



Affordable Housing Nexus Study

**Presentation to the City of American Canyon
Planning Commission
July 1, 2015**



DAVID PAUL ROSEN & ASSOCIATES
DEVELOPMENT, FINANCE AND POLICY ADVISORS

1330 Broadway, Suite 937
Oakland, California 94612-2509
tel: 510.451.2552
fax: 510.451.2554
admin@draconsultants.com
www.draconsultants.com

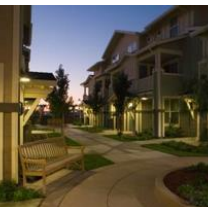


City's Inclusionary Ordinance

10% new ownership and rental dwelling units shall be affordable to lower income residents

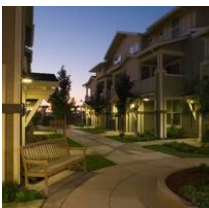
Current Program:

- Deed restrict ownership sales prices, restrict rents charged on apartment units ; or
- Provide an In-Lieu Impact Fee; and/or
- Provide land in lieu of building units.



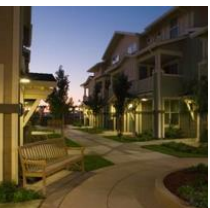
Why Update the Ordinance with a New Impact Fee?

- The 2009 Palmer/Sixth Street Properties vs. City of Los Angeles court ruling (“the Palmer Case”) invalidated many cities’ inclusionary ordinances
- Countywide Affordable Housing Task Force recommended broadening affordable housing funding sources
- Implements our New Housing Element
- Implements City Council Strategic Plan objectives



DRA's Assignment

- Residential Nexus Fee Analysis – A “Nexus Fee Analysis” establishes a legal connection between a fee imposed on a development project and the issue it is intended to solve.
- Present a maximum Affordable Housing Impact fee from a legal perspective
- The Fee will include residential and nonresidential development
- Real estate financial feasibility analysis
- Recommend changes to the City's Inclusionary Housing Ordinance



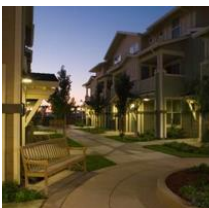
Housing Nexus Fee Concept

New market rate housing and nonresidential development raises demand for affordable housing through these relationships:

- New households and jobs
- New goods and services expenditures
- New jobs – a share of which are low paying
- New lower income households
- New demand for affordable housing



Who Benefits from Affordable Housing ?



- 15-30% AMI (Extremely Low-Income)
- 1-Person: \$9,175 - \$18,349
- 4-Person: \$13,100 - \$26,119
- Types of Jobs
 - Fast Food Cooks
 - Dishwashers
 - Manicurists
 - Part Time in Many Professions

- 30-80% AMI (Very Low- and Low- Income)
- 1-Person: \$18,350- \$48,899
- 4-Person: \$26,200 - \$69,799
- Types of Jobs
 - Preschool Teachers
 - Chefs and Head Cooks
 - Janitors
 - Hairdressers

- 80-120% AMI (Moderate- Income)
- 1-Person: \$48,900 - \$72,300
- 4-Person: \$69,800 - \$103,300
- Types of Jobs
 - High School Teachers
 - Loan Officers
 - Carpenters
 - Emergency Dispatchers



Planning Commission's Assignment

- Evaluate technical information from staff and DRA
- Obtain public stakeholder input
- Weigh the fee's impact on land value versus generating funds for affordable housing
- Recommend a Nexus Fee program to the City Council



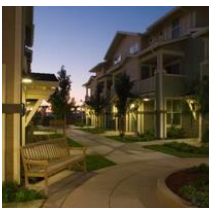
Nexus Rationale

- Nexus studies substantiate the relationship between new development and the need for affordable housing.
- Fees on development are subject to the legal principles of “reasonable relationship” and “rough proportionality.”
- Fees must:
 - Address the problem for which the fee is charged.
 - Be proportional to the fee-payers contribution to the problem.



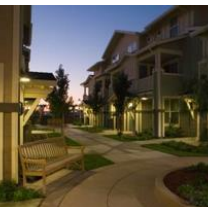
Nexus Rationale

- Additional commercial buildings in American Canyon mean additional jobs.
- Additional market-rate housing in American Canyon creates demand for goods and services.
- Additional purchases generate new jobs at a range of compensation levels – including low-wage jobs.
- The cost to add additional housing for new workers is greater than the rents low-wage workers can afford.



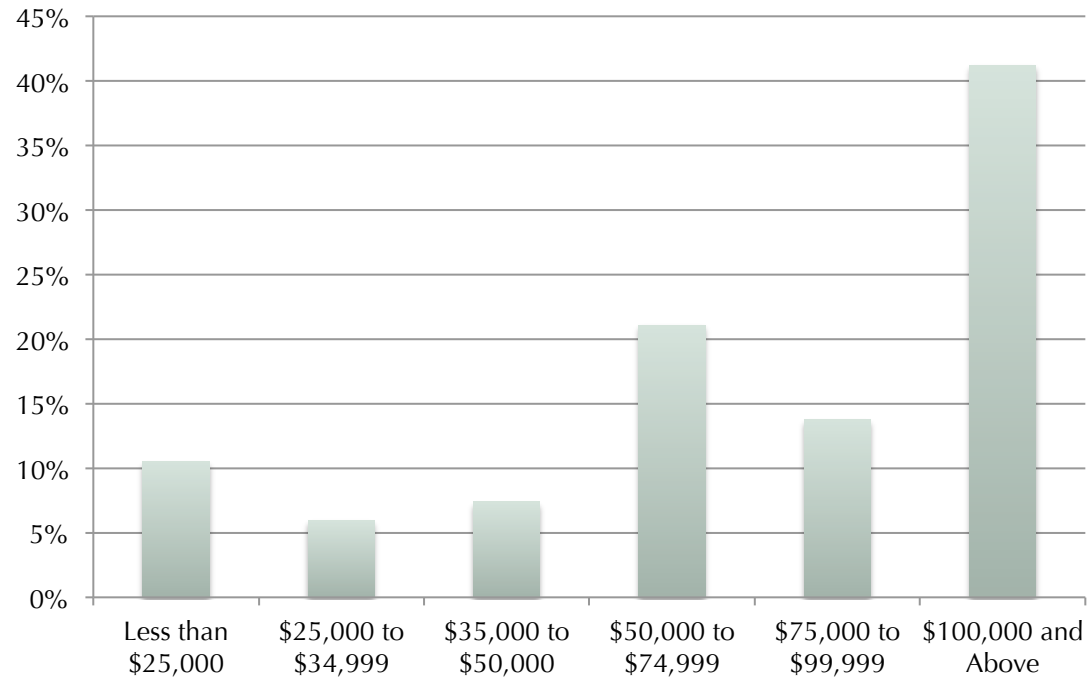
DRA's Nexus Methodology

- Demonstrates economic relationship between new development and the need for affordable housing.
- Quantifies the estimated increase in lower income households associated with development.
- Estimates the cost to provide affordable housing to new workers.
- Calculates the maximum supportable nexus fee that may be levied on development.
- Is consistent with Supreme Court case law and Government Code sections 66000-66010.



Household Income Distribution

Chart 1
Household Income Distribution
City of American Canyon
2012





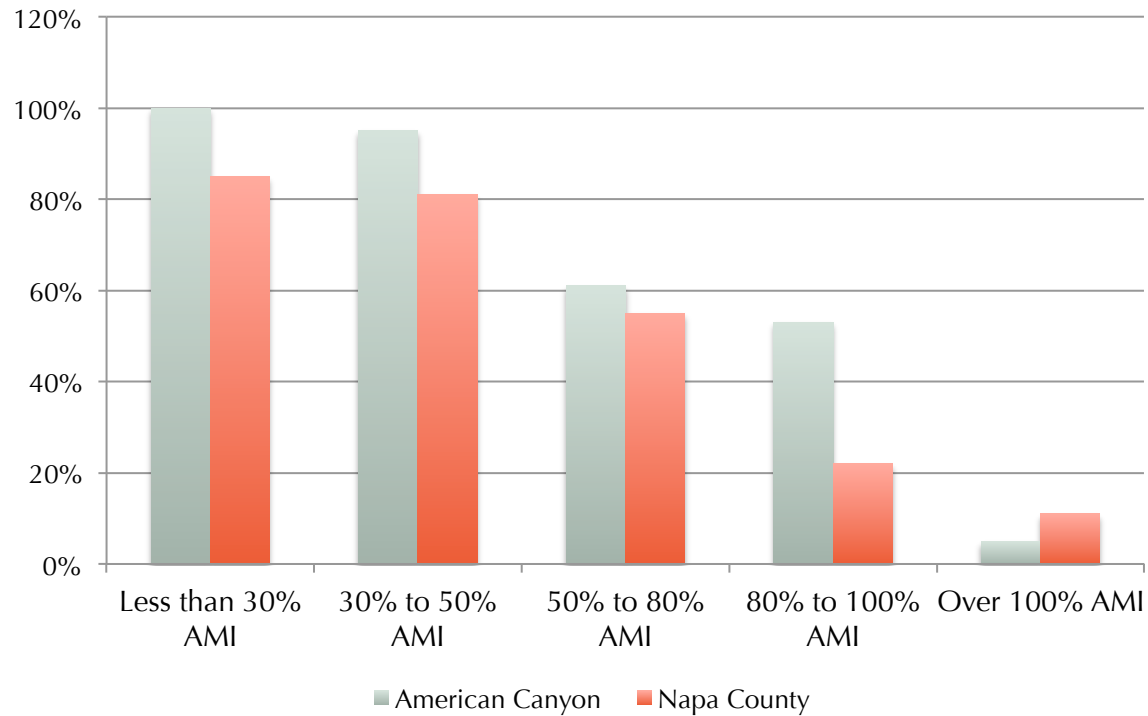
Households by Tenure

	American Canyon	Napa County
Owner	78.5%	62.6%
Renter	21.5%	37.4%
Total	100%	100%



Cost-Burdened Households

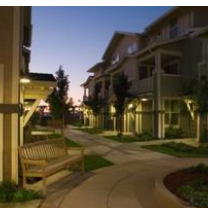
Percent of Renter Households Paying More than 30% of Income for Housing by Household Income Level
City of American Canyon and Napa County
2011





Overcrowded Households

	American Canyon	Napa County
Renter Occupied		
Overcrowded (1.01-1.5 persons per room)	6.6%	30.0%
Severely Overcrowded (1.5 persons per room or more)	13.2%	19.2%
Owner Occupied		
Overcrowded (1.01 to 1.5 persons per room)	11.6%	11.5%
Severely Overcrowded (1.5 persons per room or more)	2.2%	3.6%



Steps of Residential Nexus Analysis

1. Define a prototypical residential development.
2. Estimate the household income distribution of the households purchasing or renting these homes.
3. Estimate the consumer expenditures of those households.
4. Estimate the number of new full-time employees required to provide the goods and services purchased by these households.

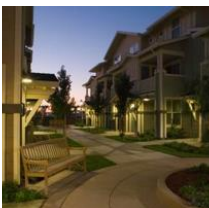


Steps of Residential Nexus Analysis

5. Estimate the number of new households associated with this employment growth.
6. Estimate the income distribution of these new employee households.
7. Estimate the number of new households requiring affordable housing.
8. Estimate the housing affordability gap for these affordable housing units.
9. Calculate the maximum supportable residential nexus fee.



1. Define a Prototypical Residential Development



Prototype	#1 Large Lot SFD	#2 Small Lot SFD	#3 Townhomes	#4 Stacked Flat Apartments
Tenure	Owner	Owner	Owner	Renter
Unit Count	100 Units	100 Units	100 Units	200 Units
Stories/ Parking Type	2 Stories Garages	2 Stories Garages	2 Stories Garages	2-3 Stories Carports
Density (DUs/Net Acre)	4.3	5.5	15.0	22.0
Average Square Feet	3,210	2,680	1,400	906
Ave. Sales Price/Rent (2014)	\$530,000 \$165/SF	\$454,000 \$169/SF	\$269,000 \$192/SF	\$2,000/Mo. \$2.20/SF/Mo.



2. Estimate the Household Income Distribution of the Households Purchasing or Renting These Homes

- Owner Housing: Income estimated based on the minimum income needed to afford mortgage principal and interest, property taxes and property insurance on prototypical home.
- Renter Housing: Income calculated from typical income to rent standards used by apartment owners.

Prototype	1	2	3	4
Estimated Average Annual Income Required	\$106,000	\$93,000	\$59,000	\$72,000



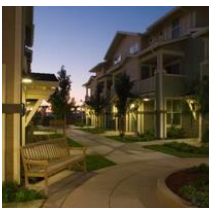
3. Estimate the Consumer Expenditures of Those Households



- Consumer expenditures of new households are based on the IMPLAN model
- IMPLAN is the industry standard for predicting economic impacts of projects such as major construction.

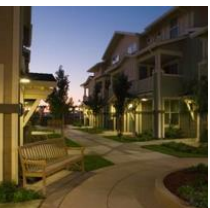
Prototype	1	2	3	4
Number of Units	100	100	100	200
Household Expenditures (1)	\$7.95 M	\$7.00 M	\$4.43 M	\$10.9 M

(1) Includes all household expenditures (including housing costs) after deductions for federal and state income taxes, FICA taxes, and personal savings.



4. Estimate the Number of New Full-time Employees Required to Provide the Goods and Services Purchased by These Households

- IMPLAN projects the number of employees needed to produce a given amount of goods and services based on 2012 Napa County data.
- The Model establishes a matrix of supply chain relationships between industries and between consumers and producers.



4. Estimate the Number of New Full-time Employees Required to Provide the Goods and Services Purchased by These Households

- Estimated impacts are divided into three categories:
 - Direct impacts
 - Indirect Impacts
 - Induced Impacts

Prototype	1	2	3	4
Number of Units	100	100	100	200
Total Employees	35	33	22	54



5. Estimate the Number of New Households Associated With Employment Growth

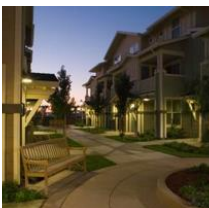
- Estimate new households based on the number of new employees and 2012 Five-Year ACS estimate at 1.97 employees per worker household
- Estimate is adjusted for potential jobs taken by existing Napa County residents who are unemployed or underemployed.

Prototype	1	2	3	4
Number of Units	100	100	100	200
Total New Households	17	16	11	26



6. Estimate the Income Distribution of These New Employee Households

- IMPLAN data on payroll per employee produces average income per household.
- 2010 Census data and 2013 Census estimates, produces average household size of 3.49 persons.
- Income brackets are based on area median income (AMI) for households of 3.5 persons



7. Estimate the Number of New Households Requiring Affordable Housing

Based on Occupation Employment and Wage Data and Occupational Employment Statistics (OES) Survey, the number of households in the following brackets were estimated:

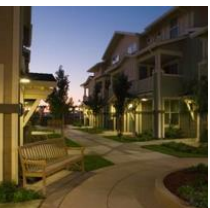
Prototype	1	2	3	4
Number of Units	100	100	100	200
Households ≤ 50% AMI	7	7	4	11
Households 51%-80% AMI	3	3	2	5
Households 81%–120% AMI	2	2	1	4



8. Estimate the Housing Affordability Gap For These Affordable Housing Units

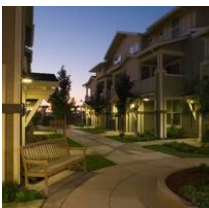
- Compared the cost of housing development in the City to the amount very low and low income households can afford to pay for housing.
- The affordability gap represents the cost to develop housing affordable to families at target income levels.

	Prototype	1	2	3	4
Per Unit Affordability Gap	50% AMI	\$385,700	\$306,400	\$135,500	\$234,800
	80% AMI	\$309,700	\$231,300	\$65,100	\$209,500
	120% AMI	\$88,200	\$12,300	\$0	\$82,500



9. Calculate the Maximum Supportable Residential Nexus Fee

- Affordability gaps per unit used to calculate Justifiable Nexus Fees.
- Justifiable Nexus Fees were generated per unit and per square foot by income level for each of the four housing prototypes.



Steps of Non-Residential Nexus Analysis

1. Define prototypical non-residential development.
2. Estimate total new employees.
3. Estimate new employees living in the City.
4. Adjust for potential future increase in labor force participation.
5. Estimate the number of new households represented by the number of new employees.
6. Distribute households by industry groupings for each land use.
7. Estimate the number of employee households meeting very low and low income limits, adjusted for household size, based on estimated wages by occupation and industry.



1. Define Prototypical Non-Residential Development

	Retail	Hotel	Food/Wine Production	Warehouse
Assumed Amount Land Use	20,000 GSF	100 Rooms	50,000 GSF	150,000 GSF
Employment Density Factor	350 SF/Emp.	1.0 Emp./Rm. 700 SF/Room	900 SF/Emp.	4,000 SF/ Emp.



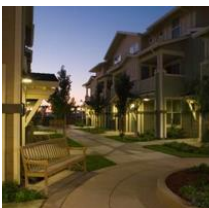
2. Estimate Total New Employees

- Estimate the number of employees that will work in each prototype building based on the employment density factor.
- Net square feet of each land use is divided by employment density factor for that land use.

	Retail	Hotel	Food/Wine Production	Warehouse
Total New Employees	57	100	56	38



3. Estimate New Employees Living in the City



Based on the 2012 Five-Year American Community Survey (ACS) , we have estimated 26.1% of new workers will live in American Canyon.

	Retail	Hotel	Food/Wine Production	Warehouse
Total Employees Living in the City of American Canyon	15	26	15	7



4. Adjust for Potential Future Increase in Labor Force Participation

DRA adjusted the estimated number of new employees moving to the City of American Canyon downward by 10% to account for existing unemployed residents who fill some of those jobs.

	Retail	Hotel	Food/Wine Production	Warehouse
New Employees Living in the City of American Canyon	13	23	13	9



5. Estimate the Number Of New Households Represented by the Number of New Employees

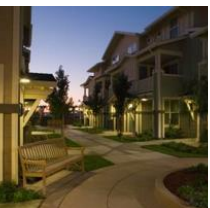
- Based on the 2012 Five-Year ACS, we have estimated 1.97 workers for per worker household.
- Retail employment reduced 70% to account of potential overlap with residential nexus

	Retail	Hotel	Food/Wine Production	Warehouse
New Employee Households in American Canyon	7	12	7	5



6. Distribute Households by Industry Groupings for Each Land Use

DRA used data from the May, 2014 U.S. Bureau of Labor Statistics, National Industry-Specific Occupational Employment and Wage Estimates to calculate the percentage distribution of employment by industry occupational category for each non-residential land use category.





7. Estimate the Number of Employee Households Meeting Adjusted Very Low and Low Income Limits

Derived using 2014 income limits for a family of three and one-half persons:

		Income Limit	Retail	Hotel	Food/Wine Production	Warehouse
Total Employee Households in American Canyon	Households ≤ 50% AMI	\$38,750	3.8	8.5	1.8	1.7
	Households 51%-80% AMI	\$62,000	0.9	1.7	1.7	0.4
	Households 81%-120% AMI	\$93,000	0.6	1.3	1.0	0.3



Nora Lake-Brown

DRA Principal

(949) 559-5650

nora@draconsultants.com



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