workshop* – the initial workshop is envisioned approximately 4 – 6 weeks into the work program and would follow a kick-off conference call. The workshop



will include a walk-through of the analysis methodology. A primary objective will be to obtain input into some key analysis decisions such as the income tiers to be addressed in the analysis and the residential and non-residential prototypes. KMA will have conducted some initial market research to enable an informed discussion of potential residential and non-residential prototypes.

2. *Interim Workshop* – Work session following completion of an initial draft of all the key nexus analysis findings to discuss any final refinements to be considered before moving to the report drafting stage.

We expect each workshop to run approximately 3 hours in length. KMA will prepare materials in advance including power point presentations and hand out materials such as outlines for discussion, data request lists, etc. For the initial workshop, KMA will present initial prototypes (residential and non-residential), income definition specifics, affordability gap materials, etc. We will include examples from elsewhere to illustrate how material are assembled and used. The Interim Workshop will focus on analysis results and how the results should be used, and discussion of programs and process for adoption. All sessions are expected to be interactive and allow staff to ask questions to make sure participants understand the analysis and process.

### **All-Hands Conference Calls**

In addition to the in-person workshops, we assume three all-hands phone conferences will be held including a kick-off conference call, a call to review the initial report drafts, and one additional call to be scheduled as-needed.

### **Individual Jurisdiction Communications**

We are assuming a limited level of one-on-one communication by phone and e-mail with individual participating jurisdictions to discuss prototype selection or other jurisdiction-specific issues that cannot be addressed as part of all hands workshops and conference calls. However, this proposal assumes that Baird and Driskell will serve as the first point of contact to jurisdictions throughout the assignment.

It is assumed that Baird and Driskell will coordinate all meetings so staff can meet at the same time. In person meetings will be supplemented with phone and e-mail communication with the Silicon Valley Community Foundation, Baird + Driskell, and participating jurisdictions.

### **Proposal Assumption: Common Approach**

To deliver the nexus studies cost effectively, KMA is proposing that the analyses and reports be standardized in certain respects. We believe standardization can be accomplished without compromise to the validity of the findings or legal defensibility. Additional customization, if desired by some jurisdictions, could be addressed as an optional service. The following elements are proposed to be standardized across each of the nexus analyses:

- *Nexus technical analyses* – the nexus analyses will be based on a common approach and a common set of assumptions. Residential prototypes and pricing will vary by jurisdiction; however, most of the other underlying assumptions of the technical analysis will be consistent across jurisdictions.
- *Commercial Prototypes* – the nexus studies will address a common set of commercial development prototypes representative of the breadth of commercial development expected to be experienced across the participating jurisdictions. The reports will address the fact that not all prototypes are likely to be built in every jurisdiction.
- *Affordability Levels / Income Tiers* – the nexus analyses will address a common set of housing affordability levels (i.e. Very Low, Low, Moderate, etc.). Other tiers can be included if desired, Extremely Low or Median for example.
- *Reports* – The residential and non-residential nexus technical reports for all jurisdictions are assumed to have a standardized format with largely common explanatory text and exhibits.



## **OPTIONAL SERVICES**

The following optional tasks are focused on assistance with program customization, additional meeting participation, and assistance with the adoption process. Optional services are not included as part of the proposed budget. For optional services, we are providing an indicative budget range rather than a firm price proposal. Costs for optional services will vary depending on the specific needs of individual jurisdictions.

### ***Optional Task A. Financial Feasibility Analysis – Additional Customization or Testing***

An analysis of real estate financial feasibility for market rate apartment projects is included as part of the basic scope of service. The analysis will provide an analysis for four geographic sub areas but will not be jurisdiction-specific. Individual jurisdictions may wish for further customization to fine tune the analysis to their specific jurisdiction and / or test additional scenarios. KMA can provide additional customization and testing for individual jurisdictions on a time and materials basis. Some jurisdictions may also be interested in analyzing the financial feasibility of for-sale projects.

### ***Optional Task B. Policy Evaluation/Fee Recommendations***

This additional service would entail review of the jurisdictions key policy documents that address housing (Housing Element, etc.), review of local market strength for residential and non-residential development and other factors affecting selection of fee levels recommended to take forward for adoption. For cities that have inclusionary programs that require on-site affordable units, KMA will analyze the cost to the project (per market rate unit and per square foot of each market rate prototype) of the on-site requirement so that impact fee levels can be understood in the context of the on-site requirement. Following KMA review of materials and analysis of inclusionary requirements, we would meet with the jurisdiction to discuss recommendations.

In many ways, this is a more policy based, more in-depth and more customized approach to recommendations compared to that which will be provided in the Basic Services part of the work program.

Costs will range from \$2,500 to \$5,000 for most jurisdictions. Cost range depends on number of prototypes, range of conditions within the jurisdiction, and whether there is an inclusionary program that has on-site units.

### ***Optional Task C. Local Program Customization***

This task offers a level of services beyond fee levels, indicated in the previous task. A fee program may include thresholds for compliance, step ups, phase in. Also certain exemptions are common and need to be determined before a program is taken forward to adoption. We can also assist with findings language for the ordinance(s) and provide sample ordinances. Finally, we could arrange to subcontract with a legal services firm to draft the ordinance(s). Costs are anticipated to range from \$1,500 to \$3,000 (excluding additional legal).

### ***Optional Task D. Assistance with the Adoption Process / Additional Meetings***

KMA may be contracted to attend meetings and/or make presentations to Commissions, Councils and Boards. For presentations, KMA will prepare a power point and work with staff to integrate the material. Also, meetings with stakeholder groups could be added to the work program. In general, \$1,500 per meeting plus expenses should be anticipated, plus an additional \$1,000 for a power point and coordination with staff.

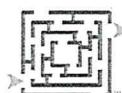


# 04 Timeline

The following is an illustrative schedule for the multi-jurisdiction effort. We are anticipating the process from initiation of the assignment to completion of all work products will take approximately 8.5 months. We are happy to discuss schedule modifications that may be needed to better align with specific objectives of the participating jurisdictions.

<i>Task / Milestone</i>	<i>Approximate Timing *</i>
All Hands Conference Call to Initiate Assignment	Week 2
Initial Workshop with all jurisdictions	Week 6
Completion of Initial Draft of all Technical Analyses	Week 18
Second All-hands Workshop to review draft analyses	Week 20
Completion of draft Non-Residential Reports (all 11 reports)	Week 25
Completion of draft Residential Reports (all 10 reports)	Week 27
Comments due back on Non-Residential Reports	Week 27
Comments due back on Residential Reports	Week 29
All Hands Conference Call to Review Comments	Week 30
Final Reports	Week 35

*\*measured from contract execution and authorization to proceed unless otherwise noted. We would also appreciate a two week hiatus over the holidays, with the ensuing dates adjusted accordingly.*



# 05 Budget

<b>BUDGET ESTIMATE FOR BASE SERVICES TO ALL JURISDICTIONS</b>	
	<b>Total Budget (Shown @ 10 Jurisdictions)</b>
<b>Task 1 - Residential Nexus</b>	
1 Prototype Selection for Each Jurisdiction	\$4,500
2 Market Survey	\$20,000
3 Nexus analysis	\$39,000
<b>Subtotal Task 1</b>	<b>\$63,500</b>
<b>Task 2 - Non-Residential Nexus</b>	
1 Review of Market Conditions	\$6,500
2 Non-Residential Building Type Selection	\$10,000
3 Jobs Housing Nexus - # of units supported	\$22,000
<b>Subtotal Task 2</b>	<b>\$38,500</b>
<b>Task 3 - Affordability Gaps and Maximum Fee Levels Supported</b>	
1 Affordability Gap Analysis (4 subregions)	\$16,000
2 Mitigation Cost and Maximum Fees	
a. Residential	\$9,000
b. Non-Residential	\$10,000
3 Overlap Analysis	\$20,000
<b>Subtotal Task 3</b>	<b>\$55,000</b>
<b>Task 4 - Tasks to Assist in Setting Fee Levels</b>	
1 Affordable housing fees in comparison cities	\$4,500
2 Financial Feasibility: Apartments (4 subregions)	\$35,000
3 Non-Residential Dvlprmt Cost (4 subregions)	\$25,000
4 Small for-sale project fee context	\$2,500
<b>Subtotal Task 4</b>	<b>\$67,000</b>
<b>Task 5 - Written Products and Reports</b>	
1 Residential Nexus - base report	\$5,000
Customization to each jurisdiction	\$17,000
2 Non-Residential Nexus - base report	\$3,000
Customization to each jurisdiction	\$20,000
3 Summary and Recommendations Reports	\$25,000
<b>Subtotal Task 5</b>	<b>\$70,000</b>
<b>Task 6 - Meetings and Communications</b>	
1 Kickoff Workshop with all jurisdictions	\$5,500
2 Individual jurisdiction communication	\$10,000
3 Workshop with all jurisdictions on results	\$5,000
4 All hands conf. calls (@3, w/3-4 KMA staff)	\$3,375
<b>Subtotal Task 6</b>	<b>\$23,875</b>
<b>Reimbursable Expenses</b>	<b>\$4,000</b>
<b>Total - Base Scope of Services</b>	<b>\$321,875</b>
<b>Total Cost Per Jurisdiction @10 Jurisdictions</b>	<b>\$32,188</b>

Notes: All jurisdictions must have signed on to the effort up front for the cost efficiencies assumed in this budget to be achieved. The budget estimate for tasks related to the residential nexus does not include Fremont because a residential nexus is not needed. The budget estimate will be adjusted based upon the final number of participants. The estimate does not include potential participation by San Jose which is assumed to proceed under a separate contract.



## 2015/2016 Fee Schedule

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A. JERRY KEYSER*	\$280.00
MANAGING PRINCIPALS*	\$280.00
SENIOR PRINCIPALS*	\$270.00
PRINCIPALS*	\$250.00
MANAGERS*	\$225.00
SENIOR ASSOCIATES	\$187.50
ASSOCIATES	\$167.50
SENIOR ANALYSTS	\$150.00
ANALYSTS	\$130.00
TECHNICAL STAFF	\$95.00
ADMINISTRATIVE STAFF	\$80.00

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Directly related job expenses not included in the above rates are: auto mileage, parking, air fares, hotels and motels, meals, car rentals, taxis, telephone calls, delivery, electronic data processing, graphics and printing.

Monthly billings for staff time and expenses incurred during the period will be payable within thirty (30) days of invoice date.

*\* Rates for individuals in these categories will be increased by 50% for time spent in court testimony.*



MEMORANDUM



City of Campbell

City Clerk's Office

To: Honorable Mayor and City Council

Date: October 4, 2016

From: Andrea Sanders, Deputy City Clerk *AS*

Via: Mark Linder, City Manager *ML*

Subject: **Desk Item 11 – Letter from Dennis Martin of BIA Bay Area**

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On October 4, 2016, a letter was received from Dennis Martin of BIA Bay Area as part of the public record in regards to Item 11.



October 4, 2016

Jason Baker, Mayor of Campbell  
Members of the Campbell City Council  
The City of Campbell  
70 N. First St.  
Campbell, CA 95008

**RE: City Council 10.4.16 Agenda Item 11. Housing Impact Fees Nexus Study Resolution**

Dear Mayor Baker and City Council Members,

It is an undisputed fact that there is a need for the Silicon Valley region to address the crisis of housing affordability throughout the Bay Area, including the City of Campbell. However, legally indefensible nexus studies, such as the study provided by Kaiser Marsten Associates (KMA) to the City of Campbell do not provide a lawful basis to implement new fees, i.e., taxes, on new residential construction.

Housing affordability has become a crisis due to the lack of housing supply, recent explosive regional job growth, the termination of redevelopment by the state legislature and other economic, political and social factors that should be addressed by society at large, such as through adoption of Measure A, the Santa Clara County Affordable Housing Bond, and not allocated to builders of market-rate housing based on studies that fail to satisfy the most basic elements of proximate cause.

Upon review of the KMA Nexus Study and the fee methodology utilized to determine the maximum supportable nexus-based Housing Fees, BIA Bay Area has concluded that the Nexus Study is not a legally defensible document and does not prove legally defensible "causation" through its attenuated fee calculation methodology. The KMA Fee Analysis methodology consists of a multiple step chain of events supported by subjectivity and relying heavily on a lengthy chain of speculative events, predominately driven by the act of spending money in the local economy, including indirect and induced impacts (not direct or reasonably related). The methodology is subject to numerous assumptions including federal or local tax levels, personal spending habits, personal savings rates, number of jobs created, the location of those jobs, how many of those jobs will be new jobs, how many of those new jobs will be low income jobs, gross household incomes, net household incomes, rate of expenditures on goods & services, how many of those households will choose to live in the community and so on.

The attempt to quantify secondary and beyond impacts is unfounded and generally absent in nexus practice throughout California. The assumptions in this study are more commonly applied in academic and economic studies. This approach and application of assumptions are not common practice in establishing nexus findings in accordance with provisions of the Mitigation Fee Act. A copy of the legal

analysis of Residential Nexus Studies by attorneys Geoffrey Robinson and Christopher Chou of Perkins-Coie dated December 2014 and the accompanying Executive Summary are attached for your review.

BIA Bay Area does not support the adoption of a residential Housing Impact Fee based on the methodology used by KMA to arrive at a maximum mitigation fee. However, BIA recognizes that the City of Campbell likely will follow the trend of other Bay Area cities in adopting such a fee. In this case, BIA Bay Area strongly suggests that 1) to prevent an escalation of housing impact fees and therefore higher housing costs throughout the region, 2) to maintain competitiveness for future investment by the private sector and 3) to incentivize the construction of affordable units by market rate developers, the following actions should be taken when adopting the fee:

- Adopt a HIF no higher than \$17 per sq. ft. to stay in alignment with other nearby cities such as Sunnyvale (\$17), Mountain View (\$17), San Jose, (\$17), and Fremont (\$17.50);
- Provide financially attractive incentive provisions in the adopted resolution to voluntarily construct a percentage of required affordable units in rental developments such as direction to implement a robust density bonus program that encourages the construction of affordable units;
- Allow a sufficient pipeline exemption and phase in implementation of the fee to allow those projects in the city that are currently in process to complete their entitlement permitting at current fee levels.

Silicon Valley's substantial lack of an adequate housing supply, both market rate and affordable, is a region wide as well as state wide problem and is the most significant factor contributing to the escalating cost of housing, as noted in the Legislative Analyst Office Report dated March 17, 2015. Restrictive land use regulations, infrastructure costs, impact fees and rising labor costs create serious impediments to addressing the affordability crisis the region is facing.

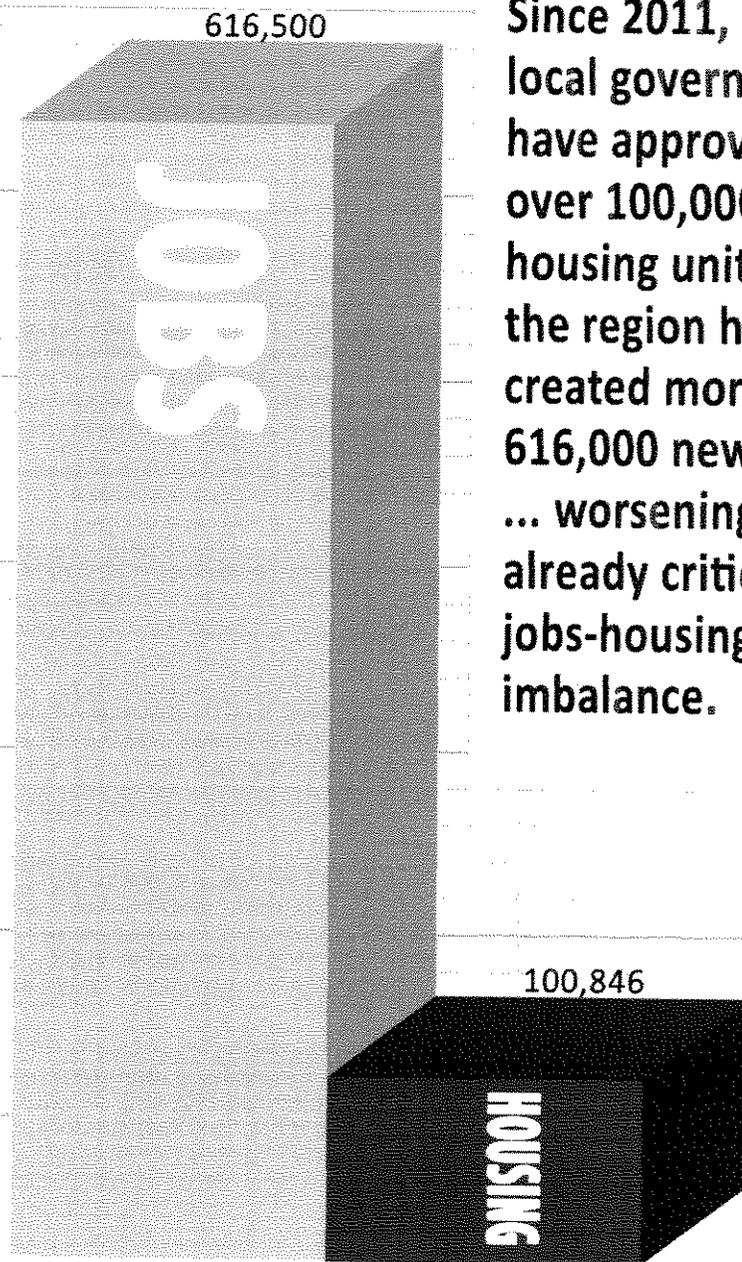
This challenge should be addressed not by relying solely on the tax revenue generated by one industry - development, but by using a balanced approach - the establishment of a set of broad based, community-wide fiscal and policy responses that will generate an adequate housing supply and provide stable, long term financial resources.

Respectfully submitted,

Dennis Martin  
Government Affairs  
BIA Bay Area

# BAY AREA JOBS-HOUSING 'BALANCE'?

*Experts say a healthy balance is about 1.5 jobs per housing unit.*



Since 2011, local governments have approved just over 100,000 new housing units while the region has created more than 616,000 new jobs ... worsening an already critical jobs-housing imbalance.

■ JOBS ■ HOUSING

*SOURCES: BIA|Bay Area updated this handout on Sept. 30, 2016, using data provided by the California Economic Development Dept.; California Construction Industry Research Board and California Homebuilding Foundation. (For more information, about CIRB housing permit data, visit [mychf.org/go/cirb/](http://mychf.org/go/cirb/).)*

**Do Post-*Palmer* and *Patterson* Residential Nexus Studies Satisfy Applicable  
Constitutional and Statutory Requirements?**

*Prepared for*  
Building Industry Association of the Bay Area  
*by*  
Geoffrey L. Robinson  
and Christopher A. Chou

December, 2014

**I. INTRODUCTION**

This legal analysis addresses whether the new generation of nexus studies prepared by consulting firms following recent judicial decisions (*Palmer*, *Patterson*, *Sterling Park*, and the California Supreme Court's grant of review in *CBIA v. City of San José*) satisfy the governing standard for exactions described by the California Supreme Court in *San Remo Hotel v. City and County of San Francisco*, 27 Cal. 4th 643 (2002).<sup>1</sup> That decision holds that legislatively imposed development fees and exactions "must bear a reasonable relationship, in both intended use and amount, to the deleterious public impact of the development." *Id.* at 663–64. To satisfy the constitutional and legislative standards embodied in the reasonable-relationship test, the local agency must produce evidence showing that "(1) there is a cause-and-effect relationship between the owner's desired use of the property and the social evil that the fee seeks to remedy, and (2) the fee is reasonably related in both intended use and amount to that social evil." 27 Cal. 4th at 687 (Baxter, J. concurring and dissenting). In other words, an ordinance establishing a legislatively imposed development exaction can only be sustained if both its purpose and extent are reasonably related to some negative public impact proximately caused by the projects on which the exaction would be imposed.

This analysis focuses on the methodology underlying nexus studies commissioned specifically to justify affordable housing impact fees on new residential development. The fees purportedly justified by the methodology are staggering. A study prepared for Hayward purports to justify a fee of \$81,900 per market rate unit for single-family detached units (\$40.98/sq. ft.) and \$82,800 (\$44.73/sq. ft.) per market rate unit for townhomes/condominiums. A study prepared for Fremont purports to justify a fee of \$66,000 per market rate unit for single-family detached ("large lot") units; \$52,000 per market rate unit for single-family detached ("small lot") units; \$41,100 per market rate unit for townhome units; \$39,600 per market rate unit for condominium units; and \$27,800 per market rate unit for apartment units. Taking the Fremont figures,

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<sup>1</sup> The nexus analyses that are the subject of this memorandum are those generally described in Cray, A., *The Use of Residential Nexus Analysis in Support of California's Inclusionary Housing Ordinances: A Critical Evaluation: A report to the California Homebuilding foundation* (Nov. 2011) (available at <http://www.cbja.org/go/linkservid/06D3172D-35C3-4C71-9A9098D439C63874/showMeta/0/>).

applying the “justified” fees to a 100-unit townhome project would impose \$4.1 million in affordable housing impact fees on the project.

Recently, this methodology has also begun to be used to justify other inclusionary housing mandates, such as the “traditional” inclusionary zoning requirement that the developer sell a certain percentage of units at below-market rates or pay an in-lieu fee to fund affordable housing. In *Sterling Park, L.P. v. City of Palo Alto*, 57 Cal. 4th 1193 (2013), the California Supreme Court held that such requirements constitute “exactions” under the Mitigation Fee Act. The Court is currently considering, in *California Building Industry Association v. City of San José*, No. S212072 (Cal. Supr. Ct.), whether inclusionary housing ordinances that exact property interests or in-lieu fees must be reasonably related to the impact of development, as set forth in the *San Remo* decision. Assuming the Court adheres to its conclusion in *Sterling Park* that such inclusionary requirements constitute exactions subject to the Mitigation Fee Act, it appears highly probable that the Court will hold that these requirements must satisfy the reasonable-relationship standard described in *San Remo*. If so, the legal analysis in this memorandum will apply to nexus studies commissioned in support of the full range of inclusionary housing provisions that require the transfer of money or an interest in property from the developer, including “traditional” inclusionary zoning mandates.

## II. SUMMARY OF ANALYSIS AND CONCLUSIONS

### A. Residential Nexus Studies.

In an attempt to satisfy the governing constitutional and statutory requirements for development exactions, municipalities have commissioned “residential nexus studies” that seek to demonstrate the legally required nexus between new market rate housing and the need for affordable housing. A description of the methodology employed in these studies appears in a recent Keyser Marston report<sup>2</sup> for the City of San José:

At its most simplified level, the underlying nexus concept is that the newly constructed units represent net new households in San José. These households represent new income in San José that will consume goods and services, either through purchases of goods and services or “consumption” of governmental services. New consumption translates to jobs; a portion of the jobs are at lower compensation levels; low compensation jobs relate to lower income households that cannot afford market rate units in San José and therefore need affordable housing.

This methodology for new rental housing is summarized in the chart that follows:

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<sup>2</sup> Keyser Marston Associates, Inc. Residential Nexus Analysis – City of San José (June 2014) at 8 (available at <http://www.sanJoseca.gov/DocumentCenter/View/32877>) (“KMA--San José”).

<p><b>1) Construction of New Market Rate Units</b></p> <p><b>2) New Household Moves into the New Market Rate Unit</b></p> <ul style="list-style-type: none"> <li>All new households assumed to represent new income and new spending in San José</li> </ul> <p><b>3) Determine Value of Market Rate Units</b></p> <ul style="list-style-type: none"> <li>Two apartment prototypes chosen for use in the analysis</li> <li>Prototypes are based on an intended average or typical apartment prototype in San José</li> </ul> <p><b>4) Estimate Income of Renter Households</b></p> <ul style="list-style-type: none"> <li>Assumes household spends 30% of income on rent</li> <li>Uses Census data for Santa Clara County and makes adjustments to meet consistency with CA Health &amp; Safety code standard</li> <li>Resulting assumption is household income is 3.3x rent</li> <li>Annual household income calculated for apartment renters ranges from \$94,000 - \$107,000</li> </ul> <p><b>5) Estimate Income Available for Expenditures</b></p> <ul style="list-style-type: none"> <li>To adjust gross household income, assumptions are made about household: <ul style="list-style-type: none"> <li>Federal and state income taxes</li> <li>Contributions to social security and Medicare</li> <li>Savings rates</li> <li>Debt obligations</li> <li>Spending patterns</li> </ul> </li> <li>Assumes 65% - 66% of gross income is available for expenditures (before rental/housing payments)</li> </ul> <p><b>6) Use IMPLAN Model to Estimate Job Creation</b></p> <ul style="list-style-type: none"> <li>Input household expenditures into IMPLAN model</li> <li>Jobs calculations are produced, including all jobs, full-time and part-time</li> </ul> <p><b>7) Use IMPLAN Results to Calculate Jobs by Industry Category</b></p> <ul style="list-style-type: none"> <li>Calculations are based on IMPLAN output</li> <li>Calculates and estimates amount of household expenditures spent locally</li> <li>Preparer inputs assumptions about location of jobs</li> </ul> <p><b>8) Use of KMA Jobs Housing Model</b></p> <ul style="list-style-type: none"> <li>Estimates employment growth for industries related to consumer spending estimates</li> <li>Changing industries adjustment and net new jobs:</li> <li>Adjustment from employees to employee households:</li> <li>OES to generate an estimate of employment by occupational category</li> </ul>	<p><b>9) Estimate Employee Households Meeting Lower-income Definitions</b></p> <ul style="list-style-type: none"> <li>Occupations translated to employee incomes based on County wage and salary info from EDD</li> <li>For each occupational category, OES data provides distribution of specific occupations</li> <li>Model uses distribution of wages to calculate % of worker households in each income category</li> <li>For households with more than one worker, individual employee income data used to calculate household income by assuming multiple earner households have individuals with similar incomes</li> <li>The step above is repeated around 400 times in the nexus analysis for each of the over 100 occupations and at each of the four affordable income tiers</li> <li>A matrix is established to estimate the percentage of household income that would qualify in the affordable income tiers</li> </ul> <p><b>10) Estimate Distribution of Household Size and Number of Workers</b></p> <ul style="list-style-type: none"> <li>County demographics examined to develop probability factor for each combination of household size and number of workers</li> <li>Five sets of probability factors are used to reflect differences in household patterns by income and are derived from 2006-2010</li> <li>Applies separate sets of probability factors for five separate compensation ranges</li> </ul> <p><b>11) Estimate Number of Households that Meet Size and Income Criteria</b></p> <ul style="list-style-type: none"> <li>Combine matrix of results that estimate employee households with the probability of a worker household</li> <li>Calculates the percentage of households that fall into an affordability tier</li> <li>The percentages are multiplied by number of households to calculate the number of households in each affordability tier</li> <li>Methodology is repeated for each of the four income tiers</li> </ul> <p><b>12) Estimate Affordability Gap</b></p> <ul style="list-style-type: none"> <li>Estimate difference between cost of developing a residential apartment unit and the amount a household can afford to pay</li> <li>For rental units, affordability gap calculated after funding available through 4% tax credits and tax exempt bonds</li> <li>Development Costs:</li> <li>Affordability Gap:</li> <li>Net operating income calculations are estimated and used to determine the amount of tax exempt bond debt supportable to finance the construction of units</li> </ul> <p><b>13) Calculate Cost per Market Rate Unit</b></p> <ul style="list-style-type: none"> <li>Calculate the product of the estimated low income households and the estimated affordability gap, per the respective income category</li> </ul>
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As indicated, the methodology begins with “prototypical market rate units,” assumes a rental rate for those units, estimates the gross household income of the people renting the units, estimates the net household income available for expenditures, assumes a rate of expenditure on local goods and services, estimates the number of local jobs created by those expenditures, translates these jobs into new households, estimates the size and occupational and income distribution of the households, estimates the number of these households that fall within inclusionary housing parameters, calculates the total development cost of new market rate units that would

accommodate those households, deducts the financing available from tax credits and tax-exempt debt for those units, and thereby purports to calculate the “affordability gap” for each of the tiers of lower-income households “generated” by new market-rate units. The “affordability gap” is then translated into the “total nexus cost” for each new market-rate unit. This multi-step causation analysis is, in turn, dependent upon a host of assumptions about matters such as household income of occupants of market-rate rental units, tax, personal savings and debt rates, local (versus regional or online) spending patterns, number, type and location of net new jobs created, number of persons from outside the community occupying those jobs, size, number and total income of new households “created” by those jobs, and other variables.

## **B. Governing Law.**

Affordable housing fees, like other development impact exactions, “must bear a reasonable relationship, in both intended use and amount, to the deleterious public impact of the development.” *San Remo Hotel v. City and County of San Francisco*, 27 Cal.4th 643, 663–664 (2002). Under the Mitigation Fee Act, Govt. Code, §§ 66000–66025, the local agency must demonstrate a “reasonable relationship” between the need for and use of the exaction and the type of development project on which the exaction is imposed. Govt. Code § 66001(a)(3). The local agency has the burden of producing evidence in support of these determinations. *Homebuilders Ass’n of Tulare/Kings Counties, Inc. v. City of Lemoore*, 185 Cal.App.4th 554, 561 (2010). The agency must also show that a valid method was used for establishing a reasonable relationship between the fee charged and the burden posed by the development. *Shapell Industries, Inc. v. Governing Board*, 1 Cal.App.4th 218, 235 (1998).

The Mitigation Fee Act embodies both constitutional and statutory standards. *Ehrlich v. City of Culver City*, 12 Cal. 4th 854, 866–67 (1996) (Term “reasonable relationship” as used in Mitigation Fee Act “embraces both constitutional and statutory meanings” and should be construed in light of both federal and state constitutional jurisprudence); *accord*, *San Remo Hotel v. City and County of San Francisco*, 27 Cal. 4th 643, 663–664 (2002) (“As a matter of both statutory and constitutional law, [exactions] must bear a reasonable relationship, in both intended use and amount, to the deleterious public impact of the development.”). This standard reflects fundamental fairness principles under takings law, which prevent the government from “forcing some people alone to bear public burdens which, in all fairness and justice, should be borne by the public as a whole.” *United States v. Armstrong*, 364 U.S. 40, 49 (1960); *accord*, *Palazzolo v. Rhode Island*, 533 U.S. 606, 617–618 (2001); *Lockaway Storage v. County of Alameda*, 216 Cal. App. 4th 161, 183 (2013) (“The takings clause precludes the Government from forcing some people alone to bear public burdens which, in all fairness and justice, should be borne by the public as a whole.”). California courts have explicitly recognized that this fairness principle is central to takings law both in the context of regulatory takings and in the realm of inverse condemnation resulting from other governmental acts or omissions that damage or destroy property. *See, e.g.*, *Holtz v. Superior Court*, 3 Cal. 3d 296, 303–304 (1970); *Liberty v. California Coastal Commission*, 113 Cal. App. 3d 491, 504 (1980).

In *Shapell*, 1 Cal. App. 4th at 2357, the court explained that “[w]hile it is ‘only fair’ that the public at large should not be obliged to pay for the increased burden on public facilities caused by new development, the converse is equally reasonable: the developer must not be required to shoulder the entire burden of financing public facilities for all future users.” Under this principle, “[i]t follows that [impact] fees are justified only to the extent that they are limited to the cost of increased services made necessary by virtue of the development.” *Id.* at 236. The local agency must therefore show that “a *valid method* was used for arriving at the fee in question, ‘one which established a reasonable relationship between the fee charged and the burden posed by the development.’” *Id.*, quoting *Bixel Associates v. City of Los Angeles*, 216 Cal.App.3d 1208, 1219 (1989) (emphasis added).

The mandate that the fee be “reasonably related,” according to its plain meaning, requires a reasonable causal connection or link between the development and the impact sought to be addressed. *San Remo Hotel v. City and County of San Francisco*, 27 Cal. 4th 643, 687 (2002) (“[F]ee does not violate the Takings Clause so long as (1) there is a cause-and-effect relationship between the owner's desired use of the property and the social evil that the fee seeks to remedy, and (2) the fee is reasonably related in both intended use and amount to that social evil.” 27 Cal. 4th at 687 (Baxter, J. concurring and dissenting); *Homebuilders Ass'n of Tulare/Kings Counties, Inc. v. City of Lemoore*, 185 Cal.App.4th 554, 576 (2010) (Ardaiz, J. concurring) (close connection required).

If no reasonable causal connection exists between new residential development and affordable housing needs, the agency cannot sustain the burden under the Mitigation Fee Act of establishing that there is a reasonable relationship between (1) the development and the *need* for affordable housing; (2) the development and the *use* of the exaction to provide affordable housing; or (3) the amount or extent of the exaction and the *cost* of the affordable housing attributable to the development. Govt. Code §§ 66001(a)(3)–(4);(b). Without that relationship, the affordable housing fee also constitutes an unconstitutional condition because the government is effectively requiring the applicant to give up constitutional rights under the Takings Clause<sup>3</sup> in order to obtain the required permits. *Koontz v. St. Johns River Water Management District*, 133 S. Ct. 2586, 2596 (2013) (Demands for money or property in the land-use permitting context lacking the required nexus with the presumed impact “run afoul of the Takings Clause not because they take property but because they impermissibly burden the right not to have property taken without just compensation.”)

Proximate cause analysis -- which is routinely used by courts in a variety of contexts including cases arising under the Takings Clause -- is appropriate to the determination whether the causal component of the reasonable-relationship standard is satisfied. *See Penn. Cent. Transp. Co. v. New York City*, 438 U.S. 104, 124 (1978) (“[W]hether a particular restriction will be rendered invalid by the government’s failure to pay for any losses proximately caused by it depends

<sup>3</sup> Unless otherwise indicated, references to the “takings clause” are to the corresponding clauses of the federal and state constitutions, which the California Supreme Court has interpreted congruently in the context of regulatory takings. *See San Remo Hotel*, 27 Cal. 4th at 667.

largely upon the particular circumstances in that case.”); *Belair v. Riverside County Flood Control Dist.*, 47 Cal. 3d 559 (1988). Such analysis asks both whether a sufficient causal connection exists in fact and whether fairness and justice warrant requiring the property owner, rather than society as a whole, to address the social impact through mitigation. Proximate causation reflects both “ideas of what justice demands” and “of what is administratively possible and convenient,” *Anza Steel v. Ideal Steel Supply Corp.*, 547 U.S. 451 (2006). California courts have highlighted the close connection between the proximate cause requirement and the constitutional fairness doctrine (referred to in the inverse condemnation context as the “loss distribution premise”). See *Holtz v. Superior Court*, 3 Cal. 3d 296, 303–304 (1970). The proximate cause inquiry works to answer the same question as the reasonable-relationship test—whether the development is sufficiently connected with the targeted social problem to make it fair and reasonable to require the property owner to address it through mitigation.

Some municipalities, however, have taken the position that the unconstitutional conditions doctrine in this context does *not* require establishing a meaningful causal relationship. For example, when the City of San José adopted a fee on new rental housing based on the KMA study cited in footnote 2, *ante*, the Mayor of San José circulated a memorandum to his colleagues admonishing that: “[t]he nexus study provided by our consultant does not prove that building market rate rental housing causes an increase in the need for affordable housing. The nexus study is based on the assumption that proving causation is not necessary. This novel interpretation of the law would leave few limits on the things that could be funded with impact fees.” *Memorandum from Mayor Chuck Reed to City Council*. (Nov. 17, 2014).<sup>4</sup> In response, the City Attorney opined orally at the public hearing that no such causal relationship was necessary, citing as authority the Ninth Circuit’s 1991 opinion in *Commercial Builders of Northern California v. City of Sacramento*, 941 F.2d 872 (1991).

*Commercial Builders* does not support imposing affordable housing impact fees on residential development. The 2-1 decision upheld Sacramento’s affordable housing impact fee imposed on commercial development. In enacting the fee, Sacramento relied on a nexus study prepared by Keyser Marston Associates using an economic chain-of-events theory similar to the methodology in the studies discussed here. The *Commercial Builders* majority applied mere “rational basis” review to uphold the fee, holding that its judicial inquiry was appropriately limited to determining whether the fee was reasonably related to the “legitimate *purpose* it seeks to achieve,” that purpose being the city’s interest in the provision of affordable housing generally. *Commercial Builders* at 873 (emphasis added). See also, *The Adamson Companies v. City of Malibu*, 854 F.Supp. 1476, 1502 (1994) (“*Commercial Builders* held that the ‘substantially advance’ test does not require scrutiny any stricter than ‘rationally related’ when it wrote ‘substantially advance....’”). But as a federal district court observed in 2008, “[m]uch has changed in takings law since *Commercial Builders* was issued.” *Kamaole Point Development LP v. County of Maui*, 573 F.Supp.1354, 1366 (2008). Among the changes have been the U.S. Supreme Court’s decisions in *Dolan*, *Lingle*, and *Koontz*, and the California Supreme Court’s

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<sup>4</sup><http://sanjoseca.gov/DocumentCenter/View/37550>.

decisions in *San Remo* and *Sterling Park*, the two latter expressly rejecting the view that an exaction can be sustained based on the mere existence of a rational (or reasonable) relationship between the exaction and government's interest in providing affordable housing—no matter how substantial or pressing that interest is. As discussed above, *San Remo* and *Sterling Park* hold that legislatively-imposed exactions are not subject to such "rational basis review," as the *Commercial Builders* majority held, but instead can only be upheld if there is a substantial causal connection between the exaction and a deleterious public impact caused by the development. The statement of the law contained in the dissenting opinion in *Commercial Builders* has been proven correct:

Historically, courts have upheld exactions when states were able to justify them as serving a public purpose related to the burdens caused by development. For example, courts have sustained requirements that developers construct various on-site improvements, such as sewers, watermains, sidewalks, curbs and gutters, storm drains, and landscaping. Requiring off-site improvements that serve a public purpose, such as roads, schools, parks and sewage treatment plants, may also be justified where the requirement alleviates a public burden or ameliorates harmful effects caused by the development.... Sacramento would have developers pay not just for public improvements necessitated by development, but for private subsidies with little or no causal connection to development.... Sacramento has commissioned a study that demonstrates at most a tenuous and theoretical connection between commercial development and housing needs. But the Takings Clause requires a cause-and-effect relationship between the two.... The new workers attracted by the new jobs associated with the new development surely will increase the demand for all manner of goods and services. If Sacramento has shown a sufficient causal connection in this case, we can be expected next to uphold exactions imposed on developers to subsidize small business retailers, child-care programs, food services, and health-care delivery systems." *Commercial Builders* at 876-877 (Beezer, J., dissenting)

### **C. Application.**

An expert study or report can be a valuable aid in establishing the required causal link (in nature and extent) between new development and societal impacts (as exemplified by engineering studies routinely employed to establish appropriate mitigation for impacts on traffic, storm drainage and wastewater, or by analyses matching student enrollment with new homes to establish actual student generation rates and calculate school impact fees). However, in order for such expert opinion or analysis to be validly relied upon, it must have some grounding in the facts and must reflect accepted principles and methods. The reasonable-relationship determination required by law cannot be satisfied simply by an expert's assurance -- without any empirical support or generally accepted methodology -- that the required factual connection exists. Courts have long held that an expert's opinion "is no better than the facts on which it is based." *Kennemur v. State of California*, 133 Cal. App. 3d 907, 923 (1982). "Where an expert bases his conclusion upon assumptions . . . which are not reasonably relied upon by other experts,

or upon factors which are speculative, remote or conjectural, then his conclusion has no evidentiary value . . . .” *Pacific Gas & Electric Co. v. Zuckerman*, 189 Cal.App.3d 1113, 1135 (1987); *City of San Diego v. Sobke*, 65 Cal.App.4th 379, 396 (1998).

As with a court, an agency can and should disregard expert opinion that lacks an adequate factual foundation and is not based upon a generally accepted methodology. For example, “an expert’s opinion which says nothing more than ‘it is reasonable to assume’ that something ‘potentially ... may occur’” but has no basis in fact does not constitute substantial evidence that can reasonably be relied on by a public agency. See *Apartment Association of Greater Los Angeles v. City of Los Angeles*, 90 Cal.App.4th 1162, 1173-1176 (2001). See also *Lucas Valley Homeowners Ass’n v. County of Marin*, 233 Cal. App. 3d 130 (1991) (Expert testimony by real estate agent regarding potential decline in property values was not substantial evidence because it was an imprecise opinion without supporting verifiable data such as comparables); *Citizens Comm. to Save Our Village v. City of Claremont*, 37 Cal. App. 4th 1157, 1170 (1995) (no factual foundation for architect’s letter claiming a historically significant landscape plan had been implemented on project site); *Gentry v. City of Murrieta*, 36 Cal. App. 4th 1359, 1422 (1995) (letter from engineering professor about groundwater and erosion impacts was not substantial evidence because it was not based on an adequate factual foundation).

Residential nexus studies, with their lengthy series of untested assumptions, neither establish the required causal connection between new development and affordable housing needs nor show why it is fair and reasonable to require development applicants – rather than the general public – to shoulder the burden of providing affordable housing. They do not establish that new residential development “causes” or even contributes to the need for affordable housing. The lack of affordable housing has been a problem in California for decades. Scores of government and academic studies, supported by a wealth of research and economic data, have demonstrated that the need for affordable housing has been created over an extended period by a complex amalgam of factors, including restrictive zoning and growth controls, impact fees, complex environmental regulations, outdated building codes, multifamily housing restrictions, and NIMBYism. None of these studies has either postulated or demonstrated any causal relationship between new residential development and affordable housing needs.

The residential nexus studies, on the other hand, are not based on any research or empirical evidence supporting the existence or extent of a cause-and-effect relationship between new market-rate housing and the need for affordable housing. These studies do not assess, rely on, attempt to controvert or even mention the substantial body of governmental and academic literature and supporting data identifying the root causes of affordable housing needs. Nor are they, themselves, based upon any body of established academic, scientific or technical literature. A comprehensive review of potentially relevant sources in 2011 (including journal articles, books, presentations and government reports) failed to disclose any literature -- peer-reviewed or otherwise -- supporting the methodology used in the residential nexus analyses.<sup>5</sup> Thus, in

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<sup>5</sup> Cray, A., *The Use of Residential Nexus Analysis in Support of California’s Inclusionary Housing Ordinances: A Critical Evaluation: A report to the California Homebuilding foundation*

addition to lacking any empirical justification and failing to controvert the large body of academic, technical and governmental literature identifying other causes of affordable housing needs, the residential nexus studies employ a methodology that has not been generally accepted, or even considered, by the academic, scientific or technical community. They rely entirely on a combination of assumptions and modeling to construct a theory under which a market-rate home generates economic forces that create a “need” for a below-market-rate home. But these studies fail to demonstrate that the new housing has any *causative*, as opposed to correlative, relationship with the need for affordable housing.

City of San José and Keyser Marston written responses to questions posed by BIA of the Bay Area indicate that the methodology underpinning these residential nexus studies: (1) has not been validated or endorsed in any academic or professional journals; (2) was developed specifically for the purpose of supporting affordable housing impact fees on new residential development; (3) has not been used in an exaction context other than affordable housing; (4) cannot adequately distinguish between purported housing needs generated by residential development and overlapping housing needs projected by the same methodology when applied to nonresidential development; and (5) has never been empirically validated (only that it purportedly “aligns with accepted economic principles that households demand goods and services and that the businesses and institutions that provide those goods and services need employees.”) Keyser Marston was also unable to provide the methodology’s cumulative margin of error for the final results.

In response to the question—“Is it your professional opinion that the Study establishes a causal relationship between building market rate housing and a quantifiable need for affordable housing or rather a correlative one?”—Keyser Marston refused to provide such an opinion and instead ventured a legal conclusion: “The City’s Consultant prepared the nexus analysis to meet the reasonable relationship standard under the Mitigation Fee Act, and in the Consultant’s opinion, the analysis meets that standard.”

Moreover, even assuming these studies showed *some* theoretical connection between residential development and affordable housing needs, this falls far short of the *substantial* cause-and-effect relationship required under the reasonable-relationship standard and proximate cause principles. Causal chains far less tenuous have been rejected under proximate cause analysis simply because there are too many dependent assumptions and variables. The multitude of steps in the analysis, any one of which can be heavily skewed in one direction or another by independent factors, render the ultimate conclusion little more than speculation, which is antithetical to the “substantial cause-and-effect” relationship required by law.

The causation theory underlying the residential nexus analyses also fails the normative/evaluative component of proximate cause since it does not comport with the governing constitutional and statutory principles. The policies of reasonableness, fairness and

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(Nov. 2011) at 7 (available at <http://www.cbia.org/go/linkservid/06D3172D-35C3-4C71-9A9098D439C63874/showMeta/0/>).

justice embodied in the state and federal constitutions are not satisfied by studies that demonstrate only an attenuated and theoretical link between the development and the need.

The lack of affordable housing in California is a longstanding problem that exists for a multitude of reasons unrelated to new residential development. The costs of addressing it should, in fairness, be borne by society as a whole, not allocated to residential developers based on administrative convenience or leverage, or because government officials (and the electorate) have not made funding affordable housing a public policy priority.

### **III. BACKGROUND**

#### **A. Affordable Housing Needs in California.**

The lack of affordable housing in California has been a major social and political issue since the 1970s. In 1975, the California legislature found that:

there exists within the urban and rural areas of the state a serious shortage of decent, safe, and sanitary housing which persons and families of low or moderate income, including the elderly and handicapped, can afford. This situation creates an absolute present and future shortage of supply in relation to demand, as expressed in terms of housing needs and aspirations, and also creates inflation in the cost of housing, by reason of its scarcity, which tends to decrease the relative affordability of the state's housing supply for all its residents.<sup>6</sup>

The problem has steadily grown worse since. Thirteen of the fifteen least affordable metropolitan housing markets in the nation are in California.<sup>7</sup> The severity and intractability of the problem is exemplified by the dozens of legislative enactments designed to streamline the approval process and provide incentives to local agencies to approve affordable housing projects. *See, e.g.*, Housing Element Statutes (Gov't Code §§65580-65589.8 and §§65751-65761); Housing Accountability Act (§§65589.5-65589.6); prohibitions against discrimination against affordable housing (*Id.*, §65008); statute of limitations (§65009); regional transportation plans (*Id.*, § 65080

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<sup>6</sup> Gov't Code section 50003(a).

<sup>7</sup> Wells Fargo/NAHB Housing Opportunity Index; 4th Quarter 2013 available at [http://www.nahb.org/reference\\_list.aspx?sectionID=132](http://www.nahb.org/reference_list.aspx?sectionID=132) Several reports have concluded that the state is now adding approximately three jobs for every housing unit constructed. Fulton, William, "Housing Rises on Sacramento's List of Priorities," California Planning and Development Report (Solimar Research Group 2000) available at <http://www.cp-dr.com/node/1373>. *Id.*

– 65086.5); “no net loss statute” (Id., §65863); “least cost” zoning law (Id., §§65913-65913.2); density bonus law (Id., §§65915-65918).

The legislature has found that:

1. The availability of housing is of vital statewide importance, and the early attainment of decent housing and a suitable living environment for every Californian, including farmworkers, is a priority of the highest order.
2. The early attainment of this goal requires the cooperative participation of government and the private sector in an effort to expand housing opportunities and accommodate the housing needs of Californians of all economic levels.

And, of particular importance to the questions presented here, the Legislature has also found that:

California housing has become the most expensive in the nation. The excessive cost of the state’s housing supply is partially caused by activities and policies of many local governments that limit the approval of housing, increase the cost of land for housing, *and require that high fees and exactions be paid by producers of housing.* (Id., §65589.5, emphasis added)

Scores of studies and reports have documented that the lack of affordable housing is the result of a complex interaction of factors, including California’s chronic undersupply of new housing units generally relative to job and population growth, restrictive zoning and growth controls, excessive impact fees, complex environmental regulations, obsolete building codes, multifamily housing restrictions, and NIMBYism.<sup>8</sup> Indeed, the term “inclusionary zoning” was coined in deliberate contrast to “exclusionary zoning,” and some affordable housing advocates have justified inclusionary housing policies as “a means to recapture land prices that have been artificially inflated by communities’ exclusionary policies.”<sup>9</sup> New residential development is not among the factors cited in any of these studies as creating a need for affordable housing. Even ardent defenders of the legality of these nexus studies, in moments of candor, recognize as much:

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<sup>8</sup> See “*Why Not In Our Community?*” *Removing Barriers to Affordable Housing. An Update to the Report of the Advisory Commission on Regulatory Barriers to Affordable Housing* (HUD 2004) at 5 (available at <http://www.huduser.org/portal/Publications/wnioc.pdf>)

<sup>9</sup> Kautz, B., *Comment, In Defense of Inclusionary Zoning: Successfully Creating Affordable Housing*, 36 U.S.F. L. REV. 971, 983 (2002).

Has the need for affordable housing increased in recent years? Yes, it has.... The need has increased recently, particularly in parts of the State such as the San Francisco Bay Area, due to a confluence of several factors. First, the demise of redevelopment and a reduction in federal programs have led to a serious drop in funding available to affordable housing. For example, in Santa Clara County, it has been estimated that total funding available for affordable housing in 2008 (the last 'normal' year) was approximately \$126 million. In 2013, the corresponding number was \$47 million.... The second factor has been the booming local economy. That has lowered the vacancy rate on rental housing, created a white-hot real estate market for medium- to high-density multi-family housing, but of course, also raised rents.<sup>10</sup>

While no single factor is identified in these studies as the sole or principal cause of affordable housing issues, a unifying theme of these studies is that affordable housing needs are a broad social problem<sup>11</sup> that must be addressed through a comprehensive range of policy responses and measures (including streamlining the development approval process, eliminating restrictive zoning regulations, providing financial incentives, counteracting NIMBYism, reducing the complexity and uncertainty of environmental requirements). The societal dimension of the problem is reflected in the California Legislature's passage of "no less than 19 different sets of laws and programs [in] efforts to both increase the housing available to Californians and to help make it affordable.") See *Wilson v. City of Laguna Beach*, 6 Cal. App. 4th 543, 545 (1992).

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<sup>10</sup> Faber, A., *Inclusionary Housing Requirements: Still Possible?* (September, 2014, presented at the League of California Cities City Attorneys' Department 2014 Annual Conference) at 2-3 (available at <http://www.cacities.org/Resources-Documents/Member-Engagement/Professional-Departments/City-Attorneys/Library/2014/2014-Annual/9-2015-Annual-Andrew-Faber-Inclusionary-Housing-Re.aspx>)

<sup>11</sup> The explicit nature of the societal contract to meet the housing needs of all members of society is spelled out in various state and federal measures, typical of which is the Housing Act of 1949 (42 USC §§ 1441-1490r ), which calls for the "realization as soon as feasible of the goal of a decent home and suitable living environment for every American family."

## **B. Inclusionary Housing Requirements.**

Despite the absence of evidence linking new residential development with the creation of affordable housing needs, over the past 30 years, an increasing number of municipalities have turned to new housing developers to provide affordable housing.<sup>12</sup>

Inclusionary housing requirements (also referred to as affordable housing requirements) generally require builders to sell or rent a specified percentage of new homes at rates deemed affordable to very-low, low, or moderate-income households. The designated units must generally retain their restricted price or rental rate status for a specified period of time, typically fifty-five years or more.<sup>13</sup> These requirements have generally been included in municipality's zoning ordinance and characterized as zoning regulations, not development exactions.

This characterization as “zoning” rather than “exactions” in many cases has reflected a conscious legal strategy devised by affordable housing advocates and municipal attorneys. This strategy recognized the inherent difficulties in demonstrating the statutory and constitutional requirements for exactions, and recommended that municipalities characterize their inclusionary housing requirements as zoning restrictions in order to take advantage of the more lenient, rational basis standard of review for police power enactments.<sup>14</sup>

## **C. The *Palmer* and *Patterson* Decisions.**

The legal landscape concerning inclusionary housing requirements changed significantly in 2009 with the decisions in *Building Industry Association of Central California v. City of Patterson*, 171 Cal. App. 4th 886 (2009) and *Palmer/Sixth Street Properties L.P. v. City of Los Angeles*, 175 Cal. App. 4th 1396 (2009).

In *Patterson*, a homebuilder challenged an increase in an in-lieu fee adopted as part of an inclusionary housing ordinance. Relying on the California Supreme Court decision in *San Remo Hotel v. City and County of San Francisco*, 27 Cal. 4th 643, 663–664 (2002), the court found

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<sup>12</sup> See California Coalition for Rural Housing & Non-Profit Housing Association of Northern California, *Inclusionary Housing In California: 30 Years of Innovation* (2003).

<sup>13</sup> *Id.* at 30-35.

<sup>14</sup> See, e.g., Kautz, B., *In Defense of Inclusionary Zoning: Successfully Creating Affordable Housing*, 36 U.S.F. L. Rev. 971, 977 & 1012 (2002) (Inclusionary housing ordinances are defensible if drafted to closely resemble ordinary zoning ordinances.); California Affordable Housing Law Project and Western Center on Law and Poverty, *Inclusionary Zoning: Legal Issues*, (December 2002) (Recommending that ordinances be based on the community's need for affordable housing as evidenced by their general plan housing elements, fair-share regional housing needs, HUD data and other information.)

that the ordinance in question could only be upheld if it had a reasonable relationship to the “deleterious public impact of the development.” *Patterson*, 171 Cal. App. 4th at 897–98. After careful evaluation of the evidence relied on by the City, the court concluded that the City had failed to show that its affordable housing in-lieu fee was reasonably related to the impact either of the plaintiff’s development specifically or of new residential development generally. 171 Cal. App. 4th at 899.

In *Palmer*, the appellate court held that the City’s requirement that developers of new rental housing set aside and rent a percentage of the units at rates affordable to lower-income households conflicted with the Costa Hawkins Act (Civil Code §§ 1954.50 *et seq.*). The Costa Hawkins Act permits developers to set the initial rents for both newly constructed and voluntarily vacated units. The court found that obligating the building owner to provide affordable housing at regulated rents was “clearly hostile” to the right under Costa-Hawkins to establish the initial rental rate for the apartment units. The court also concluded that the option of paying an in-lieu fee did not save the inclusionary requirement because payment of the fee was “inextricably intertwined” with the mandate to impose rent restrictions.

#### **D. Post *Palmer* and *Patterson* Developments.**

In order to avoid running afoul of the Costa Hawkins Act, as applied in *Palmer*, some municipalities, including San José, have adopted or are considering adopting “affordable housing fees” for rental housing. In contrast to the in-lieu fees invalidated in *Palmer* as “inextricably intertwined” with the rent ceilings, these fees are expressly characterized as impact fees intended to mitigate “the impact of new market rate housing development on the demand for affordable housing.”<sup>15</sup>

At the same time, in implicit recognition of the difficulties in establishing a legally sustainable connection between new residential development and the need for affordable housing, many municipalities have continued to characterize (or recharacterize) their inclusionary housing requirements as something other than development exactions. On the advice of counsel or at the

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<sup>15</sup> Keyser Marston Associates, Inc. Residential Nexus Analysis – City of San José (June 2014) at 1 (available at <http://www.sanJoseca.gov/DocumentCenter/View/32877>) (“KMA--San José); see also RSG, *Nexus Study & Fee Analysis Summary – City of San Carlos* (Feb. 2, 2010), Appendix 1:2 (“To comply with *Palmer/Sixth Street Properties v. City of Los Angeles*, the revised BMR Ordinance requires developers of rental housing to pay an affordable housing impact fee and does not require the provision of affordable rental housing.”) (available at: <http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&cad=rja&uact=8&ved=0CCQOFjAB&url=http%3A%2F%2Fwww.21elements.com%2FDownload-document%2F492-San-Carlos-Nexus-Study-Fee-Analysis.html&ei=GrXeU-7YFsekigLt0oGQDw&usg=AFQjCNENQomLUKYgifm2iRfUwAMbL8Q6jw&bvm=bv.72197243.d.cGE>)

urging of affordable housing advocates,<sup>16</sup> they have continued to maintain, since *Palmer* and *Patterson*, that inclusionary housing requirements are not fees, dedications or other exactions subject to the statutory and constitutional constraints governing such requirements, but rather are simply land use measures similar to other zoning regulations governing height, setbacks, etc., adopted under the local government's police power, and thus accorded a highly deferential standard of judicial review. They have accordingly disclaimed any need to demonstrate any relationship—reasonable or otherwise—between the housing mitigation requirements and the deleterious impacts of residential development under *San Remo* or *Patterson*. As one widely circulated paper on the topic asserted:

Communities and advocates must confront head-on the misplaced view advanced by some after *Patterson*—that inclusionary housing obligations and in-lieu fees are a type of exaction required to be strictly related to the projected need for new affordable housing created by new housing development rather than land use regulations related to *the community's legitimate desire to accommodate its critical existing and projected needs for affordable housing*, to provide opportunities for households of all income levels and to affirmatively further integration and other fair housing goals.<sup>17</sup>

Consistent with this approach, despite having commissioned and approved residential nexus studies purporting to validate inclusionary housing fees on rental housing as development exactions, many municipalities have continued to insist either that (1) their *for-sale* affordable housing set asides and in-lieu fees do not constitute development exactions, but are merely

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<sup>16</sup> See Kautz, B., *Life After Palmer: What's Next? Local Responses to Palmer and Patterson*. Paper presented to League of California Cities, May 4, 2011 Opening General Session (“However, until the issue is resolved, we continue to advise clients to justify and defend their ordinances as land use controls that may be adopted based on the public health, safety, and welfare, with the nexus study providing only a backup to oppose a claim that the requirements must be justified by such a study.”), available at: [http://www.cacities.org/getattachment/802e4824-6f21-4dc5-ab33-181930c230ed/5-2011-Spring-Barbara-Kautz-Life-After-Palmer-\(1\).aspx](http://www.cacities.org/getattachment/802e4824-6f21-4dc5-ab33-181930c230ed/5-2011-Spring-Barbara-Kautz-Life-After-Palmer-(1).aspx); Rawson, M., *Inclusionary Housing After Palmer and Patterson: Alive & Well in California* (California Affordable Housing Law Project, May 2010) (Recommending that municipalities not revise inclusionary housing fees based on nexus studies, but continue to characterize them as police-power land use regulations subject to deferential review under constitutions and statutes), available at: <http://pilpca.org/wp-content/uploads/2010/10/Inclusionary-Zoning-After-Palmer-Patterson-7-11-10.pdf>

<sup>17</sup> Rawson, *Inclusionary Housing after Palmer and Patterson*, p.4 (emphasis added).

zoning regulations intended to ensure a supply of affordable housing;<sup>18</sup> and/or (2) that *neither* their in-lieu fees nor their affordable housing impact fees constitute exactions subject to the reasonable-relationship standard.

The latter approach is illustrated by the City of Walnut Creek. In 2010, in the wake of the *Palmer* and *Patterson* decisions, the City commissioned a residential nexus study by Keyser Marston “to estimate and quantify the nexus between new residential development in Walnut Creek and the new demand for affordable housing that would be caused by that development.”<sup>19</sup> The City’s inclusionary housing ordinance, however, characterizes the fee on for-sale housing as an “in-lieu fee” and the fee on rental housing as an “impact fee.” It provides that developments with for-sale units shall either set aside the number of inclusionary units or pay an in-lieu fee. City of Walnut Creek Mun. Code § 10-2.3.903(A) [“ownership projects shall either include the number of inclusionary units required under Section 10-2.3.904 or, if applicable, pay the in-lieu fee required under Section 10-2.3.905]. Rental units, on the other hand, must pay an “affordable housing impact fee.” *Id.*, § 10-2.3.903(B) [“rental projects shall pay an affordable housing impact fee, if such a fee has been adopted, upon issuance of a building permit for each dwelling unit in the rental project.”]. Yet the same ordinance states:

Nothing in this chapter shall deem or be used to deem the impact and in-lieu fees authorized pursuant to this section as an ad hoc exaction, as a mandated fee required as a condition to developing property, or as a fee subject to the analysis in *Building Industry Association of Central California v. City of Patterson*, 171 Cal.App.4th 886 (2009). Any in-lieu fee adopted by the City Council is a menu option that may serve as an alternative to the on-site housing requirements for ownership projects set forth in this Article.

Other municipalities, including San José, have similar or identical language in their inclusionary housing ordinances. *See, e.g.*, City of San José Mun. Code § 5.08.020 (“Nothing in this chapter shall deem or be used to deem the impact and in-lieu fees authorized pursuant to this section as . . . a mandated fee required as a condition to developing property, or as a fee subject to the analysis in *Building Industry Association of Central California v. City of Patterson*, 171 Cal. App. 4th 886 (2009)).<sup>20</sup>

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<sup>18</sup> KMA – San José at 8 (“The proposed fee is not an inclusionary fee; it is limited to recouping the impacts shown in the study consistent with the Mitigation Fee Act.”)

<sup>19</sup> Staff Report to Walnut Creek City Council (Oct 19, 2010) at 2 (available at: [http://walnutcreek.granicus.com/Viewer.php?view\\_id=2&clip\\_id=1182&meta\\_id=46724](http://walnutcreek.granicus.com/Viewer.php?view_id=2&clip_id=1182&meta_id=46724))

<sup>20</sup> *See also* City of San Carlos Mun. Code § 18.16.030 (A)(4) (“Nothing in this chapter or Chapter 18.17 shall deem or be used to deem the in lieu fee authorized pursuant to subsection

And most recently, in light of *Sterling Park* and the grant of review in *CBIA v. City of San José*, some cities (including Hayward and Fremont) have instructed their consultants to include analyses using the 13-step methodology to provide a “post hoc” nexus justification for existing inclusionary zoning requirements in their updated residential nexus analyses.

The current position of many municipalities can thus be summarized as follows:

1. Inclusionary housing fees imposed on *for-sale* housing are fees in lieu of zoning regulations intended to address the community’s need for affordable housing, not impact fees to address the impact of new development;
2. Inclusionary housing fees imposed on *rental* housing are development impact fees, not fees in lieu of zoning regulations;
3. Inclusionary housing fees -- whether on for-sale or rental housing -- are not subject to the reasonable relationship standard in *Patterson* and *San Remo*;
4. But if such fees *are* subject to the reasonable relationship standard, they meet that standard because the need for affordable housing is created by new residential housing.
5. If inclusionary zoning itself is an exaction rather than a traditional zoning ordinance, it too meets that standard based on the same methodology used to justify affordable housing impact fees.

This stance, which even some municipal attorneys have acknowledged as problematic,<sup>21</sup> reflects the intellectual and legal tension between the effort to characterize a subset of inclusionary housing requirements as “impact fees” and the longstanding acknowledgement that affordable housing needs are generated by broader social and economic forces, not by new residential development, and should be justified based on the community’s desire to provide housing for all income segments.

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(A)(3) of this section as . . . as a mandated fee required as a condition to developing property, or as a fee subject to the analysis in *Building Industry Association of Central California v. City of Patterson*, 171 Cal.App.4th 886 (2009). Any in lieu fee adopted by the City Council is a menu option that may serve as an alternative to the on-site below-market rate housing requirements set forth in this chapter.”); City of Concord Dev. Code § 122-579(d)(4) (same).

<sup>21</sup> See Seltzer, A. *Home Sweet Home? Legal Challenges to Inclusionary Ordinances and Housing Elements Action Apartment Association v. City of Santa Monica*, League of California Cities Conference (Sept. 2009) (available at: [http://www.cacities.org/getattachment/f40e9c19-625e-4ce3-ba6d-ccf00777d1cd/9-2009-Annual-ALAN-SELTZER\\_Home-Sweet-Home-Action.aspx](http://www.cacities.org/getattachment/f40e9c19-625e-4ce3-ba6d-ccf00777d1cd/9-2009-Annual-ALAN-SELTZER_Home-Sweet-Home-Action.aspx)) (“The best defense of IHOs may be for cities to characterize affordable ownership housing obligations and an “*Ehrlich*” in lieu fee for such development as traditional zoning, exempt rental housing from affordability requirements under Costa-Hawkins, and impose an MFA impact fee instead on rental housing. This strategy -- distinguishing an “*Ehrlich*” in lieu fee from an MFA impact fee -- will face difficulties post- *Patterson*, as the nexus study needed to justify mitigation of rental housing impacts would likely guide and be confused with the “*Ehrlich*” inclusionary ownership housing in lieu fee.”)

#### IV. APPLICABLE LAW

##### A. The Mitigation Fee Act and *San Remo*

The Mitigation Fee Act, Cal. Govt. Code, §§ 66000–66025 extensively regulates the adoption and imposition of development exactions, including requirements that the purpose of the fee must be identified with specificity, and that a “reasonable relationship” must exist between the need for and use of the exaction and the type of development project on which the exaction is imposed. Cal. Govt. Code § 66001(a)(3). Government Code § 66005 provides that when a local agency imposes any fee as a condition of approval of a development project, such a fee cannot exceed the estimated reasonable cost of providing the service or facility for which the fee is imposed. A fee or exaction that exceeds the reasonable cost of providing the facilities or services constitutes a special tax that must be expressly authorized by statute and ratified by a two-thirds vote of the electorate under article XIII A, section 4 of the California Constitution. See Govt. Code §§ 66014; 50076–77, 53727; *Bixel Assocs. v. City of Los Angeles*, 216 Cal. App. 3d 1208, 1220 (1989) (invalidating excessive fire hydrant fee as a special tax); *Beaumont Investors v. Beaumont-Cherry Valley Water Dist.*, 165 Cal. App. 3d 227, 238 (1984) (invalidating water system hookup fee as a special tax); see also *Shapell Indus., Inc. v. Governing Bd. of the Milpitas Unified Sch. Dist.*, 1 Cal. App. 4th 218, 235–236 (1998); *Balch Enters., Inc. v. New Haven Unified Sch. Dist.*, 219 Cal. App. 3d 783, 794–795 (1990).

As its legislative history reflects, the Mitigation Fee Act was passed by the Legislature “in response to concerns among developers that local agencies were imposing development fees for purposes unrelated to development projects.” *Ehrlich*, 12 Cal. 4th 864; Sen. Local Govt.Com. Analysis of Assem. Bill No. 1600 (1987–1988 Reg.Sess.) p. 1.

The Mitigation Fee Act mandates findings concerning the link between the need for and amount of the fee and the impact of the development projects on which the fee is imposed. In particular, the local agency’s governing body must adopt findings demonstrating:

1. 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.
2. How there is a reasonable relationship between the *amount* of the fee and the cost of the public facility attributable to the development upon which the fee is imposed.

Cal. Govt. Code § 66001(a)(3); *id.* at (b).<sup>22</sup>

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<sup>22</sup> Government Code 66001 provides:

- (a) In any action establishing, . . . or imposing a fee as a condition of approval of a development project . . . the local agency shall do all of the following:
- (1) Identify the purpose of the fee.

Thus, before imposing a fee under the Mitigation Fee Act, the local agency is charged with determining that the amount of the fee and the need for the public facility are reasonably related to the burden created by the development project. If such a fee is challenged, the local agency has the burden of producing evidence in support of its determination. *Homebuilders Assn. of Tulare/Kings Counties, Inc. v. City of Lemoore*, 185 Cal.App.4th 554, 561 (2010) The local agency must show that a valid method was used for imposing the fee in question, one that established a reasonable relationship between the fee charged and the burden posed by the development. *Shapell Industries, Inc. v. Governing Board*, 1 Cal.App.4th at 235.

In addition to its procedural requirements, the Mitigation Fee Act embodies both constitutional and statutory standards against which exactions subject to its provisions must be measured. In *Ehrlich v. City of Culver City*, 12 Cal. 4th 854, 866–67 (1996), the Court held that (1) the term “reasonable relationship” as used in the Mitigation Fee Act “embraces both constitutional and statutory meanings” and should be construed in light of both federal and state constitutional jurisprudence; and (2) that all challenges to exactions, whether on statutory or constitutional grounds, must be channeled through the administrative procedures of the Act. The Court subsequently reaffirmed, in *San Remo Hotel v. City and County of San Francisco*, 27 Cal. 4th 643, 663–664 (2002), that “[a]s a matter of both statutory and constitutional law, [exactions] must bear a reasonable relationship, in both intended use and amount, to the deleterious public impact of the development.”

In *San Remo Hotel*, owners of a hotel sued to invalidate a San Francisco ordinance limiting the conversion of residential hotel rooms (usually occupied by low-income tenants) to tourist hotel rooms. The purpose of the ordinance was to preserve the availability of residential hotel rooms for the City's low-income residents who would otherwise have had no viable housing options. To achieve that goal, the ordinance required a hotel converting a residential hotel unit into a tourist unit to replace the residential unit elsewhere, pay a fee in lieu of providing the replacement unit, or take other action that would further replacement. Pursuant to the ordinance, the City issued the hotel owners a conditional use permit authorizing the conversion of hotel rooms only upon compliance with one of those alternatives.

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(2) Identify the use to which the fee is to be put. If the use is financing public facilities, the facilities shall be identified. That identification may, but need not, be made by reference to a capital improvement plan as specified in Section 65403 or 66002, may be made in applicable general or specific plan requirements, or may be made in other public documents that identify the public facilities for which the fee is charged.

(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.

(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.

(b) In any action imposing a fee as a condition of approval of a development project by a local agency on or after January 1, 1989, the local agency shall 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.

The California Supreme Court found that, as a legislative enactment, the ordinance was subject to the reasonable relationship standard set forth in the Mitigation Fee Act, which the Court, echoing *Ehrlich*, found to embody both statutory and constitutional law principles. Under this standard, the Court held, “[a]s a matter of both statutory and constitutional law, such fees must bear a reasonable relationship, in both intended use and amount, to the deleterious public impact of the development.” *Id.* at 671. The Court concluded that the housing replacement fees did bear “a reasonable relationship to loss of housing ... in the generality or great majority of cases” because (1) the conversion to tourist use directly caused the loss of residential rooms; and (2) the mitigation requirements were limited to the number of rooms lost as a result of plaintiffs’ conversion. Writing separately, Justice Baxter emphasized the need to demonstrate that “(1) there is a cause-and-effect relationship between the owner’s desired use of the property and the social evil that the fee seeks to remedy, and (2) the fee is reasonably related in both intended use and amount to that social evil.” 27 Cal. 4<sup>th</sup> at 687 (Baxter, J. concurring and dissenting)

The court in *Building Industry Association v. Patterson*, 171 Cal. App. 4th 886, applied these standards in evaluating the inclusionary housing fee under review:

The affordable housing in-lieu fee challenged here is not substantively different from the replacement in-lieu fee considered in *San Remo*. Both are formulaic, legislatively mandated fees imposed as conditions to developing property, not discretionary ad hoc exactions. (*San Remo*, 27 Cal.4th at 671) We conclude, for this reason, that the level of constitutional scrutiny applied by the court in *San Remo* must be applied to City’s affordable housing in-lieu fee . . . .”

Under this standard, the court ruled, the in-lieu fee could not be sustained unless there was “a reasonable relationship between the amount of the fee, as increased, and “the deleterious public impact of the development.” *Id.* (citing *San Remo*, 27 Cal. 4th at 671). The court conducted a careful evaluation of the Fee Justification Study relied on by the City and concluded that it showed no reasonable relationship between the extent of City’s affordable housing need and residential development. Accordingly, the court held, the Fee Justification Study did not “support a finding that the fees bore any reasonable relationship to any deleterious impact associated with the project.”

#### **B. The Constitutional Overlay – The Fairness Principle**

In *Palazzolo v. Rhode Island*, the Supreme Court explained that issues arising under the Takings Clause must be “informed by the *purpose* of the Takings Clause, which is to prevent the government from ‘forcing some people alone to bear public burdens which, in all fairness and justice, should be borne by the public as a whole.’” 533 U.S. 606, 618–619 (2001) (quoting *United States v. Armstrong*, 364 U.S. 40, 49 (1960)) (emphasis added); accord, *Lockaway Storage v. County of Alameda*, 216 Cal. App. 4th 161, 183 (2013) (“The takings clause precludes the Government from forcing some people alone to bear public burdens which, in all fairness and

justice, should be borne by the public as a whole.”); *Dep’t of Fish and Game v. Superior Court*, 197 Cal. App. 4th 1323, 1359 (2011) (Not forcing a few to bear burdens that in fairness and justice should be borne by the public is the “ultimate goal” of the takings clause).

The Court has applied this fairness principle to development exactions as a special application of the “unconstitutional conditions” doctrine. *Lingle v. Chevron USA, Inc.*, 544 U.S. 528, 547 (2005); *Dolan v. City of Tigard*, 512 U.S. at 385; *Nollan*, 483 U.S. at 837. Under this “well-settled doctrine” (*Dolan*, 512 U.S. at 385), a state may not condition the grant of a license, permit or other benefit on the recipient's surrender of a constitutional right.<sup>23</sup> The Supreme Court recently described this as an “overarching principle” under which “government may not deny a benefit to a person because he exercises -- or, as in this case, refuses to surrender -- a constitutional right.” *Koontz v. St. Johns River Water Management District*, 133 S.Ct. 2586, 2594 (2013). The doctrine “vindicates the Constitution's enumerated rights by prohibiting the government from coercing people into giving them up.” *Id.*; see also, *Perry v. Sinderman*, 408 U.S. 593, 597 (1972) (“[E]ven though a person has no ‘right’ to a valuable governmental benefit and even though the government may deny him the benefit for any number of reasons, there are some reasons upon which the government may not rely. It may not deny a benefit to a person on a basis that infringes his constitutionally protected interests . . . .”)

Both the fairness principle and the unconstitutional conditions doctrine come into play when a condition or exaction imposed in the development approval context lacks a reasonable relationship with the impact of the development. Courts routinely uphold laws requiring property owners to pay fees or bear other exactions when their actions can reasonably be established as the proximate cause of the social problem to be remedied and the fees or exactions are reasonable in relation to the extent of the development’s contribution to problem. But where use of property cannot reasonably be shown to be the proximate cause of the problem sought to be addressed, or the exaction is disproportionate to the impact of that use, the regulation runs afoul of both the fairness principle and the unconstitutional conditions doctrine and will be set aside. See, e.g., *Koontz v. St. Johns River Water Mgmt. Dist.*, 133 S.Ct. 2586, 2601 (2013) (Government may require permit applicant to mitigate the impacts of a proposed development but may not use

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<sup>23</sup> The doctrine has been applied in a variety of contexts, including First Amendment freedom of speech (*Agency for International Development v. Alliance for Open Society International, Inc.*, 133 S. Ct. 2321 (2013) [requirement that recipient organizations adopt policy explicitly opposing prostitution to receive federal funding to provide HIV and AIDS programs was unconstitutional condition under First Amendment]); freedom of religion (*Sherbert v. Verner*, 374 U.S. 398 (1963) [state could not deny unemployment benefits to woman whose religion forbade working on the Sabbath]); right of interstate travel (*Shapiro v. Thompson*, 394 U.S. 618 (1969) [conditioning of welfare benefits upon minimum of one year in-state residency penalized fundamental right of interstate travel]); and Fifth Amendment property rights (*Nollan v. California Coastal Commission*, 483 U.S. 825 (1987) [Coastal Commission could not condition building permit on grant of a lateral beach access easement unrelated to the impact of the new construction]).

leverage to go beyond constitutionally established limitations); *Del Monte Dunes v. City of Monterey*, 95 F.3d 1422, 1432 (9th Cir. 1996) (invalidating dedication requirement that was disproportionate to the impact that the property development caused); *Surfside Colony, Ltd. v. Cal. Coastal Comm'n*, 214 Cal. App. 3d 1260, 1269 (1991) (required dedication of a public access to a private beach was unconstitutional because there was no causal nexus between the dedication and the problem of beach erosion); *Rohn v. City of Visalia*, 214 Cal. App. 3d, 1457–57 (1989) (conditioning issuance of building permit on dedication of land for a road improvement was a taking because the development did not cause traffic problems).

Application of the fairness principle in the context of development exactions was explained in *Shapell Indus., Inc. v. Governing Bd. of the Milpitas Unified Sch. Dist.*, 1 Cal. App. 4th 218, 235–236 (1998):

While it is “only fair” that the public at large should not be obliged to pay for the increased burden on public facilities *caused by new development*, the converse is equally reasonable: the developer must not be required to shoulder the entire burden of financing public facilities for all future users. “[T]o impose the burden on one property owner to an extent beyond his [or her] own use shifts the government's burden unfairly to a private party....” (*Liberty v. California Coastal Com.* (1980) 113 Cal.App.3d 491, 504, 170 Cal.Rptr. 247, fn. omitted.) It follows that facilities fees are justified only to the extent that they are limited to the cost of increased services *made necessary by virtue of the development*. (*Trent, supra*, 114 Cal.App.3d 317, 170 Cal.Rptr. 685; *Russ Bldg. Partnership v. City and County of San Francisco* (1987) 199 Cal.App.3d 1496, 1506, 246 Cal.Rptr. 21. The Board imposing the fee must therefore show that a valid method was used for arriving at the fee in question, “one which established a reasonable relationship between the fee charged and the burden posed by the development.” (*Bixel Associates v. City of Los Angeles* (1989) 216 Cal.App.3d 1208, 1219, 265 Cal.Rptr. 347; *Jones, supra*, 157 Cal.App.3d 745, 203 Cal.Rptr. 580.) (emphases added)

As the California Supreme Court confirmed in *Ehrlich*, this principle extends beyond financing of public facilities to include any exactions imposed as a condition of approval of development “that divest the developer of money or a possessory interest in property.” 12 Cal. 4th at 864. As is also clear from *Koontz v. St. Johns River Water Management District*, 133 S.Ct. 2586 (2013), the principle applies to monetary exactions as well as conditions directly involving real property interests.

### C. The Causal Connection – Proximate and Substantial

As the foregoing authorities indicate, central to the requirements of *San Remo* and the Mitigation Fee Act is a showing of the reasonable *causal* relationship between the proposed development and the problem the exaction is designed to address. *San Remo Hotel*, 27 Cal. 4th at 664 (an exaction “must bear a reasonable relationship, in both intended use and amount, to the deleterious public impact of the development”). The mandate that the fee be “reasonably related,” according to its plain meaning, requires a reasonable causal connection or link between the development and the impact sought to be addressed. See Merriam Webster Dictionary [“related: 1. connected by reason of an established or discoverable relation“ <http://www.merriam-webster.com/dictionary/related>]; *Homebuilders Ass'n of Tulare/Kings Counties, Inc. v. City of Lemoore*, 185 Cal.App.4th 554, 576 (2010) (Ardaiz, J. concurring) (“Section 66000 and 66001 refer to a fee related to the development project. The term ‘related’ would in its normal usage mean associated with or having a close connection to. I would infer from this that the proposed specific project or class of projects must be a consequence of or have a direct relationship to the proposed development.”) (Citation omitted).

In the inclusionary housing context, the causation element is essential to the required finding of a reasonable relationship between the type of development and the existence and extent of the need for affordable housing. If no reasonable causal connection exists between new residential development and affordable housing needs, the agency cannot sustain the burden of establishing that there is a reasonable relationship between (1) the development and the *need* for affordable housing; (2) the development and the *use* of the exaction to provide affordable housing; or (3) the amount or extent of the exaction and the *cost* of the affordable housing attributable to the development. Cal. Govt. Code §§ 66001(a)(3)–(4); *id.* at (b). Without that reasonable causal connection, the exaction becomes an unconstitutional condition.

#### (1) Proximate Cause in the Takings Context.

Proximate cause analysis, which is routinely employed by courts in a wide variety of contexts including takings law, is appropriate to the determination whether the causal component of the reasonable-relationship standard is satisfied. Proximate causation reflects both “ideas of what justice demands” and “of what is administratively possible and convenient,” *Anza v. Ideal Steel Supply Corp.*, 57 U.S. at 458 (quoting *Prosser & Keeton* § 41, at 264). The proximate cause inquiry works toward answering the constitutional question reflected in the reasonable-relationship test—whether the development is sufficiently connected with the social problem to make it fair and reasonable to require the property owner—as opposed to society as a whole—to address it through mitigation.

In the regulatory takings context, the Supreme Court has stated that courts will use proximate cause concepts to determine if the government regulation caused the property owners’ losses:

[W]e have frequently observed that whether a particular restriction will be rendered invalid by the government’s failure to pay for any

losses proximately caused by it depends largely upon the particular circumstances in that case. (Emphasis added)

*Penn. Cent. Transp. Co. v. New York City*, 438 U.S. 104, 124 (1978) (quoting *United States v. Cent. Eureka Mining Co.*, 357 U.S. 155, 168 (1958); see also *Tahoe-Sierra Pres. Council, Inc. v. Tahoe Reg'l Planning Agency*, 535 U.S. 302, 344–45 (2002) (“[O]rdinary principles of proximate cause govern the causation inquiry for takings claims.”) (Rehnquist, J. dissenting)). In *Esplanade Props., LLC v. City of Seattle*, 307 F.3d 978, 984 (9th Cir. 2002), the court, confirming that plaintiffs in a takings claim must establish proximate causation, recognized that “little discussion of a ‘causation’ requirement in any of the case law involving regulatory takings” is “due to nothing more than the fact that, in most regulatory takings cases, there is no doubt whatsoever about whether the government’s action was the cause of the alleged taking.”

The use of the proximate cause in cases arising under the Takings Clause has also been explicitly endorsed by the California Supreme Court. See, e.g., *Locklin v. City of Lafayette*, 7 Cal.4th 327, 368 (1994); *Belair v. Riverside County Flood Control Dist.*, 47 Cal. 3d 559 (1988); *Albers v. County of Los Angeles*, 62 Cal. 2d 250, 262 (1965) (“[A]ny actual physical injury to real property proximately caused by the improvement . . . is compensable under article 1, section 14 . . .”). This principle has been widely cited by California courts in inverse condemnation cases involving public improvements.

California courts have also emphasized the close connection between the proximate cause requirement and the constitutional fairness doctrine, which holds that property owners should not have to bear burdens that, in fairness, should be borne by society. Courts have referred to this policy as the “loss distribution” premise.” See *Holtz v. Superior Court* (1970) 3 Cal. 3d 296, 303–304. See also *Pac. Bell v. City of San Diego*, 81 Cal. App. 4th 596, 607 (2000) (“[T]he fundamental policy underlying inverse condemnation is to distribute the costs of the public benefit among those benefited by the public improvement rather than imposing a disproportionate burden on the person damaged by the operation of the improvement.”) The California Supreme Court has explained that, in takings cases, the “general rule of compensability [does] not derive from statutory or common law tort doctrine, but instead [rests] on the construction . . . of our constitutional provision . . . Article I, section 14:”

The decisive consideration is whether the owner of the damaged property if uncompensated would contribute more than his proper share to the public undertaking. In other words, the underlying purpose of our constitutional provision in inverse—as well as ordinary—condemnation is to distribute throughout the community the loss inflicted upon the individual by the making of public improvements: to socialize the burden . . . —to afford relief to the landowner in cases in which it is unfair to ask him to bear a burden that should be assumed by society.

3 Cal. 3d 296at 303 (citations omitted); *see also Albers v. County of Los Angeles*, 62 Cal.2d 250, (1965) (Fundamental policy basis for the constitutional requirement of just compensation is a consideration of “whether the owner of the damaged property if uncompensated would contribute more than his proper share to the public undertaking.”)

In *Belair v. Riverside County Flood Control Dist.*, 47 Cal. 3d 550, 558–59 (1988), the Court confirmed that inverse condemnation liability requires a showing of proximate cause, and clarified that this required a showing of “a *substantial* cause-and-effect relationship excluding the probability that other forces alone produced the injury.” (Emphasis added) Under this test, when the activity in question merely contributes to the injury, proximate cause is established only if the injury occurred in substantial part because of the activity. *Id.* at 559–560; *accord, Biron v. City of Redding*, 225 Cal. App. 4th 1264, 1279 (2014); *Souza v. Silver Dev. Co.*, 164 Cal. App. 3d at 171; *Gutierrez v. County of San Bernardino*, 198 Cal. App. 4th 831, 836 (2011) (“To be a proximate cause, the design, construction or maintenance of the improvement must be a substantial cause of the damage.”).

## (2) Proximate Cause in Other Contexts.

Courts have also employed proximate cause principles in other non-tort contexts, using the same standards of reasonableness and fairness to place limits on the extent to which a party will be held legally liable or responsible for an alleged impact. For example, the Supreme Court has held that proximate cause principles are appropriate to limit the scope of liability for antitrust violations. *Associated General Contractors of California, Inc. v. California State Council of Carpenters*, 459 U.S. 519, 535–536 (1983). In holding that the plaintiffs could not maintain their antitrust action, the high court stressed, among other factors, the “indirectness of the asserted injury.” 459 U.S. at 540. Focusing on the “chain of causation” between the plaintiffs’ injury and the alleged antitrust violation, the Court found “that any such injuries were only an indirect result of whatever harm may have been suffered” by parties that lost business due to the defendants’ conduct. *Id.* at 540–541.

The Supreme Court has also used the proximate cause concept to limit the reach of impacts that agencies must consider (and that project proponents must provide mitigation for) under the National Environmental Protection Act (“NEPA”). *See, e.g., Dep’t of Transp. v. Pub. Citizen*, 541 U.S. 752, 767 (2004) (analogizing “reasonably close causal relationship” inquiry for defining “indirect effects” in NEPA context to proximate cause inquiry in tort law, and holding that an agency with no discretion or ability to prevent a certain effect due to its limited statutory authority, cannot be considered a legally relevant “cause” of the effect).<sup>24</sup>

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<sup>24</sup> Federal courts have also employed proximate cause principles in applying other environmental statutes. *See, e.g., United States v. West of Eng. Ship Owner’s Mut. Prot. & Indem. Ass’n (Lux.)*, 872 F.2d 1192, 1198–1200 (5th Cir. 1989) (Federal Water Pollution Control Act); *Benefield v. Exxon Corp.*, 959 F.2d 805, 807 (9th Cir. 1992) (Trans-Alaska Pipeline Authorization Act).

In *Metropolitan Edison Co. v. People Against Nuclear Energy*, 460 U.S. 766, 774 (1983), the Court invoked proximate cause concepts in holding, under NEPA, that the Nuclear Regulatory Commission did not have to consider whether the risk of nuclear accident would cause harm to psychological health and well-being of community surrounding nuclear plant because “the element of risk lengthens the causal chain beyond the reach of NEPA.” The Court reasoned that NEPA requires “a reasonably close causal relationship between a change in the physical environment and the [prospective] effect at issue,” which it interpreted as being “like the familiar doctrine of proximate cause from tort law.” 460 U.S. at 776 (citing W. Prosser, *Law of Torts* ch. 7 (4th ed. 1971)). This was necessary to limit the drain on “time and resources” that would result if an agency were forced to examine attenuated effects. *Id.* at 774. The Court subsequently reiterated, in *Department of Transportation v. Public Citizen*, 541 U.S. 752 (2004), that “a ‘but for’ causal relationship is insufficient to make an agency responsible for a particular effect,” 541 U.S. at 767, and therefore insufficient to require the agency to analyze that effect under NEPA.

The application of proximate cause in NEPA is particularly instructive for development fees and exactions. Both NEPA and exactions place obligations on parties to mitigate for the possible effects of their actions. In both of these contexts, the prudential limitations of proximate cause are necessary to “draw a manageable line between those causal changes that may make an actor responsible for an effect and those that do not.” *Dep’t of Transp. v. Pub. Citizen*, 541 U.S. at 767.

Courts have also imported the proximate cause concept into the Endangered Species Act (“ESA”) to place a reasonable limit on the imposition of legal responsibility on property owners for the impacts of their land use activities on threatened and endangered species. *Babbitt v. Sweet Home Communities.*, 515 U.S. 687 (1995).<sup>25</sup> *Sweet Home* involved § 9 of the ESA, which forbids the “take” of an endangered or threatened species. Although this provision does not expressly use the terms “cause” or “proximate cause,” the Court found it appropriate to use “ordinary requirements of proximate causation and foreseeability.” 515 U.S. at 697 n.9. Both the concurring and dissenting opinions agreed that the use of proximate cause principles was appropriate in the ESA context to cut off property owner responsibility in the face of a lengthy chain-of-events theory of liability. 515 U.S. at 712 (O’Connor, J., concurring); *id.* at 732 (Scalia, J., dissenting) (“I quite agree that the statute contains” a proximate cause requirement.). As

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<sup>25</sup> In *Cascadia Wildlands v. Kitzhaber*, 911 F. Supp. 2d 1075, 1084 (D. Or. 2012), in concluding that a plaintiffs’ ESA claim lacked the necessary showing of proximate cause, the court stated:

To establish proximate causation, plaintiffs must still present a direct relation between the injury asserted and the injurious conduct alleged, and the link between the two cannot be too remote, purely contingent, or indirect.

Justice O'Connor further explained, application of proximate cause “depends to a great extent on considerations of the fairness of imposing liability for remote consequences.” *Id.*

A very recent and instructive example of the use of proximate cause in the ESA context occurred in *The Aransas Project v. Shaw*, No. 13-40317, 2014 WL 2932514 (5th Cir., June 30, 2014). There, the Fifth Circuit Court of Appeals held that the Texas Commission on Environmental Quality (“TCEQ”) was not responsible for the deaths of endangered whooping cranes based on issuance of permits to withdraw water from rivers that sustained whooping crane habitat, finding that “the district court either misunderstood the relevant liability test or misapplied proximate cause when it held the state defendants responsible for remote, attenuated, and fortuitous events following their issuance of water permits.”

The appellate court emphasized that “[p]roximate cause and foreseeability are required to affix liability for ESA violations,” and observed that “[n]owhere does the [district] court explain why the remote connection between water licensing, decisions to draw river water by hundreds of users, whooping crane habitat, and crane deaths that occurred during a year of extraordinary drought compels ESA liability.” It reliance on *Sweet Home*, the court rejected the lower court’s causation analysis, concluding that “[t]he lack of foreseeability or direct connection between TCEQ permitting and crane deaths is also highlighted by the number of contingencies affecting the chain of causation from licensing to crane deaths. The contingencies are all outside the state’s control and often outside human control.” These included water use by and availability from other sources, and “even more unpredictable and uncontrollable” forces of nature, including “weather, tides and temperature conditions,” which “dramatically affect[ed]” conditions in the subject estuary. The court concluded that “[f]inding proximate cause and imposing liability on the state defendants in the face of multiple, natural, independent, unpredictable and interrelated forces affecting the cranes’ estuary environment goes too far.”

Like NEPA and the ESA, CEQA limits the range of impacts that agencies must consider and mitigate and these limits have incorporated proximate cause principles. CEQA does not require agencies to consider impacts that are “speculative or unlikely to occur.” 14 Cal. Code Regs. § 15064(a)(3). Under CEQA,

An agency need not devote itself to an extended discussion of the environmental impact of alternatives “remote” from reality such as those which are of speculative feasibility or could only be implemented after significant changes in governmental policy or legislation.

*Residents Ad Hoc Stadium Comm. v. Bd. of Trustees*, 89 Cal. App. 3d 274, 287 (1979); *see also Friends of the Eel River v. Sonoma County Water Agency*, 108 Cal. App. 4th 859, 875 (2003) (The possibility that project approval might affect future action by another agency on a different proposal need not be analyzed under CEQA).

### (3) Proximate Cause Standards

Proximate cause analysis has two components, both of which must be established for a legally sustainable relationship to exist. *Jackson v. Ryder Truck Rental, Inc.*, 16 Cal. App. 4th 1830 (1993). The first question is whether there is a *substantial* cause-and-effect relationship between the act or omission and the harm. *Mitchell v. Gonzales*, 54 Cal. 3d 1041, 1049 (1991), “The proper rule for such situations is that the defendant's conduct is a cause of the event because it is a material element and a substantial factor in bringing it about.” *Id.* at 1052; *Vecchione v. Carlin*, 111 Cal. App. 3d 351, 359 (1980); Prosser & Keeton on Torts (5th ed. 1984) § 41, pp. 266–267. The second issue is whether the party’s conduct was closely enough related to the harm that the defendant *should* be held responsible. “This second component of proximate cause, which asks a policy question, has been termed the ‘normative or evaluative element’ of proximate cause. *Jackson v. Ryder Truck Rental, Inc.*, 16 Cal. App. 4th at 1847 (quoting *Mitchell v. Gonzalez*, 54 Cal. 3d at 1056 (1991) (Kennard, J. dissenting); see also *Evan F. v. Hughson United Methodist Church*, 8 Cal. App. 4th 828, 834–835 (1992).

In *PPG Industries v. Transamerica Insurance Co.*, 20 Cal. 4th 310 (1999), the California Supreme Court explained that the reason for the second component is that without some policy limitation on legal responsibility, the chain of causation can stretch both backwards and forwards, potentially resulting in unlimited liability. *Id.* at 315. The Court quoted with approval Justice Traynor’s observation that proximate cause “is ordinarily concerned, not with the fact of causation, but with the various considerations of policy that limit an actor's responsibility for the consequences of his conduct.” *Id.* quoting *Mosley v. Arden Farms Co.*, 26 Cal. 2d 213, 221 (1945) (Traynor, J., concurring).

Proximate cause has been employed so widely for so long because, as both the Supreme Court and the California Supreme Court have recognized, the alternative—mere “but-for” causation—is no alternative at all because “the consequences of an act go forward to eternity, and the causes of an event go back to the dawn of human events, and beyond.” *Exxon Co., U.S.A. v. Sofec, Inc.*, 517 U.S. 830, 838 (1996) (quoting W. Keeton et al., *Prosser and Keeton on the Law of Torts* § 41, at 266 (5th ed. 1984)); *PPG Indus.*, 20 Cal. 4th at 324.

“The chief and sufficient reason for [proximate cause] is to be found in the impossibility of tracing consequences through successive steps to the remote cause, and the necessity of pausing in the investigation of the chain of events at the point beyond which experience and observation convince us we cannot press our inquiries with safety.” *Associated Gen. Contractors of Cal.*, 459 U.S. 519, 532 n.24 (1983).

#### D. The Role of Expert Opinion.

Proximate cause requirements cannot be dispensed with based simply upon an expert's assurance -- without empirically verifiable evidentiary support -- that the requisite factual connection exists between the act or event and the impact. Courts, for example, will not allow juries to rely on expert testimony unless it contains "a reasoned explanation illuminating why the *facts* have convinced the expert, and therefore should convince the jury, that it is more probable than not the [ ] act was a cause-in-fact of the plaintiffs injury." *Jennings v. Palomar Pomerado Health Systems, Inc.*, 114 Cal.App.4th 1108, 1118 (2003) ("[P]roffering an expert opinion that there is some theoretical possibility of the negligent act could have been a cause in fact of a particular injury is insufficient to establish causation." *Id.* (citations omitted; emphasis added.))

For example, an expert's opinion based on assumptions of fact without evidentiary support, or on speculative or conjectural factors, has no evidentiary value and may be excluded from evidence. *See, e.g., Pacific Gas & Electric Co. v. Zuckerman*, 189 Cal.App.3d 1113, 1135 (1987); *Lockheed Martin Corp. v. Superior Court*, 29 Cal.4th 1096, 1110-1111 (2003); *City of San Diego v. Sobke*, 65 Cal.App.4th 379, 396 (1998). Likewise, when an expert's opinion is conclusory because unaccompanied by a reasoned explanation connecting the factual predicates to the ultimate conclusion, "the opinion has no evidentiary value because an expert opinion is worth no more than the reasons upon which it rests." *Kelley v. Trunk*, 66 Cal.App.4th 519, 523-525 (1998). As a result, "an expert's opinion that something could be true if certain assumed facts are true, without any foundation for concluding those assumed facts exist . . . does not provide assistance to the jury because the jury is charged with determining what occurred in the case before it, not hypothetical possibilities." *Bushling v. Fremont Medical Center*, 117 Cal.App.4th 493, 510 (2004); *Jennings*, 114 Cal.App.4th at 1117-18 ("An expert who gives only a conclusory opinion does not assist the jury to determine what occurred, but instead supplants the jury by declaring what occurred.").

For these reasons, an expert opinion that there is a *theoretical* possibility that an act could have been a cause-in-fact of a particular event is insufficient to establish a legally cognizable showing of causation. *Saelzler v. Advanced Group 400*, 25 Cal.4th 763, 775-776 (2001); *accord, Leslie G. v. Perry & Associates*, 43 Cal.App.4th 472, 487 (1996). Instead, the plaintiff must offer an expert opinion that contains a reasoned explanation illuminating why the facts have convinced the expert, and therefore should convince the jury, that it is more probable than not that the act was a cause-in-fact of the injury. *Jennings*, 114 Cal.App.4th at 1118.

Similarly, an expert may not rely on a model or methodology that cannot be empirically validated and is not reasonably established in the scientific or other expert literature. Evidence Code section 801 limits expert testimony to a matter "of a type that reasonably may be relied upon by an expert in forming an opinion upon the subject to which his testimony relates."<sup>26</sup>

<sup>26</sup> Similar rules prevail in federal court. Under the Federal Rules of Evidence, before an expert can testify to any "scientific, technical, or other specialized knowledge," a federal district court must be satisfied that "the testimony is based upon sufficient facts or data, the testimony is the

Courts of appeal have consistently recognized the duty to examine the basis for expert opinions and exclude testimony that lacks an empirical foundation and is not generally accepted in the scientific or expert community. *See, e.g., Pacific Gas & Electric v. Zuckerman*, 189 Cal. App. 3d 1113 (1987). “Where an expert bases his conclusion upon assumptions . . . which are not reasonably relied upon by other experts, or upon factors which are speculative, remote or conjectural, then his conclusion has no evidentiary value,” and it is proper to preclude a jury from hearing that testimony. *Pacific Gas*, 189 Cal. App. 3d at 1135. As another court observed: “Like a house built on sand, the expert’s opinion is no better than the facts on which it is based.” *Kennemur v. State of California*, 133 Cal. App. 3d 907, 923 (1982).

As with a court, an agency can and should disregard expert testimony that lacks an adequate factual foundation or is not based upon a generally accepted methodology. For example, “an expert’s opinion which says nothing more than ‘it is reasonable to assume’ that something ‘potentially . . . may occur’” but has no basis in fact does not constitute substantial evidence that can reasonably be relied on by a public agency. *See Apartment Association of Greater Los Angeles v. City of Los Angeles*, 90 Cal.App.4th 1162, 1173-1176 (2001). *See also* Pub. Resources Code, § 21080(e)(2) (“Substantial evidence includes expert opinion supported by fact [and] not . . . unsubstantiated opinion or narrative.”) (emphasis added); *Pala Band of Mission Indians v. County of San Diego*, 68 Cal.App.4th 556, 580 (1998) (Letter based on unsubstantiated opinion did not constitute substantial evidence); *Lucas Valley Homeowners Ass’n v. County of Marin*, 233 Cal. App. 3d 130 (1991) (Expert testimony by real estate agent regarding potential decline in property values was not substantial evidence because it was an imprecise opinion without supporting verifiable data such as comparables); *Citizens Comm. to Save Our Village v. City of Claremont*, 37 Cal. App. 4th 1157, 1170 (1995) (no factual foundation for architect’s letter claiming a historically significant landscape plan had been implemented on project site); *Gentry v. City of Murrieta*, 36 Cal. App. 4th 1359, 1422 (1995) (letter from engineering professor about groundwater and erosion impacts was not substantial evidence because it was not based on an adequate factual foundation). An agency also has authority to discount evidence provided by an expert on the ground that the foundational assumptions are simply not credible. *Bowman v. City of Berkeley*, 122 Cal. App. 4th 572, 583 (2004).

## V. APPLICATION

In contrast to other development impacts for which fees or other mitigation measures are commonly imposed—such as traffic, sewer systems, schools, etc.—there is no intuitively obvious connection between new residential housing and the need for new affordable housing. In fact, both common sense and economic analysis supports the opposite conclusion—that

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product of reliable principles and methods, and the witness has applied the principles and methods reliably to the facts of the case.” Fed. R. Evid. 702; *see also Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579 (1993).

provision of new housing may alleviate the need for affordable housing as people move from older, less expensive homes to new homes.<sup>27</sup>

The residential nexus analyses do little to dispel this. While there is some variation in the methodology employed in these studies, they share common assumptions about the links in the chain of reasoning in what may best be described as an economic hypothesis. A compressed summary of the postulated hypothetical chain<sup>28</sup> is as follows:

- New market-rate units are constructed.
- New people (or “households”) occupy the market-rate units and represent net new income in the community.
- The new households spend a percentage of that income on goods and services in the community.
- The new expenditures in the community create an economic stimulus.
- The economic stimulus results in job growth in the community.
- The jobs attract new people to the community.
- Because the jobs generated are at different compensation levels, there is a corresponding variation in the incomes of the new people.
- The new people generate a demand for new housing in the community.
- The new people with lower-paying jobs generate a demand for low-income housing.
- Therefore, the new residential development may be held responsible for the lower-income housing.

At virtually every step, additional assumptions are made about factors such as household income, type, extent and location of expenditure of disposable income, multiplier effects, type and extent of new job generation, compensation, housing demand, size and income of new households, relationship to area median income, housing subsidies, commuting patterns and other variables.

The residential nexus studies do not assess, rely on, attempt to controvert or even mention the substantial body of governmental and academic literature and supporting data identifying the

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<sup>27</sup> Powell, B. and E. P. Stringham, *The Economics of Inclusionary Housing Reclaimed: How Effective Are Price Controls?* 33 Fla. St. U. L. Rev. 471, 496 (2005) (Economic studies show that as new homes are occupied, more housing becomes available at all income levels); Lansing, J., et al., *New Homes and Poor People* at 38-40 (Study of home sales in 13 cities showed that each new home generated average of 3.5 moves and that “any policy which increases the total supply of housing will be beneficial. The working of the market for housing is such that the poor will benefit from any actions which increase the supply in the total market.”)

<sup>28</sup> See, e.g., *Residential Nexus Analysis, City of San José*, Keyser Marston Associates, Inc. (June 2014) at p.9.

root causes of affordable housing needs. These data, studies and reports indicate that the lack of affordable housing is the result of a complex blend of factors, including restrictive zoning and growth controls, excessive impact fees, complex environmental regulations, multifamily housing restrictions, and NIMBYism. A consistent theme of these studies and reports is that affordable housing needs are a compound social problem that must be addressed through a comprehensive range of policy responses and measures (including streamlining the development approval process, eliminating restrictive zoning regulations, providing financial incentives, counteracting NIMBYism, reducing the complexity and uncertainty of environmental requirements).

Unlike those studies and reports, which evaluate and rely on empirical data (including economic and demographic information) and a large body of existing literature, the residential nexus analyses are neither empirically grounded nor based on any body of established academic, scientific or technical literature. A comprehensive review of potentially relevant sources in 2011 disclosed no literature -- peer-reviewed or otherwise -- supporting the methodology used in the residential nexus analyses.<sup>29</sup>

Thus, in addition to lacking any empirical justification and failing to controvert the large body of academic, technical and governmental literature identifying other causes of affordable housing needs, the residential nexus studies employ a methodology that has not been generally accepted, or even considered, by the academic, scientific or technical community. They rely entirely on a combination of assumptions and modeling to construct a theory under which a market-rate home generates economic forces that create a "need" for a below-market-rate home. But these studies fail to demonstrate that the new housing has any *causative*, as opposed to correlative, relationship with the need for affordable housing. In contrast to traditional academic or scientific studies, in which a theory is tested against empirical data, there is no attempt in the residential nexus studies to evaluate data -- such as the historical correlation between development of market-rate housing and demand for affordable housing -- that would test the validity of the assumptions underlying the residential nexus studies. The assumptions remain just that -- assumptions, ranging from the dubious (such as that every household contains people with similar incomes) to the untenable (such as that every new job within a city generates a new household in that city).

The complex and multifaceted chain of articulated and embedded assumptions in the residential nexus studies is also far too lengthy and attenuated to comport with basic notions of fairness and proximate cause.

First, it is not even clear that the most basic "but-for" causation is present in this analysis. The notion that the new residential development itself "causes" the need for affordable housing rests on a shaky and simplistic foundation that confuses causation with correlation. Economic

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<sup>29</sup> Cray, A., *The Use of Residential Nexus Analysis in Support of California's Inclusionary Housing Ordinances: A Critical Evaluation: A report to the California Homebuilding foundation* (Nov. 2011) at 7 (available at <http://www.cbia.org/go/linkservid/06D3172D-35C3-4C71-9A9098D439C63874/showMeta/0/>).

stimulus, the “multiplier” effect and other factors heavily influence both job creation and the demand for new housing—both market-rate and affordable. The nexus studies do not contain any empirical data demonstrating any causative, as opposed to correlative, relationship between new market-rate housing and the need for affordable housing—the purported link is purely theoretical. “Causation turns on whether the act or event has “created a force or series of forces which are in continuous and active operation up to the time of the harm,” and it is not enough simply to “create[] a situation harmless unless acted upon by other forces for which the actor is not responsible.” Restatement (Second) of Torts § 433(b). It is not possible to say with any degree of assurance that the residential development—as distinct from independent economic forces—causes any of the events or phenomena in the analytic chain, much less creates forces that, in continuous and active operation, lead to the need for affordable housing. Proximate cause minimally requires that “the probability that other forces alone produced the injury” be excluded. *Biron v. City of Redding*, 225 Cal. App. 4th 1264, 1279 (2014). Because there is nothing to indicate that the demand for affordable housing would not have existed without—and may well have preceded—the construction of the new housing, this most fundamental causal requirement is not satisfied.

Moreover, as discussed in detail above, proximate cause requires that the act or omission constitute a *substantial* cause-and-effect relationship . . .” *Belair*, 47 Cal. 3d at 558–59. The Restatement explains that the word “substantial” is used to denote the fact that the party’s conduct:

has such an effect in producing the harm as to lead reasonable men to regard it as a cause, using that word in the popular sense, in which there always lurks the idea of responsibility rather than in the so-called “philosophic sense,” which includes every one of the great number of events without which any happening would not have occurred. Each of these events is a cause in the so-called ‘philosophic sense,’ yet the effect of many of them is so insignificant that no ordinary mind would think of them as causes.

The length and complexity of the chain of causal reasoning, and the number of variables that are highly sensitive to other factors, forecloses any argument that new residential development has a *substantial* cause-and-effect relationship with the need for affordable housing.<sup>30</sup>

The Restatement lists several considerations in evaluating proximate cause, among which are “the number of other factors which contribute in producing the harm.” Causal chains far less tenuous than this one have been rejected under proximate cause principles simply because there are too many assumptions piled upon assumptions. Here, the presence of so many steps in the

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<sup>30</sup> See *Cray*, *supra* n. 1, at 41 (“Several issues common among residential nexus analyses call into question the accuracy of the methodology as a whole. Estimates by the various firms are sensitive to minor changes in assumptions, calculations, and data sources, most of which seem to err on the side of inflating inclusionary percentages and in in-lieu fees.”)

analysis, any one of which can be heavily influenced in one direction or another by independent variables, renders the ultimate conclusion little more than speculation—the antithesis of the “substantial cause-and-effect” relationship required by law. See *Anza*, 547 U.S. 451 (no proximate cause when a court would have to engage in a “speculative” inquiry”).

Even proponents of these nexus studies, in moments of candor, recognize as much:

Has the need for affordable housing increased in recent years? Yes, it has.... The need has increased recently, particularly in parts of the State such as the San Francisco Bay Area, due to a confluence of several factors. First, the demise of redevelopment and a reduction in federal programs have led to a serious drop in funding available to affordable housing. For example, in Santa Clara County, it has been estimated that total funding available for affordable housing in 2008 (the last ‘normal’ year) was approximately \$126 million. In 2013, the corresponding number was \$47 million.... The second factor has been the booming local economy. That has lowered the vacancy rate on rental housing, created a white-hot real estate market for medium- to high-density multi-family housing, but of course, also raised rents. Faber, *Inclusionary Housing Requirements: Still Possible?* (September, 2014, presented at the League of California Cities City Attorneys’ Department 2014 Annual Conference)

It is therefore not surprising that in response to the question—“Is it your professional opinion that the [San José] Study establishes a causal relationship between building market rate housing and a quantifiable need for affordable housing or rather a correlative one?”—Keyser Marston refused to provide such an opinion and instead responded: “The City’s Consultant prepared the nexus analysis to meet the reasonable relationship standard under the Mitigation Fee Act, and in the Consultant’s opinion, the analysis meets that standard.”

In addition to failing the first element of the proximate cause requirement—the substantial cause component—the theory of responsibility underlying the residential needs analyses fails the normative/evaluative component since it does not comport with the governing constitutional and statutory policies. The application of proximate cause to development mitigation necessarily embraces the policies of fairness and justice embodied in the state and federal constitutions, which preclude “forcing some people alone to bear public burdens which, in all fairness and justice, should be borne by the public as a whole.” *United States v. Armstrong*, 364 U.S. 40, 49 (1960); accord, *Lockaway Storage v. County of Alameda*, 216 Cal. App. 4th 161, 183 (2013). If, for the reasons discussed above, it is not possible to say with any assurance that residential development is a substantial factor in creating the need for affordable housing, the “reasonable relationship” fundamental to development exactions is absent. The relationship between the development and the need is at best abstract and remote—the product of complex and largely theoretical studies commissioned solely for the express purpose of demonstrating a connection that many of the municipalities have expressly disavowed in their codes and ordinances.

It is also significant that the theory of responsibility underlying these studies has no coherent limiting principle. The low-income employees forecasted by the model may also be unable to afford many basic human needs other than new housing: health care facilities and services; transportation services and facilities; food and clothing; educational facilities and opportunities. Accepting the conclusion of the new generation of residential nexus studies—that local governments may impose on developers of new market-rate housing the responsibility to fund the housing needs of these projected low-income employees—necessarily opens the door to requiring residential developers to fund these other needs. Such a result is neither fair nor just.<sup>31</sup>

The lack of affordable housing has been a critical issue in California for decades. As numerous studies have demonstrated, the paucity of affordable housing is the product of a highly complex interrelationship of economic, political and social factors, including local government resistance, fiscal disincentives, NIMBYism, CEQA, and lengthy permitting procedures. It will exist whether or not there is any new market-rate housing almost surely in a more severe form in the absence of such development. It is a problem that, in fairness, should be addressed, and the costs borne, by society at large, not allocated to builders of market-rate housing based on studies that fail to satisfy the most basic elements of proximate cause.

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<sup>31</sup> Proponents of affordable housing exactions often argue that “housing is unique” because, they assert, unlike with other human needs, local governments have a constitutional obligation to provide adequate housing for all of their residents. This is untenable. California cities and counties are required by state law to zone sufficient sites at appropriate densities so that for-profit and non-profit developers have a realistic opportunity build the number of housing units identified in the local government’s housing element. They are under no obligation to fund its development or ensure that it gets built. At all events, *Patterson* expressly rejected the argument that state housing law requirements—whatever their scope—allow cities and counties to impose exactions that do not satisfy *San Remo*’s nexus requirements.



# City Council Report

Item: 12.  
Category: Council Committee Reports  
Meeting Date: October 4, 2016

## DISCUSSION

This is the section of the City Council Agenda that allows the City Councilmembers to report on items of interest and the work of City Council Committees.

### MAYOR BAKER

Cities Association of Santa Clara County:  
Board of Directors  
Selection Committee  
City Atty. Performance/Comp. Subcommittee  
City Clerk Performance/Comp. Subcommittee  
City Mgr. Performance/Comp. Subcommittee  
County Expressway Policy Advisory Board  
County Library District JPA Board of Dir.  
*Metropolitan Transportation Commission\*\**  
*Bay Area Toll Authority*  
*Santa Clara County Operational Area*  
*Council (Chair)\*\**  
*VTA Board of Directors\*\**  
West Valley Mayors and Managers

### VICE MAYOR GIBBONS:

Advisory Commissioner Appointment Interview Subcommittee  
Campbell Historical Museum & Ainsley House Foundation Liaison  
City Atty. Performance/Comp. Subcommittee  
City Clerk Performance/Comp. Subcommittee  
City Mgr. Performance/Comp. Subcommittee  
CDBG Program Committee (County) (Alt.)  
Cities Association of Santa Clara County:  
Board of Directors (Alt.)  
Selection Committee (Alt.)  
County Expressway Policy Adv. Board (Alt.)  
County Library District JPA Board of Dir. (Alt.)  
Downtown Subcommittee  
Education Liaison Subcommittee  
Finance Subcommittee  
Friends of the Heritage Theatre Liaison (Alt.)  
Housing Rehabilitation Loan Committee  
Legislative Subcommittee  
State Route (SR) 85 Corridor Policy Advisory Board (Alt.)  
Silicon Valley Clean Energy Authority Board of Directors  
Santa Clara Valley Water District:  
County Water Commission (Alt.)  
20% Housing Committee (Successor Agency)  
West Valley Mayors and Managers (Alt.)

### COUNCILMEMBER CRISTINA:

Assn. of Bay Area Governments  
Cities Association of Santa Clara County:  
ABAG Representative (Alternate)  
Economic Development Subcommittee  
Santa Clara Valley Water District:  
County Water Commission  
Silicon Valley Clean Energy Authority Board of Directors (Alt.)

### COUNCILMEMBER KOTOWSKI:

Assn. of Bay Area Governments (Alt.)  
CDBG Program Committee (County)  
Education Liaison Subcommittee  
Friends of the Heritage Theatre Liaison  
Housing Rehab Loan Committee (Alt.)  
*Recycling Waste Reduction Commission\*\**  
Legislative Subcommittee  
Silicon Valley Animal Control Authority Board (SVACA) (Alt.)  
Valley Transportation Authority Policy Advisory Committee (Alt.)  
West Valley Sanitation District  
West Valley Solid Waste Authority JPA (Alt.)

### COUNCILMEMBER RESNIKOFF:

Advisory Commissioner Appointment Interview Subcommittee  
Campbell Historical Museum & Ainsley House Foundation Liaison (Alt.)  
Downtown Subcommittee  
Economic Development Subcommittee  
Education Subcommittee (Alt.)  
Finance Subcommittee  
State Route (SR) 85 Corridor Policy Advisory Board  
Silicon Valley Animal Control Authority Board (SVACA)  
20% Housing Committee (Successor Agency)  
Valley Transportation Authority Policy Advisory Committee  
West Valley Sanitation District (Alt.)  
West Valley Solid Waste Authority JPA

**\*\*appointed by other agencies**