

CITY OF HAYWARD

Hayward City Hall
777 B Street
Hayward, CA 94541
www.Hayward-CA.gov



CITY OF
HAYWARD
HEART OF THE BAY

Agenda

Tuesday, November 7, 2017

7:00 PM

Council Chambers

City Council

Mayor Barbara Halliday
Mayor Pro Tempore Elisa Márquez
Council Member Francisco Zermeño
Council Member Marvin Peixoto
Council Member Al Mendall
Council Member Sara Lamnin
Council Member Mark Salinas

CITY COUNCIL MEETING**CALL TO ORDER Pledge of Allegiance: Council Member Lamnin****ROLL CALL****PRESENTATION**

Hayward Unified School District Rotary Scholars Awards

PUBLIC COMMENTS

The Public Comment section provides an opportunity to address the City Council on items not listed on the agenda or Information Items. The Council welcomes your comments and requests that speakers present their remarks in a respectful manner, within established time limits, and focus on issues which directly affect the City or are within the jurisdiction of the City. As the Council is prohibited by State law from discussing items not listed on the agenda, your item will be taken under consideration and may be referred to staff.

ACTION ITEMS

The Council will permit comment as each item is called for the Consent Calendar, Public Hearings, and Legislative Business. In the case of the Consent Calendar, a specific item will need to be pulled by a Council Member in order for the Council to discuss the item or to permit public comment on the item. Please notify the City Clerk any time before the Consent Calendar is voted on by Council if you wish to speak on a Consent Item.

CONSENT

1. [CONS 17-668](#) Economic Development Incentives Program - Update and Approval of Program

 Attachments: [Attachment I Staff Report](#)
 [Attachment II Resolution](#)
 [Attachment III June 6, 2016 CEDC Minutes](#)
 [Attachment IV Grant Guidelines](#)
 [Attachment V Reimbursement Guidelines](#)
 [Attachment VI Small Business Facade](#)
 [Attachment VII Facade Programs Flyer](#)

2. [CONS 17-675](#) Amendments to the Multi-Year Services Agreement between the City of Hayward, the Hayward Recreation and Park District (HARD), and the Hayward Unified School District (HUSD)

 Attachments: [Attachment I Staff Report](#)
 [Attachment II Resolution](#)

LEGISLATIVE BUSINESS

3. [LB 17-043](#) Approval of a Resolution Authorizing the City Manager to Negotiate and Execute a Memorandum of Understanding with the Hayward Adult School Youth Enrichment Services Program to Extend Youth Internships in the Maintenance Services Department (Report from Maintenance Services Director Rullman)

 Attachments: [Attachment I Staff Report](#)
 [Attachment II Resolution](#)

4. [LB 17-046](#) Adoption of an Ordinance Adding Section 10-1.2740 to Chapter 10 (Planning, Zoning, and Subdivisions) of the Hayward Municipal Code to Revise and Update Regulations Related to the Development of Accessory Dwelling Units (Report from City Clerk Lens)

 Attachments: [Attachment I Staff Report](#)
 [Attachment II Summary of Ordinance](#)

PUBLIC HEARING

5. [PH 17-099](#) Introduction of Amendments to the Affordable Housing Ordinance and Adoption of In-Lieu Fees (Report from City Manager McAdoo)

Attachments: [Attachment I Staff Report](#)
[Attachment II Resolution CEQA](#)
[Attachment III Affordable Housing Ordinance](#)
[Attachment IV Resolution Establishing in-Lieu Fees](#)
[Attachment V Executive Summary of Work Session Staff Report](#)
[Attachment VI Final Report Residential Nexus Analysis](#)
[Attachment VII Summary Residential Developments in Pipeline](#)

6. [PH 17-088](#) Adoption of an Ordinance to Approve an Amendment to the City of Hayward Contract with the California Public Employees Retirement System (CalPERS) for Miscellaneous Members in Unrepresented Executive and Council Appointed Officer Groups (Report from Director of Human Resources Collins)

Attachments: [Attachment I Staff Report](#)
[Attachment II Ordinance](#)
[Attachment III Sample Amendment](#)
[Attachment IV Published Ordinance Summary](#)

CITY MANAGER'S COMMENTS

Oral reports from the City Manager on upcoming activities, events, or other items of general interest to Council and the Public.

COUNCIL REPORTS, REFERRALS, AND FUTURE AGENDA ITEMS

Oral reports from Council Members on their activities, referrals to staff, and suggestions for future agenda items.

ADJOURNMENT

NEXT SPECIAL MEETING, November 14, 2017, 7:00 PM

PUBLIC COMMENT RULES

Any member of the public desiring to address the Council shall limit her/his address to three (3) minutes unless less or further time has been granted by the Presiding Officer or in accordance with the section under Public Hearings. The Presiding Officer has the discretion to shorten or lengthen the maximum time members may speak. Speakers will be asked for their name before speaking and are expected to honor the allotted time. Speaker Cards are available from the City Clerk at the meeting.

PLEASE TAKE NOTICE

That if you file a lawsuit challenging any final decision on any public hearing or legislative business item listed in this agenda, the issues in the lawsuit may be limited to the issues that were raised at the City's public hearing or presented in writing to the City Clerk at or before the public hearing.

PLEASE TAKE FURTHER NOTICE

That the City Council adopted Resolution No. 87-181 C.S., which imposes the 90-day deadline set forth in Code of Civil Procedure section 1094.6 for filing of any lawsuit challenging final action on an agenda item which is subject to Code of Civil Procedure section 1094.5.

****Materials related to an item on the agenda submitted to the Council after distribution of the agenda packet are available for public inspection in the City Clerk's Office, City Hall, 777 B Street, 4th Floor, Hayward, during normal business hours. An online version of this agenda and staff reports are available on the City's website. Written comments submitted to the Council in connection with agenda items will be posted on the City's website. All Council Meetings are broadcast simultaneously on the website and on Cable Channel 15, KHRT. ****

Assistance will be provided to those requiring accommodations for disabilities in compliance with the Americans with Disabilities Act of 1990. Interested persons must request the accommodation at least 48 hours in advance of the meeting by contacting the City Clerk at (510) 583-4400 or TDD (510) 247-3340.

Assistance will be provided to those requiring language assistance. To ensure that interpreters are available at the meeting, interested persons must request the accommodation at least 48 hours in advance of the meeting by contacting the City Clerk at (510) 583-4400.



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File #: CONS 17-668

DATE: November 7, 2017

TO: Mayor and City Council

FROM: City Manager

SUBJECT

Economic Development Incentives Program - Update and Approval of Program

RECOMMENDATION

That City Council receives an update and approves the Economic Development incentives program.

ATTACHMENTS

Attachment I	Staff Report
Attachment II	Resolution
Attachment III	June 6, 2016 CEDC Minutes
Attachment IV	Grant Guidelines
Attachment V	Commercial Façade Improvement Reimbursement Guidelines
Attachment VI	Small Business Façade Rebate Guidelines
Attachment VII	Façade Programs Flyer



DATE: November 7, 2017
TO: Mayor and City Council
FROM: City Manager
SUBJECT: Economic Development Incentives Program – Update and Approval of Program

RECOMMENDATION

That City Council receives an update and approves the Economic Development incentives program.

BACKGROUND

The City currently provides assistance to Hayward small businesses in the form of the Community Development Block Grant funded (CDBG) small Business Revolving Loan Fund (RLF) loans/grants. This program was created in 1990 to provide gap financing to small businesses to facilitate access to capital and leverage private sector funds to stimulate job creation. The program has provided financial assistance to over fifty small businesses with a goal of providing capital assistance to create jobs. This program previously received an estimated \$100,000 annually but has not been funded in the past three years. Some loans have been made using existing fund balances. In addition, with the dissolution of the Redevelopment Agency, economic development tools previously utilized like the façade improvement program have been eliminated.

City Council recognized the need to support small businesses and included work tasks as part of the Economic Development Strategic Plan to this end. Specifically, programs to help existing businesses with expansion were desired:

IS1.C – Design and offer incentives to existing businesses for expansions and improvements.

SR1.C – Design and offer incentives to existing service/retail businesses for expansions and improvements.

In response to the work tasks, staff has started formulating small business assistance programs which focus on business upgrades and capitalization gap financing for small businesses. In addition, staff explored a targeted utility program for restaurants and food and beverage manufacturers, but found the existing financing program offered through the City's Environmental and Utilities Division addressed the areas of need by providing flexible payment options.

Staff presented draft incentive programs at the June 6, 2016 Council Economic Development Committee (CEDC) requesting feedback and direction on program targets that would be presented for City Council review (Attachment III).

The CEDC was supportive of the guidelines and criteria established, but wanted more focused targets of the program to include businesses within the Tennyson Corridor and to offer specific incentives to targeted businesses like grocery, retail, restaurant, and family entertainment uses.

Based on the feedback from the CEDC, staff has modified the incentive programs.

DISCUSSION

Over the past three years, the requests for financial incentives have been in two areas: 1) building improvements; and 2) capitalization gap funding. The existing CDBG programs have been focused on capitalization gap funding; however, staff have not had economic development tools to address building improvement requests. Staff's intent is to bolster the existing RLF/Grant program by providing guidelines and reinitiating façade/building improvement programs to support physical upgrades.

Listed below is a summary of the existing and proposed programs with the details of the program and guidelines as attachments:

EXISTING PROGRAMS:

Revolving Loan/Grant Fund:

The revolving loan fund provides up to \$200,000 in an asset secured loan through the Community Development Block Grant (CDBG) program. The loan is typically tied to property assets; however, other real assets such as vehicles and equipment has been utilized for collateral. This has been the City's primary small business incentive tool as it provides gap financing and capitalization where traditional lending products would not support this. Its intent is to create business expansion and in turn create new jobs. The documentation and requirements of this program are quite strict and do not provide flexibility in terms of providing incentives.

Applications for loans are reviewed by the Council appointed Loan Review Committee and recommended to the City Manager (below \$75,000) or City Council (above \$75,000) depending on the loan request amount.

In addition, grants are also allowed under the program and were authorized by City Council in 2014 to give additional flexibility for smaller fund requests that would be better suited as a grant vs. a loan. The additional flexibility was warranted; however, guidelines need to be adopted as the funding amounts and process should not be the same as a loan.

Outside of the loans and grants for new job creation through the CDBG program, the City has no other financial programs to support small business attraction/expansion particularly for physical upgrades to commercial buildings.

PROPOSED ADDITIONAL PROGRAMS:

Implementing the adopted EDSP requires creation of additional programs that would support attraction and expansion of small businesses. As listed above, the two areas of need for small businesses are typically gap financing and building improvements. Listed below are proposed grant guidelines for gap financing and resurrection and modification of the Commercial Building Improvement Reimbursement Program and Business Rebate Program to assist in façade and building modifications.

- 1) Grant Program – The Grant program goal is to provide a gap funding resource for small businesses Citywide, with targeted support on the Tennyson and Downtown Corridors. Often, a small business cannot finalize an upgrade or expansion project due to a shortfall of available funding resources and the grant program would provide a small capital infusion.

This program would enable eligible participants to secure additional financing, not currently available through traditional lending institutions, up to 15% of the total project cost, not to exceed \$15,000. However, the grant amount can be increased with the approval of the Loan Review Committee and the City Manager if the business is a targeted business providing grocery, retail, restaurant, and/or family entertainment use(s).

If approved by the City through a funding agreement, fifty percent of the grant amount would be funded upon submission of proof of expended funds for their project, and fifty percent would be paid upon proof of job creation (See Attachment IV Grant Guidelines).

- 2) Commercial Building Improvement Reimbursement Program and Business Rebate Program for the Tennyson Retail and Downtown Corridors. This program has been developed in two tiers to assist both business owners and property owners with modifications and improvements to commercial buildings. The Tennyson Corridor is part of the Council's Strategic Initiates and ties into specifically the implementation program approved by Council in May 2017. The Downtown is still identified as a targeted area of need given the ongoing vacancy rate. The intent is to assist in physical improvements of the buildings, which would facilitate leasing of vacant spaces and upgrades to commercial building facades.

Tier One – Small Business Façade Rebate Program: Staff is recommending resurrecting the framework of a prior Redevelopment Agency funded program that was successfully implemented from 2002 to 2005. That program successfully provided rebates to thirty-one business and property owners for washing/painting building facades, replacement of awnings, and sign repair and/or replacement. The program was viewed as successful as it was a simple program that had a simplified process with guidelines detailed within the application itself. The property owner or business tenant (with property owner authorization) could apply.

The Tier One program would provide a façade rebate up to \$5,000 to commercial businesses and property owners in the Downtown and up to \$10,000 in the Tennyson Corridor. The rebate could be used for signs, paint, awnings, or cleaning. Approval of an application and completion of eligible work would be completed prior to rebate reimbursement (See Attachment VI Small Business Façade Rebate Guidelines).

Tier Two - Commercial Building Improvement Reimbursement Program: This program would provide funding through a forgivable loan to commercial property owners for upgrading their buildings to attract a targeted business providing grocery, retail, restaurant and/or family entertainment use(s). This program would be in the form of a 10-year forgivable loan which would use the property as collateral to ensure that the improvements are maintained. The forgivable loan would provide 50% of the total project cost not to exceed \$150,000. The property owner must complete an application, receive approval of the fund request and execution of the loan agreement. In addition, the property must be leased to a commercial tenant within one year of project improvements. If the property is improved and maintained for a 10-year period, the loan is forgiven (See Attachment V Commercial Façade Improvement Reimbursement Guidelines).

Understanding the importance of supporting small business growth within the community, staff has targeted these programs to assist with small business capitalization and building improvements. The need for funding assistance will likely outweigh fund availability. Therefore, the various program guidelines were developed to explain to potential applicants the program criteria and expectations. Lastly, program collateral would be developed to assist small businesses (Attachment VII Façade Programs Flyer).

STRATEGIC INITIATIVES

This agenda item supports the Complete Communities Strategic Initiative. The purpose of the Complete Communities Strategic Initiative is to create and support structures services, and amenities to provide inclusive and equitable access with the goal of becoming a thriving and promising place to live, work and play for all. This item supports the following goal and objective:

Goal 1: Improve quality of life for residents, business owners, and community members in all Hayward neighborhoods.

Objective 2: Foster a sense of place and support neighborhood pride

FISCAL AND ECONOMIC IMPACT

The City Council approved \$350,000 for Small Business incentives as part of the FY 2018 budget. In addition, CDBG funding is available for the Tennyson Corridor. Staff anticipates that the program requests would likely exceed allocated funding and will evaluate the subscription to the program for this year's funding cycle. The small business incentives are intended to assist in the expansion and

attraction of small businesses that create job opportunities for Hayward residents and additional goods and services for our community along with implementation of the Tennyson Corridor and Complete Communities Strategic Initiatives and the Economic Development Strategic Plan.

Prepared and Recommended by: Micah Hinkle, Economic Development Manager

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', written in a cursive style.

Kelly McAdoo, City Manager

HAYWARD CITY COUNCIL

RESOLUTION NO. 17-

Introduced by Council Member _____

RESOLUTION AUTHORIZING THE ECONOMIC DEVELOPMENT DIVISION TO
OFFER TWO NEW ECONOMIC DEVELOPMENT INCENTIVE PROGRAMS

WHEREAS, the City Council adopted the Economic Development Strategic Plan (FY 2014-2018), which established goals to design and offer incentives to existing businesses for expansions and improvements; and

WHEREAS, the City has successfully used the Community Development Block Grant funded (CDBG) Small Business Revolving Loan Fund Program since 1990 to assist over fifty small Hayward businesses in meeting their expansion needs; and

WHEREAS, CDBG funding has steadily declined and the façade improvement programs offered through the Redevelopment Agency have been eliminated; and

WHEREAS, City Council recognized the need to support small businesses and assist under-served retail corridors such as the Tennyson corridor; and

WHEREAS, the Council Economic Development Committee (CEDC) was supportive of the guidelines and criteria established for targeted businesses like grocery, retail, restaurant, and family entertainment uses; and

WHEREAS, the City has developed new and modified Economic Development Incentive Programs to assist in business expansion and retention.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hayward hereby approves incentive programs as described in detail in Exhibit 1.

BE IT RESOLVED that the Economic Development Division is hereby authorized to offer these Incentive Programs to eligible property owners and businesses subject to funding availability.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2017

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward

Exhibit 1 Incentive Programs (Attachments IV through VI to the Staff Report will be included as Exhibit 1)



CITY OF
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COUNCIL ECONOMIC DEVELOPMENT COMMITTEE

MEETING MINUTES – June 6, 2016

CALL TO ORDER: Mayor Pro Tempore Mendall called the regular meeting to order at 4:01 p.m.

ATTENDANCE:

Committee Member	Present 6/6/16	All Meetings Year to Date		Meetings Mandated By Resolution	
		Present	Absent	Present	Absent
Michael Ly	✓	6	1	6	1
Didacus-Jeff Joseph Ramos	✓	7	0	7	0
Mayor Halliday (Chair)		6	1	6	1
Council Member Jones	✓	6	1	6	1
Council Member Mendall	✓	7	0	7	0
Vacancy (Anjanette Scott, resigned 4/1/16)					
Vacancy (Navneet Ratti, resigned 2/23/16)					

OTHERS IN ATTENDANCE:

Fran David, City Manager; David Rizk, Director of Development Services; Micah Hinkle, Economic Development Manager; Paul Nguyen, Economic Development Specialist; Paul Mueller and David Dowd, Newmark Cornish & Carey; Janiene Langford, CSU East Bay Program Manager Institute for STEM Education; Kim Huggett, President and CEO, Hayward Chamber of Commerce; Paul Hodges, Board of Directors, HARD; Suzanne Philis, Senior Secretary

PUBLIC COMMENTS

None

1. APPROVAL OF MINUTES OF APRIL 4, 2016

Motion to approve minutes with one minor correction made by Council Member Jones with a second by Member Ramos. Minutes from the April 4, 2016 Regular Meeting were approved with Mayor Barbara Halliday absent.

2. INDUSTRIAL REAL ESTATE UPDATE

Paul Mueller, Senior Managing Director of Newmark Cornish & Carey, started the update by noting the market was on fire with no product available for lease or sale. Mr. Mueller then went through a handout distributed at the meeting.

Regarding Historical Vacancy versus Asking Rates for Industrial, Mayor Pro Tempore Mendall asked why the vacancy rate was so high if there were no products available. David Dowd, Managing Director, explained that new construction showed as a vacancy and even one new building could impact the percentage and Hayward had three.

Mr. Mueller confirmed for Mayor Pro Tempore Mendall that the reason companies were pushing farther out into the central valley was because they were desperate for large spaces and lower rents.

Mayor Pro Tempore Mendall asked why Hayward was considered “safe.” Mr. Dowd explained that because of its central location, truly the Heart of the Bay, goods coming to Hayward via the Port of Oakland were only four hours away from market.

Mr. Mueller stated that Hayward was considered a “deep market” because of its large industrial base of industrial and warehouse-based businesses. Mayor Pro Tempore Mendall asked if that same reasoning explained why Hayward was not known as a research & development hub. Mr. Mueller said yes and explained that similar business uses liked to group together.

Mayor Pro Tempore Mendall commented that the City was studying the feasibility of a shuttle service for the industrial sector now and Council may be making a decision in the fall. This was in response to Mr. Mueller’s comment that one challenge facing businesses in the industrial sector was getting their workers from BART stations to the business.

Council Member Jones asked if there was a sweet spot for the per square foot rate where the lease rate would cover the cost of construction. Mr. Mueller said he thought they were in that position now or fast approaching it with just a 20 cent difference between what was being asked and what would need to be asked per square foot. Council Member Jones also confirmed that most companies were looking for 32 foot ceilings rather than the current 20 foot ceilings if redevelopment was going to occur.

Council Member Jones said it was exciting that redevelopment of existing businesses was taking place rather than property owners trying to get the most rent out of an old building. Mr. Mueller noted that upgraded sprinkler systems (fire prevention) were probably the number one upgrade.

Council Member Jones asked if any one business was hoarding warehouse space and Mr. Mueller said not in the Hayward market. Economic Development Manager Hinkle said he had noticed the trend of businesses selling property on the Peninsula at a premium, buying bigger buildings here, and subletting the extra space until they were ready to expand. Manager Hinkle also noted staff was already seeing remodeling going on by property owners of under-utilized spaces to garner higher rents.

Director of Development Services Rizk asked why Historical Vacancies versus Asking Rates for R&D had jumped so high for Hayward compared to the I-880 Corridor, if it was a trend and whether it would continue. Mr. Mueller said the spike was caused by new construction and speculative development. Mr. Dowd explained that Hayward rates were also catching up to the rest of the market. Manager Hinkle noted that several buildings that had stood vacant for some time and were now being filled.

Economic Development Specialist Nguyen asked how high rents would have to climb to shift Hayward from Industrial/Warehouse to R&D. Mr. Mueller said rates would have to reach \$1.50 per square foot. He also said that the rising cost of the land could make warehouses less economical and City streets hitting capacity could deter more truck traffic. Mr. Mueller also pointed out that just as San Mateo was an extension of Highway 92, for other uses to migrate to Hayward, they would require key upfront locations along the highway.

Mayor Pro Tempore Mendall said he sees trends changing and thinks Hayward could now fill office space. Mr. Mueller said Hayward would need to provide the housing and retail amenities that would draw people from across the San Mateo Bridge to live and work here. He suggested surveying commuters on Highway 92 to find out where they were going.

Council Member Jones also noted that Hayward needed to provide amenities in the industrial sector to attract workers and businesses from the Peninsula.

Mayor Pro Tempore Mendall said that although he was sad to lose Gillig he also sees it as an opportunity to completely change the synergy of the site. Mr. Mueller said absolutely and noted the site was big enough to do almost anything.

Mayor Pro Tempore Mendall pointed out to staff that this was conversation the committee had had before but now the rest of City Council needed to hear it to change how they see Hayward. Member Ramos asked if he meant a presentation to Council and Mayor Pro Tempore Mendall said he would leave it up to staff to decide.

3. REVIEW OF HAYWARD STEM COMMUNITY PROGRAM AND PARTNERSHIP

Economic Development Manager Hinkle introduced CSU East Bay Program Manager Institute for STEM Education Janiene Langford who gave the presentation.

Ms. Langford noted the Institute was housed at CSUEB, but was privately funded primarily by corporate donors. The STEM Career Awareness Day, held on April 13th, was an industry-led, one-day program where high school students toured and met with local businesses, she said. The event in Hayward was a grassroots effort to build bridges between education, business and local government. She added that a mixer, sponsored by the Economic Development Division, was held April 7th at City Hall to introduce business representatives to educators before the main event.

Member Ramos asked what was next after the one-day events; what was the goal of the program and what would on-going efforts entail. Ms. Langford said continuing to link government to businesses and schools; leveraging those relationships to create internships for students; creating opportunities for businesses to continue to meet and work together; and bringing year-round programing like Circle Labs, currently located and funded by businesses in Berkeley, down to Hayward.

Council Member Jones said he hoped the program could continue and commented that it would be beneficial to measure success, by, for example, counting how many students who go through the program go on to college. He said such measurables could be used to secure more funding from businesses and cities. Ms. Langford noted that two lead teachers were identified at each high school to create consistency. She also said another goal she had was getting families and parents more involved.

Member Ramos asked if Promise Neighborhood students in Jackson Triangle were involved in the program and Ms. Langford said yes, but noted the program wasn't limited to students in the Jackson Triangle.

Member Ramos suggested creating metrics for those students since other data was already being collected.

Economic Development Manager Hinkle acknowledged Ms. Langford's work in implementing the program and bringing the different groups together for a successful event. He pointed out that each year the event would get better as the groups got to know each other and expanded on the advantages of working together. He noted these efforts were included in the Economic Development Strategic Plan (EDSP) as Goal SR6: Improve Hayward's education-to-job bridge through an active community partnership.

Mayor Pro Tempore Mendall acknowledged that creating metrics to measure success for this program would be difficult, but he encouraged Ms. Langford to try to find some evidence, even if some of it was anecdotal or the number of businesses and students that wanted to participate again next year.

Member Ly asked how many students participated. Ms. Langford said the goal was 200 total from the four high schools and they ended up with 125. Member Ramos pointed out that was up from zero.

Member Ramos asked if Moreau Catholic High School was contacted and Ms. Langford said no she'd only worked with HUSD.

Ms. Langford concluded by saying she was pleased with the results of the first year and the partnerships created.

4. COMMERCIAL INCENTIVES PROGRAM

Economic Development Manager Hinkle said that both the General Plan and the EDSP mention the development of incentive plans for the retention, attraction and expansion of business, but how to do that was open to a lot of different options. He outlined what had been done in the past and the ideas staff was considering and the associated complexities.

Mayor Pro Tempore Mendall said four years ago, when he was campaigning to be a member of the City Council, he was talking about some of these same potential incentives and the feedback he received was, that's not the problem, fix the City's permitting process to make it more business-friendly. He told staff to take credit for the changes already made to not only the permitting process but for the implementation of the Business Concierge Program, which both save time and money and send a different message about Hayward's attitude toward business.

Mayor Pro Tempore Mendall told staff to stop focusing only on the downtown area. Any incentive programs should be applicable city-wide, he said. He also said to be very careful with anything that appears to subsidize retention because all businesses would want help. Mayor Pro Tempore Mendall said he may support subsidizing expansion and attraction, but the program would have to be well-crafted. He also supported sales tax sharing for a limited time and only for the businesses the City wanted to attract.

Regarding buildings that have been vacant for a long time, Mayor Pro Tempore Mendall said he would rather see the City develop a program that subsidized the sale of the property or for infrastructure improvements, he said, that would improve the entire area. Both could potentially attract investors with a better vision for the property's potential and with more access to capital.

Council Member Jones said he struggled with the concept of incentives because often it ended up subsidizing a failed business model. He agreed that concentrating on improving infrastructure lifted the whole area up and was worth pursuing in blighted areas both in and outside of downtown.

Council Member Jones suggested considering subsidizing aspects of development like sewer hook-up fees, increasing water meter capacity for fire sprinklers, and energy upgrades. He also pointed out that some cities offer specific incentives to encourage a particular use desired for specific buildings, for example, a restaurant or other entertainment uses.

In regards to vacant properties, Council Member Jones said he prefers performance loans over sales tax rebates because over the long-term rebates weren't healthy for the community. He pointed out that a lot of businesses moved as soon as the rebate ended.

Member Ly asked how many buildings staff hoped to assist and how much it would cost and Economic Development Manager Hinkle said six to eight buildings at a cost of approximately one million. Member Ly asked where the funding would come from and Manager Hinkle staff would have to look at various sources including the General Fund.

If downtown property owners purchased the building so long ago, Member Ly asked if they couldn't, or just wouldn't, sell the property for a profit. Economic Development Manager Hinkle said it was difficult to determine the exact reason owners held on for so long, but he suspected they were emotionally invested to a particular vision and wanted to be part of the windfall when it happened.

Member Ramos said downtown property owners were using buildings as a tax write-off and the City would have a hard time beating that income. He agreed that infrastructure improvements were a good idea and that incentives were a bad idea because the City would never get its money back; bad uses would fail. He suggested bringing together investors and property owner for a Shark Tank-like presentation and he reminded staff to reserve spaces for strategically placed retail nodes to provide neighborhood services.

Mayor Pro Tempore Mendall added that the cost of green building requirements could be spread out over time and made payable through water bills. He also suggested staff develop a list of targeted businesses and develop incentives to attract them.

Member Ramos pointed out that at the former Ford site staff had seen the opportunity for a hotel and connected the developer to the appropriate contacts. He said other cities didn't have that service. Mayor Pro Tempore Mendall said that was because of the pre-application meeting and Business Concierge service staff provided. Member Ramos commented that the developer wouldn't have had that vision on his own.

FUTURE AGENDA ITEMS

Mayor Pro Tempore Mendall requested that Future Agenda Items be listed as a separate report rather than as part of the minutes.

Member Ramos requested an update about Green Shutter developments.

Mayor Pro Tempore Mendall asked when the incentive program would come back for approval and staff said they would work with the City Manager to determine timing.

COMMITTEE MEMBER ANNOUNCEMENTS AND REFERRALS

Economic Development Manager Hinkle announced that staff was attending the national Biotech Conference in San Francisco later on in the week as part of Team California and would be manning a booth in partnership with the East Bay Economic Development Alliance. Specialist Nguyen mentioned

that the Team California pavilion was one of the largest booths and would be front and center when participants walked into Moscone Center.

ADJOURNMENT: The meeting was adjourned at 5:51 p.m.



**ECONOMIC DEVELOPMENT INCENTIVE
GRANT PROGRAM GUIDELINES FY 2017-18**

In a continuing effort to promote economic revitalization, business expansion and retention and provide employment opportunities for low to moderate income Hayward residents, the Economic Development Division has developed a Grant Program. The program goal is to provide a gap funding resource for small businesses in achieving expansion plans Citywide with targeted support in the core Hayward Downtown and Tennyson Corridors.

The Grant Program would enable eligible participants (subject to funding availability) to secure additional financing for project success not currently available through traditional lending institutions. This is one of the tools the Economic Development Division can use to assist small businesses and provide employment opportunities for Hayward residents.

The Guidelines for the Grant Program are as follows:

1. The applicant must be the business owner.
2. The grant request cannot be greater than 15% of the total project cost, not to exceed \$15,000.00. However, the City of Hayward can increase the Grant amount with the approval of the Loan Review Committee and the City Manager.
3. The applicant to provide a detailed breakdown of the total project cost, what the grant would cover, and explain how the project would benefit the business.
4. The applicant must be willing to provide employment opportunities for low to moderate income Hayward residents as a result of the grant.
5. The applicant must complete the Economic Development Grant application and provide the City with the following:
 - Business Plan
 - Business License
 - Copy of Articles of Incorporation, Articles of Organization, Partnership Agreement, or Sole Proprietorship Status
 - Copy of their signed Lease Agreement.
 - Provide documentation showing owner's capital contribution for this project (i.e. bank statements, loan documents, etc.)

6. Employer agrees to allow City of Hayward staff to copy and review all financials annually for three to five years for the purpose of verifying job creation, hiring practices, and public benefit in return for the grant.
7. Upon approval, the grant will be disbursed 50% upon submission of copies of paid invoices reflecting project completion. The remaining 50% of the grant will be disbursed upon proof of the job creation as detailed in the signed Memorandum of Understanding between the City and the Grantee.



ECONOMIC DEVELOPMENT INCENTIVE
TIER 2 (FOR PROPERTY OWNERS) COMMERCIAL PROPERTY FAÇADE
IMPROVEMENT REIMBURSEMENT PROGRAM GUIDELINES (FY 2017-18)

In a continuing effort to promote economic revitalization in the Tennyson and Downtown Retail Corridors, the City of Hayward, Economic Development Division has reestablished a Commercial Property Façade Improvement Reimbursement Program. The program goal is to provide a funding reimbursement resource for property owners to upgrade their buildings in the Tennyson and Hayward Downtown Retail corridors to attract and retain retail tenants.

This City of Hayward Façade Improvement Reimbursement Program provides a 50% matching funding up to \$150,000 to assist with financing the façade improvement project cost.

GUIDELINES FOR THE COMMERCIAL PROPERTY FACADE IMPROVEMENT PROGRAM ARE AS FOLLOWS:

1. The applicant must be the property owner.
2. This funding will be disbursed as a loan with a ten-year term that becomes a grant at maturity, if no event of default.
3. Any project over \$25,000 would be secured by a lien on the property.
4. The reimbursement request cannot be greater than 50% or \$150,000, whichever is less, of the partial (or total) project cost. However, the City of Hayward can increase the Façade Improvement amount requested with the approval of the Loan Review Committee, the City Manager and City Council.
5. This program utilizes public funds and is subject to Prevailing Wage requirements.
6. Upon project completion, the property must be leased to an approved retail tenant within one year of completion date.
7. The applicant must complete the City of Hayward Commercial Property Façade Improvement Reimbursement Program application and provide the City with the following:

- Scope of work and budget
- Contractor Requirements: Contractor must have a City of Hayward Business License and a B Contractor's License
- Back-up documentagtion/Estimates (from suppliers or contractors to support cost of improvement work to be purchased with program funds)
- Evidence of Owner/Private Financing of one-hundred percent of total or partial project cost up to \$300,000.00.

ELIGIBILITY

Eligible business properties must be located within one of the following areas:

- Tennyson Business Corridor, on Tennyson Road, between Mission Boulevard and Hesperian Boulevard.
- Downtown Hayward, on B Street, between Foothill Boulevard and Watkins Street.

This program is not available to pay for improvements that have been already completed.

BUSINESS TYPE

The focus of the Commercial Property Façade Improvement Reimbursement Program is retail/service businesses, but other business types (non-profit/cultural, office, etc.) may be considered on a case-by-case basis.

APPLICATION PROCESS

Prior to submitting an application, the applicant would meet with Economic Development staff to review the project.

Commercial Property Façade Improvement Reimbursement Program applications are available at the City of Hayward, Economic Development Division, 777 B Street, 2nd Floor, Hayward, CA 94541.

REVIEW PROCESS

Applications will be reviewed by the Small Business Loan Committee. If the committee recommends approval, the request is sent to the City Manager for final approval.

Evaluation Criteria:

Commercial Property Façade Improvement Reimbursement Program applicants will be evaluated based on the criteria listed below. Proposed improvements that meet these criteria will be most competitive for funding:

- Visually improve storefronts
- Enhance prominent business locations
- Fill a previously vacant storefront

NOTIFICATION AND NEXT STEPS

After committee review is completed, applicants will be notified via email, if available, and postal mail about the committee's decision.

Documents

Once City Manager's approval is obtained, applicant will be required to complete the City of Hayward loan documents. A deed of trust lien will be required on any reimbursement in excess of \$25,000. This loan becomes a grant at the ten year maturity, if no event of default.

Applicant to submit a W-9 form which enables the City to process and provide reimbursement funding.

Reimbursement

After the proposed improvements are completed the approved applicant must submit the following to Micah Hinkle, Economic Development Manager, 777 B Street, 2nd Floor, Hayward, CA to receive reimbursement:

- Invoice for work completed
- Proof of payment
- Signed lien release form

GENERAL

- The program is subject to funding approval by City Council each fiscal year.



ECONOMIC DEVELOPMENT INCENTIVE
TIER 1 (FOR BUSINESSES) SMALL BUSINESS FAÇADE REBATE PROGRAM GUIDELINES
(FY 2017-2018)

In a continuing effort to promote economic revitalization in underserved retail corridors, the Economic Development Division has reestablished a Façade Rebate Program for the Tennyson Road and Downtown corridors. This program will offer up to \$10,000 in rebates for the Tennyson Corridor and \$5,000 in the Downtown Corridor to business and property owners for washing/painting the building, replacement awnings, sign repair and replacement, and property clean-up.

GUIDELINES FOR THE SMALL BUSINESS FAÇADE REBATE PROGRAM ARE AS FOLLOWS:

1. The property owner or tenant can apply.
2. If the tenant applies, they would be required to have written authorization from the property owner in order to participate.
3. Up to \$10,000 in rebates would be available to approved applicants for the following:
 - washing/painting the building;
 - replacement awnings;
 - sign repair and replacement;
 - property clean-up.
4. To be eligible for the rebate, paint, awnings, and signage must meet the City of Hayward Planning Division Design Guidelines.
5. Approved applicants for the Small Business Façade Rebate Program must submit copies of paid receipts for eligible work performed before the rebate will be issued.

ELIBILITY

Eligible business properties must be located within one of the following areas:

- Tennyson Business Corridor, on Tennyson Road, between Mission Boulevard and Hesperian Boulevard.
- Downtown Hayward, on B Street, between Foothill Boulevard and Watkins Street.

This program is not available to pay for work that has already been completed.

BUSINESS TYPE

The focus of the Small Business Façade Rebate Program is retail/service businesses, but other business types (non-profit/cultural, office, etc.) may be considered on a case-by-case basis.

APPLICATION PROCESS

Prior to submitting an application, the applicant would meet with Economic Development staff to review the project.

Small Business Façade Rebate Program applications are available at the City of Hayward, Economic Development Division, 777 B Street, 2nd Floor, Hayward, CA 94541.

REVIEW PROCESS

Applications will be reviewed by the Economic Development Division staff.

NOTIFICATION AND NEXT STEPS

After staff review is completed, applicants will be notified via email, if available, and postal mail about the decision.

Documents

Applicant to submit a W-9 form which enables the City to process and provide rebate funding.

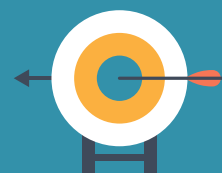
Reimbursement

After the eligible work is completed, the approved applicant must submit the following to Micah Hinkle, Economic Development Manager, or Suzanne Philis, Senior Secretary, 777 B Street, 2nd Floor, Hayward, CA to receive reimbursement:

- Copies of paid invoices for work completed

GENERAL

- The program is subject to funding approval by City Council each fiscal year.



PROGRAM GOALS

In a continuing effort to promote economic revitalization in the Tennyson and Downtown Retail Corridors, the Hayward City Council recently approved two Façade Improvement Programs. The goal is to provide funding reimbursement resources for property and business owners to upgrade their buildings on Tennyson Road (from Mission Boulevard to Hesperian Boulevard) and Downtown Hayward (B Street from Foothill Boulevard to Watkins Street) to attract and retain retail tenants.

The two facade programs are the Commercial Property Façade Improvement Reimbursement Program and the Small Business Façade Rebate Program. These programs are not available to pay for improvements that have already been completed.



CONTACT FAÇADE INCENTIVES

For More Information:

City of Hayward
Economic Development Division

Call: (510) 583-5540

e-mail: EconDev@hayward-ca.gov



Small Business Façade Rebate Program

- 1 The property owner or business tenant can apply.
- 2 If the tenant applies, they would be required to have written authorization from the property owner in order to participate.
- 3 Up to \$5,000 in rebates would be available to approved applicants for the following:
 - washing/painting the building;
 - replacement awnings;
 - sign repair and replacement;
 - property clean-up.
- 4 To be eligible for the rebate, paint, awnings, and signage must meet the City of Hayward Planning Division Design Guidelines.
- 5 Approved applicants for the Small Business Façade Rebate Program must submit copies of receipts for eligible work performed before the rebate will be issued.



Commercial Property Façade Improvement Reimbursement Program

- 1 The applicant must be the property owner.
- 2 This funding will be disbursed as a loan with a ten-year term that becomes a grant at maturity, if no event of default.
- 3 Any project over \$25,000 would be secured by a lien on the property.
- 4 The reimbursement request cannot be greater than 50% or \$150,000, whichever is less, of the partial (or total) project cost. However, the City of Hayward can increase the Façade Improvement amount requested with the approval of the Loan Review Committee, the City Manager and City Council.
- 5 Upon project completion, the property must be leased to an approved retail tenant within one year of completion date.
- 6 Evidence of Owner/Private Financing of one-hundred percent of total or partial project cost up to \$300,000.00.



Business Type

The focus of these Façade Programs is retail/service businesses, but other business types (non-profit/cultural, office, etc.) may be considered on a case-by-case basis.



General

These programs are subject to funding approval by City Council each fiscal year.



Application Process

Prior to submitting an application, the applicant would meet with Economic Development staff to review the project. For more information please call (510) 583-5540

Façade Program applications are available at the City of Hayward, Economic Development Division, 777 B Street, 2nd Floor, Hayward, CA 94541.



CITY OF HAYWARD

Hayward City Hall
777 B Street
Hayward, CA 94541
www.Hayward-CA.gov

File #: CONS 17-675

DATE: November 7, 2017

TO: Mayor and City Council

FROM: City Manager

SUBJECT

Amendments to the Multi-Year Services Agreement between the City of Hayward, the Hayward Recreation and Park District (HARD), and the Hayward Unified School District (HUSD)

RECOMMENDATION

That Council approves the attached resolution (Attachment II) authorizing the City Manager to amend the multi-year Services Agreement between the City of Hayward, the Hayward Area Recreation and Park District (HARD) and the Hayward Unified School District (HUSD) so that:

- 1) HUSD's participation under the Agreement, by mutual consent, is discontinued; and
- 2) The City shares in equal parts the entire cost of the Volunteer Coordinator position with HARD, in an amount not to exceed \$66,078 per year in FY 2018 and FY 2019.

ATTACHMENTS

Attachment I	Staff Report
Attachment II	Resolution



DATE: November 7, 2017

TO: Mayor and City Council

FROM: City Manager

SUBJECT: Amendments to the Multi-Year Services Agreement between the City of Hayward, the Hayward Recreation and Park District (HARD), and the Hayward Unified School District (HUSD)

RECOMMENDATION

That Council approves the attached resolution (Attachment II) authorizing the City Manager to amend the multi-year Services Agreement between the City of Hayward, the Hayward Area Recreation and Park District (HARD) and the Hayward Unified School District (HUSD) so that:

- 1) HUSD's participation under the Agreement, by mutual consent, is discontinued; and
- 2) The City and HARD each share fifty percent of the cost for the Volunteer Coordinator position, in an amount not to exceed \$66,078 per year in FY 2018 and FY 2019.

BACKGROUND

On October 25, 2016, the City Council passed Resolution No. 16-191 authorizing the City Manager to negotiate and execute a multi-year Community Services Agreement (Agreement) between the City, HUSD and HARD for a not to exceed amount of \$255,568 per year for a three-year period (FY 2017, FY 2018, and FY 2019). Under the existing terms of the Agreement, the City and HUSD provided payments to HARD to oversee specific programs and provide services as outlined in the Agreement.

Table I below provides a break-down of the payments made by the City and HUSD to HARD. Of the \$255,568, the City paid HARD \$221,594 for services delineated below (Parts A, B, and half of Part C). The remaining contract amount of \$33,974 was paid by HUSD to HARD for half of the Volunteer Coordinator salary (Part C). This amendment only modifies Part C, which relates to the Volunteer Coordinator position.

Table I: Cost Breakdown of Payments by the City and HUSD to HARD in current Agreement:

SECTION	SERVICES/PROGRAMS	AMOUNT	PAYMENT BY:
Part A:	Matt Jimenez Community Center: Operations Subsidy	\$ 178,620	CITY
Part B:	Sunset Swim Center	\$9,000	CITY
Part C:	Volunteer Coordinator Salary	\$33,974	CITY
		<u>\$33,974</u>	HUSD
	Subtotal Paid by City:	\$221,594	CITY
	Subtotal Paid by HUSD:	<u>\$33,974</u>	HUSD
	Total Paid to HARD:	\$255,568	CITY & HUSD

In the original Agreement, the City and HUSD paid HARD for the salary of the Volunteer Coordinator and, as the Employer of Record for this position, HARD paid for all the other costs associated with this position, including: employee benefits, equipment, overhead, and related employment taxes (approximately \$48,500 per year). The key benefits provided by the Volunteer Coordinator to the City, HARD and HUSD in the original Agreement include, but are not limited to:

- A. Identifying existing, and creating new, volunteer opportunities within each agency;
- B. Recruiting, placing, and providing support to community volunteers in each agency;
- C. Maintain a database of vacant and filled volunteer positions within each agency;
- D. The development of an annual calendar of each agency's anchor community events that are supported by community volunteers;
- E. The development and maintenance of each agency's Volunteer Manuals, recruitment brochures, and related materials;
- F. Providing support to the staff site supervisors who oversee volunteers in various departments of each of the three organizations;
- G. Development of Service-Learning and other internship opportunities in each agency;
- H. Plan and coordinate community-wide events benefiting all three agencies, including: Adopt-A-Family, Week of Caring, Celebrity Waiter and other similar volunteer operated events; and provide staff support to the Annual Volunteer Recognition Dinner; and
- I. Planning and implementing separate volunteer recognition events for each agency.

DISCUSSION

Due to fiscal constraints and a re-organization within HUSD, the district made the decision to bring the Volunteer Coordinator function in-house effective July 1, 2017. Consequently, HUSD informed HARD and the City that it would no longer need the services of the Volunteer Coordinator and would discontinue participation in the service agreement effective June 30, 2017. Consequently, the amendment to the Service Agreement modifies the share of the cost between the City and HARD, so that each entity splits the cost for the Volunteer Coordinator position equally, and discontinues HUSD's participation in the agreement.

Both HARD and the City benefit from the services provided by the Volunteer Coordinator, and agree to retain the position and split the salary costs and share the position equally, resulting in additional capacity for each organization. The increased capacity results in additional staff support to:

- A. Support the Hayward Youth Commission;
- B. Assist with implementation of the City's Commitment for an Inclusive, Equitable, and Compassionate Community (CIECC) plan;
- C. Provide support to the Neighborhood Services division of the City Manager's Office, including assistance with neighborhood meetings and community improvement projects, and
- D. Other special projects and events sponsored or co-sponsored by the City beyond those already incorporated into the Volunteer Coordinator's initial Work Plan.

If approved by Council, this level of added service will continue for the remainder of the Agreement (through FY 2018 and FY 2019).

ECONOMIC IMPACT

The utilization of volunteers is intrinsic to the success of strengthening every community. Volunteers not only supplement and compliment the work of paid staff in the City and HARD, they also contribute significantly to the quality of life, social fabric, and diverse culture that is Hayward.

During FY 2017, the Volunteer Coordinator directly recruited, trained, supervised, and supported over 994 volunteers who contributed over 4,970 hours of service to help implement 22 special community projects and community events benefitting the Hayward community. This equates to an estimated value of over \$120,000¹ in donated hours of work. In the first quarter of FY 2018, the Volunteer Coordinator has already completed 12 special projects / community events involving 533 volunteers who have contributed over 2665 hours of service, valued at \$64,333 in donated hours of work.

¹ According to the latest available information from the federal Bureau of Labor Statistics, indexed by Independent Sector in April 2017, the estimated value of volunteer time is \$24.14/hour.

In addition to the work described above, the Volunteer Coordinator refers volunteers to assist with many City programs and services, and provides support as needed to the City staff who also recruit, train, coordinate, and supervise department level volunteers directly. In 2016, over 800 volunteers assisted the City in delivering programs and services to the Hayward community, including, but not limited to: the Hayward Library's After-School Learning Centers and Literacy Programs; the Hayward Police Department's Animal Shelter, Neighborhood Watch, Explorers, and Downtown Ambassador Programs; the Hayward Fire Department's Community Emergency Response Team (CERT) and R.A.C.E.S programs; and much more. The value of the time contributed by these volunteers to the City is conservatively estimated to be over \$2.8 million per year.²

FISCAL IMPACT

The total cost of the Volunteer Coordinator position is estimated at \$132,155 annually, and includes salary, benefits, and other expenses related to the position. If approved by Council, the Agreement will be amended so that the City and HARD will split the cost of this position. The existing agreement includes \$33,974 per year, which is included in the City's adopted General Fund budget. The fiscal impact of this amendment requires an additional allocation of \$32,104 annually from the General Fund in FY 2018 and FY 2019.

STRATEGIC INITIATIVES

This agenda item supports the Complete Communities Strategic Initiative. The purpose of this initiative is to create and support structures, services, and amenities that provide inclusive and equitable access with the goal of becoming a thriving and promising place to live, work, and play for all. This item supports the following City goals and objectives:

Goal 1: Improve the quality of life for residents, business owners, and community members in all Hayward Neighborhoods.

Objective 1: Increase neighborhood safety and cohesion.

Objective 2: Foster a sense of place and support neighborhood pride.

Objective 3: Increase collaboration with businesses, nonprofits, and neighborhood groups in placemaking projects.

Objective 4: Create resilient and sustainable neighborhoods.

Objective 5: Actively value diversity and promote inclusive activities.

This agenda item also supports the Tennyson Corridor Strategic Initiative. The purpose of this initiative is to develop an attractive, cohesive, thriving Tennyson Corridor through thoughtful engagement of residents, businesses, and community partnerships. This item also supports the following City goals and objectives:

Goal 4: Foster a cohesive sense of place.

²This estimate is based on a min. of 3 hours of volunteer time per week, x 50 weeks = 150 hours, x 800 volunteers = a min. of 120,000 hours / year, x \$24.14/hour = estimated min. of \$2.8 Million+ per year.

Objective 2: Increase City sponsored events and projects in the Tennyson community.
Objective 4: Explore innovative placemaking opportunities.

Goal 5: Increase Community Resiliency.

Objective 1: Increase awareness of and access to City services.
Objective 3: Increase resident emergency preparedness.

NEXT STEPS

Upon Council's approval, staff will re-negotiate and execute an amendment to the original Agreement with HARD that reflects the proposed revisions.

If not approved, staff will meet with HARD representatives to renegotiate the terms of the current Agreement in accordance with Council's direction, and report back to Council on an alternative plan for implementing a modified version of the Volunteer Hayward Program going forward.

PUBLIC CONTACT

The agenda for this item was posted in compliance with the California Brown Act.

Prepared by: David Korth, Assistant to the City Manager

Recommended by: David Korth, Assistant to the City Manager
Maria A. Hurtado, Assistant City Manager

Approved by:



Kelly McAdoo, City Manager

HAYWARD CITY COUNCIL

RESOLUTION NO. 17-

Introduced by Council Member _____

RESOLUTION AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND EXECUTE AN AMENDMENT TO THE MULTI-YEAR SERVICES AGREEMENT WITH THE HAYWARD AREA RECREATION AND PARK DISTRICT (HARD) AND THE HAYWARD UNIFIED SCHOOL DISTRICT (HUSD) COVERING THE PERIOD JULY 1, 2016 THROUGH JUNE 30, 2019.

WHEREAS, the City Council of the City of Hayward, by Resolution 16-191, dated October 25, 2015, authorized the City Manager to negotiate and execute a joint services agreement with the Hayward Area Recreation and Park District (HARD) and the Hayward Unified School District (HUSD) for various programs in an amount not to exceed \$221,594 annually for a period not to exceed three (3) years [commencing July 1, 2016 through June 30, 2017, and automatically renewing under the same terms and conditions, pending available funding, for the periods July 1, 2017 through June 30, 2018 (FY18) and July 1, 2018 through June 30, 2019]; and

WHEREAS, incorporated in this Service Agreement is a provision which creates a Volunteer Coordinator position; and

WHEREAS, HUSD initially agreed under the Agreement to contribute financial resources equal to the City, in the amount of \$33,974 per year, to provide the capacity to make the Volunteer Coordinator position a full time (40 hours per week) position that will equally serve the City, HARD, and HUSD; and

WHEREAS, the HUSD indicated that, effective July 1, 2017, it will no longer participate in the Agreement and therefore no longer share in the cost or services provided by the Volunteer Coordinator;

NOW, THEREFORE, BE IT RESOLVED that the Hayward City Council authorizes the City Manager to negotiate and execute an amendment to the original agreement so that:

1. HUSD's participation under the Agreement, by mutual consent, is discontinued; and
2. The City shares in equal parts the entire cost of the Volunteer Coordinator position with HARD in an amount not to exceed \$66,078 per year in FY18 and FY19.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2017

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
 MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
 City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward



CITY OF HAYWARD

Hayward City Hall
777 B Street
Hayward, CA 94541
www.Hayward-CA.gov

File #: LB 17-043

DATE: November 7, 2017

TO: Mayor and City Council

FROM: Maintenance Services Director

SUBJECT:

Approval of a Resolution Authorizing the City Manager to Negotiate and Execute a Memorandum of Understanding with the Hayward Adult School Youth Enrichment Services Program to Extend Youth Internships in the Maintenance Services Department

RECOMMENDATION

That the City Council approves the attached resolution (Attachment II).

ATTACHMENTS

Attachment I Staff Report
Attachment II Resolution



DATE: November 7, 2017

TO: Mayor and City Council

FROM: Director of Maintenance Services

SUBJECT: Approval of a Resolution Authorizing the City Manager to Negotiate and Execute a Memorandum of Understanding with the Hayward Adult School Youth Enrichment Services Program to Extend Youth Internships in the Maintenance Services Department

RECOMMENDATION

That the City Council approves the attached resolution (Attachment II) authorizing the City Manager to execute a Memorandum of Understanding (MOU) with the Hayward Adult School for the Youth Enrichment Services Program.

SUMMARY

Earlier this year, the Maintenance Services Department partnered with the Hayward Adult School Youth Enrichment Services (YES) Program to provide Hayward youth an internship opportunity so they may get exposure to public service and meaningful work experience. YES is funded through a Workforce Innovation and Opportunity Act grant (grant) from the U.S. Department of Labor. These youth internships offered young adults the opportunity to learn a trade while working alongside City staff and provided exposure to City services and delivery, and new job skills in a career field of interest to them. The goal of these placements is to not only promote individual growth for participants, but also to foster a passion for public service.

BACKGROUND

Located at the Hayward Adult School, YES provides a variety of programs to deliver education and employment services to eligible youth between the ages of 16-24 in the Eden area and Eden unincorporated areas of Alameda County. Among other services, YES has an established Career Readiness Program, which is federally funded through a Workforce Innovations Opportunity Act grant. The Career Readiness Program includes the following services:

- Tutoring, study skills training, and instruction
- Alternative secondary school services
- Paid and unpaid work experience
- Occupational skills training
- Education

- Leadership development opportunities
- Support services
- Adult mentoring
- Follow-up services for 12 months
- Comprehensive guidance and counseling
- Financial literacy education
- Entrepreneurial skills training
- Labor market and employment information
- Post-secondary education and training

Youth participants work one-on-one with case managers to develop a plan and assist in reaching educational and career related goals. Each plan is specifically tailored to the youth needs and desires. Participants may have the opportunity to return to school, attend a variety of different workshops, and/or work in an internship geared towards their career goals.

The City's Maintenance Services Department partnered with YES during the summer of 2017 to identify and place youth interns within the department. The program provided eight local youth with paid internships while assigning them in the various departmental divisions (Administration, Facilities, Fleet, Landscape, and Streets). Department staff thrived in this one-of-a-kind partnership, excited by the opportunity to teach and mentor the community's youth.

DISCUSSION

The Council's continued commitment and desire to provide opportunities to Hayward youth is apparent and this program's focus is aligned with this commitment. This partnership allows for on-the-job training and exposure to different facets of local government while providing opportunities for youth to gain critical skill sets and exposure to public service, creating a solid foundation for learning new and advancing trade/job skills.

As previously mentioned, this program is funded by the Workforce Innovation and Opportunity Act grant (grant) from the U.S. Department of Labor. Currently, the interns work up to 20 hours per week for 8 weeks and are compensated directly by HAS/YES through this federal grant funding. Staff recommends redirecting money from the current approved departmental budget to extend the hours per internship placement to allow for additional paid internship hours. This additional funding will provide for approximately 6.5 extra weeks for each of the eight students participating in the program.

ECONOMIC IMPACT

Although the economic impacts of this partnership cannot be quantified at this time, this partnership does create an invaluable opportunity for local youth to learn new and applicable job skills, experience working in public service, and receive mentorship by City staff as they prepare to enter the labor market. If any of these interns are ultimately hired by the City, the

City will benefit from reduced training costs and from having employees that live and work in the community.

FISCAL IMPACT

No additional General Fund appropriation is requested, therefore there is no fiscal impact. The Maintenance Services Department will utilize \$20,000 of its existing budget to fund this program's extension of paid internship hours through the end of the fiscal year.

STRATEGIC INITIATIVES

This agenda item supports the Complete Communities Strategic Initiative. The purpose of the Complete Communities strategy is to create and support structures, services, and amenities to provide inclusive and equitable access with the goal of becoming a thriving and promising place to live, work and play for all. This item supports the following goal and objectives:

Goal 1: Improve quality of life for residents, business owners, and community members in all Hayward neighborhoods.

Objective 3: Increase collaboration with businesses, non-profit and neighborhood groups;

Objective 4: Create resilient and sustainable neighborhoods, and

Objective 5: Actively value diversity and promote inclusive activities.

NEXT STEPS

Following Council approval of the attached resolution, the City Manager will negotiate and execute an MOU between the City of Hayward and the YES Program.

Prepared by: Denise Blohm, Management Analyst II

Recommended by: Todd Rullman, Maintenance Services Director

Approved by:



Kelly McAdoo, City Manager

HAYWARD CITY COUNCIL

RESOLUTION NO. 17-_____

Introduced by Council Member _____

RESOLUTION AUTHORIZING THE CITY MANAGER TO NEGOTIATE AND EXECUTE A MEMORANDUM OF UNDERSTANDING WITH THE HAYWARD ADULT SCHOOL YOUTH ENRICHMENT SERVICES PROGRAM AND THE CITY OF HAYWARD MAINTENANCE SERVICES DEPARTMENT TO EXTEND YOUTH INTERNSHIP PAID HOURS IN AN AMOUNT NOT TO EXCEED \$20,000

WHEREAS, Hayward Adult School Youth Enrichment Services Program (“HAS/YES”) administers a Career Readiness Program to place youth in paid internships at various sites;

WHEREAS, the City and HAS/YES have entered into a Worksite Non-Financial Agreement whereby HAS/YES placed 8-10 part-time interns with the City’s Maintenance Services Department in July 2017;

WHEREAS, the interns were scheduled to work up to 20 hours per week for 8 weeks and were compensated directly by HAS/YES through federal grant funding;

WHEREAS, the City and HAS/YES desire to expand the scope and duration of the internship program with the goal of having the interns meet the minimum qualifications for the entry-level position classification for which they worked at by the end of the internship;

WHEREAS, the City is willing to provide up to a maximum of \$20,000 in additional funding to HAS/YES for the internship program to provide additional paid internship hours;

WHEREAS, the purpose of the additional funding will be to provide interns with additional paid internship hours to allow them to gain ample training and experience to qualify for entry-level employment;

WHEREAS, the purpose of the MOU will be to outline the general parameters of the collaboration;

WHEREAS, executing an agreement with HAS/YES is required so that the City can provide additional funded internship hours for youth participants;

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Hayward that the City Manager is hereby authorized and directed to negotiate and execute an MOU, along with any supporting documents, with the HAS/YES for paid intern services provided to the Maintenance Services Department. This authorization is for the acceptance of invoices up to \$20,000.

IN COUNCIL, HAYWARD, CALIFORNIA, November 7, 2017

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
 MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward



CITY OF HAYWARD

Hayward City Hall
777 B Street
Hayward, CA 94541
www.Hayward-CA.gov

File #: LB 17-046

DATE: November 7, 2017

TO: Mayor and City Council

FROM: City Clerk

SUBJECT

Adoption of an Ordinance Adding Section 10-1.2740 to Chapter 10 (Planning, Zoning, and Subdivisions) of the Hayward Municipal Code to Revise and Update Regulations Related to the Development of Accessory Dwelling Units

RECOMMENDATION

That the Council adopts the Ordinance introduced on October 30, 2017.

ATTACHMENTS

Attachment I Staff Report

Attachment II Summary of Ordinance Published on 11/03/2017



DATE: November 7, 2017

TO: Mayor and Council Members

FROM: City Clerk

SUBJECT Adoption of an Ordinance Adding Section 10-1.2740 to Chapter 10 (Planning, Zoning, and Subdivisions) of the Hayward Municipal Code to Revise and Update Regulations Related to the Development of Accessory Dwelling Units

RECOMMENDATION

That the Council adopts the Ordinance introduced on October 30, 2017.

BACKGROUND

The Ordinance was introduced by Council Member Zermeño at the special October 30, 2017, meeting of the City Council with the following vote:

AYES:	COUNCIL MEMBERS: Zermeño, Mendall, Peixoto, Salinas, Lamnin
	MAYOR: Halliday
NOES:	COUNCIL MEMBER Márquez
ABSENT:	None
ABSTAIN:	None

STRATEGIC INITIATIVES

This agenda item is a routine operational item and does not relate to one of the Council's Strategic Initiatives.

FISCAL IMPACT

There is no fiscal impact associated with this report.

PUBLIC CONTACT

The summary of the Ordinance was published in the Hayward Daily Review on Friday, November 3, 2017. Adoption at this time is therefore appropriate.

NEXT STEPS

The Hayward Municipal Code and other related documents will be updated accordingly.

Prepared by: Avinta Madhukansh-Singh, Management Analyst

Recommended by: Miriam Lens, City Clerk

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', written in a cursive style.

Kelly McAdoo, City Manager

PUBLIC NOTICE OF AN INTRODUCTION OF AN ORDINANCE
BY THE CITY COUNCIL OF THE CITY OF HAYWARD

AN ORDINANCE ADDING SECTION 10-1.2740 TO CHAPTER 10 (PLANNING, ZONING, AND SUBDIVISIONS) OF THE HAYWARD MUNICIPAL CODE TO REVISE AND UPDATE REGULATIONS RELATED TO THE DEVELOPMENT OF ACCESSORY DWELLING UNITS

NOW THEREFORE THE CITY COUNCIL OF THE CITY OF HAYWARD DOES ORDAIN AS FOLLOWS:

Section 1. Provisions. The City Council incorporates by reference the findings contained in Resolution No. 17-161 approving the text changes to the Hayward Municipal Code requested in Zoning Text Amendment Application No. 201701087.

Section 2. Chapter 10, Planning, Zoning, and Subdivisions of the Hayward Municipal Code, which establishes development standards and regulations for all zoning districts within City boundaries, is hereby amended to add certain text and delete certain provisions related to the development of Accessory Dwelling Units (commonly referred to as in-law units, secondary dwellings, or granny flats), introduced herewith and as specifically shown in this Ordinance.

CHAPTER 10 – PLANNING, ZONING, AND SUBDIVISIONS

ARTICLE 1 – ZONING ORDINANCE

SECTION 10-1.200 – SINGLE FAMILY RESIDENTIAL DISTRICT (RS)

SEC. 10-1.215 - USES PERMITTED.

SEC. 10-1.245 - MINIMUM DESIGN AND PERFORMANCE STANDARDS.

SECTION 10-1.300 - RESIDENTIAL NATURAL PRESERVATION DISTRICT (RNP)

SEC. 10-1.315 - USES PERMITTED.

SECTION 10-1.400 - MEDIUM DENSITY RESIDENTIAL DISTRICT (RM)

SEC. 10-1.415 - USES PERMITTED.

SECTION 10-1.500 - HIGH DENSITY RESIDENTIAL DISTRICT (RH)

SEC. 10-1.515 - USES PERMITTED.

SECTION 10-1.600 – RESIDENTIAL-OFFICE DISTRICT (RO)

SEC. 10-1.615 - USES PERMITTED.

SECTION 10-1.2740 - ACCESSORY DWELLING UNITS.

SEC. 10-1.2741 PURPOSE.

SEC. 10-1.2742 DEFINITIONS.

SEC. 10-1.2743 LOCATION CRITERIA.

SEC. 10-1.2744 DESIGN AND DEVELOPMENT STANDARDS.

SEC. 10-1.2745 ADDITIONAL PROVISIONS FOR THE CONVERSION OF EXISTING STRUCTURES TO CREATE ACCESSORY DWELLING UNITS.

SEC. 10-1.2746 PARKING.
SEC. 10-1.2747 PERMIT REQUIRED.
SECTION 10-1.3500 – DEFINITIONS
SEC. 10-1.3510 - USES AND ACTIVITIES DEFINED.

ARTICLE 2 – OFF-STREET PARKING REGULATIONS

SEC. 10-2.310 RESIDENTIAL USES.

ARTICLE 24 – SOUTH HAYWARD BART FORM BASED CODE

SEC. 10-24.230 BUILDING CONFIGURATION
SEC. 10-24.500 DEFINITIONS AND RULES OF INTERPRETATION

ARTICLE 25 – MISSION BOULEVARD CORRIDOR FORM BASED CODE

SEC. 10-25.230 BUILDING CONFIGURATION
SEC. 10-25.600 DEFINITIONS AND RULES OF INTERPRETATION

Section 3. Severance. Should any part of this Ordinance be declared by a final decision by a court or tribunal of competent jurisdiction to be unconstitutional, invalid, or beyond the authority of the City, such decision shall not affect the validity of the remainder of this Ordinance, which shall continue in full force and effect, provided that the remainder of the Ordinance, absent the unexcised portion, can be reasonably interpreted to give effect to the intentions of the City Council.

Section 4. Effective Date. In accordance with the provisions of Section 620 of the City Charter, the Ordinance shall become effective immediately upon adoption.

Introduced at a regular meeting of the City Council of the City of Hayward, held the 30th day of October 2017, by Council Member Zermeño.

This ordinance will be considered for adoption at the meeting of the Hayward City Council, to be held on November 7, 2017, at 7:00 p.m., in the Council Chambers, 777 B Street, Hayward, California. The full text of this Ordinance is available for examination by the public in the Office of the City Clerk.

Dated: November 3, 2017
Miriam Lens, City Clerk
City of Hayward



CITY OF HAYWARD

Hayward City Hall
777 B Street
Hayward, CA 94541
www.Hayward-CA.gov

File #: PH 17-099

DATE: November 7, 2017

TO: Mayor and City Council

FROM: City Manager

SUBJECT

Introduction of Amendments to the Affordable Housing Ordinance and Adoption of In-Lieu Fees

RECOMMENDATION

That the City Council:

- Holds a public hearing to obtain input on proposed amendments to the Affordable Housing Ordinance and the adoption of Affordable Housing In-Lieu Fees.
- Adopts the attached resolution (Attachment II) finding that enactment of amendments to Chapter 10, Article 17, of the Hayward Municipal Code regarding affordable housing requirements for new housing developments is exempt from the California Environmental Quality Act (CEQA).
- Introduces the attached Affordable Housing Ordinance (Attachment III) amending Chapter 10, Article 17, of the Hayward Municipal Code regarding affordable housing requirements for new housing developments.
- Adopts the attached resolution (Attachment IV) rescinding Resolution 16-189 and adopting Affordable Housing In-Lieu Fees.

ATTACHMENTS

Attachment I	Staff Report
Attachment II	Resolution finding that enactment of the recommended amendments of the Affordable Housing Ordinance is exempt from the California Environmental Quality Act (CEQA)
Attachment III	Affordable Housing Ordinance
Attachment IV	Resolution rescinding Resolution 16-089 and establishing In-Lieu Fees
Attachment V	Executive Summary of the October 17, 2017 staff report for the work session re "Discussion of Residential Nexus and Financial Feasibility Study Findings and Draft

File #: PH 17-099

	Recommendations for Potential Amendments to the Affordable Housing Ordinance (AHO) and AHO Fees”
Attachment VI	Final Report of the Residential Nexus Analysis and Financial Feasibility Analysis (the Nexus Study)
Attachment VII	Summary Table of Residential Developments in the Pipeline and AHO Obligations



DATE: November 7, 2017

TO: Mayor and City Council

FROM: City Manager

SUBJECT Introduction of Amendments to the Affordable Housing Ordinance and Adoption of Affordable Housing In-Lieu Fees

RECOMMENDATION

That the City Council:

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- Adopts the attached resolution (Attachment IV) rescinding Resolution 16-189 and adopting Affordable Housing In-Lieu Fees.

BACKGROUND

In a work session held on October 17, 2017 (the “Work Session”), staff presented a report to Council¹ containing a series of recommendations for amendments to the City’s Affordable Housing Ordinance (the “AHO”) and increases to the current AHO Impact Fees (the “Fees”). Staff also presented a Residential Nexus Analysis and a Financial Feasibility Analysis (both referred to as the “Nexus Study”, hereby included as Attachment VI) that was prepared by Keyser Marston Associates, Inc. (KMA). The Nexus Study evaluated the impact of the development of new market-rate housing on the need for affordable housing in the City and

¹ The executive summary that accompanied the report is included as Attachment V.

supported increases to the current Fees. In addition to the Nexus Study findings, staff recommendations were informed by: a) the analysis of current local market conditions, recent court cases, and recently-approved State legislation; b) the housing policy objectives, as specified in the City's Housing Element; c) the economic feasibility of various fee levels; and d) the inclusionary requirements in nearby jurisdictions.

Staff recommendations at the Work Session encompassed several aspects of the AHO. However, staff recommended that Council consider the following in relation to the applicable on-site requirements and Fee levels:

1. Lowering the AHO applicability threshold from twenty (20) units to two (2) units for both for-sale and rental housing.
2. Allowing lower Fee payments for small projects with nine or fewer units to avoid placing a disproportionate burden on small projects for which percentage requirements would result in less than a full affordable unit being owed.
3. Utilizing a step-up calculation of the Fees for projects with two to nine units such as the following: $\text{Applicable Fee} = \text{Full Fee} \times (\text{No. Units} - 1) / (\text{No. of units})$. This would avoid creating a disincentive for small multi-unit projects.
4. Requiring that affordable units be provided on-site within for-sale projects of ten units or more and remove the option to pay the applicable Fee except for: a) single-family detached homes with a lot size of 4,000 sq. ft. or more, and b) for high-density condominiums projects (projects with over thirty-five units per acre). As an alternative, staff recommended keeping the current 7.5% on-site requirement for the latter if Council decided not to remove the fee-by-right option for that prototype.
5. Setting the onsite affordable unit percentage requirement for for-sale projects at no more than 10%, and make the on-site affordable unit percentage requirements consistent for attached and detached units. (Currently, the on-site requirements are 10% for detached and 7.5% for attached units).
7. Increasing the AHO fees in the range of \$15 to \$20 per square foot.
8. Due to the signing of AB 1505 by the Governor which provides the City the ability to make on-site affordable units mandatory in rental projects, requiring on-site units for rental projects with over 100 units and allowing fee payments in projects with 99 units or less.
9. To comply with AB 1505, allowing developers of rental projects with 100 units or more to propose an alternative means of compliance utilizing the 'Combination of Alternatives' section of the AHO (discussed further below) and reduce the on-site requirement for those projects from 7.5% to between 6% and 5% while maintaining the existing low- and very low-income level split, to decrease the compliance cost to \$20/sq. ft.

10. Alternatively, allowing rents for the on-site units in rental developments of 100 units or more to be set up at 80% of Area Median Income (AMI), a level few affordable rentals serve because it is above the rent levels allowed for projects with tax credit financing.

DISCUSSION

As part of the work session discussion on October 17, Council requested further clarification on some of the recommendations and expressed a desire to maintain the fee-by-right option but increase the in-lieu Fees to the maximum level of the fee-range structure to encourage the provision of on-site units. Table A, below, summarizes a modified proposal based on Council's discussion and input.

Table A: Summary of Revised Recommendations

Project Type/Requirement	For Sale				Rental Apartments
	H.D. ³ Condos.	L.D. ⁴ Condos.	Single-family detached	Townhomes	
Per Sq. Ft. Fee if at B.P. ¹	\$15.00	\$18.18			
Per Sq. Ft. Fee if paid at C.O. ²	\$16.25	\$20.00			
On-Site Requirement	7.50%	10%		6%	
AMI ⁵ Level for Affordable Rents and Sales Prices	110%				1/2 at 50% & 1/2 at 60%
Min. Applicability Threshold	Two units				
Fee by Right Option?	Yes				
Step-up Fee Calculation?	Yes, for projects with two to nine units				
Fee Adjustment Factor	Rate of Increase in CPI (Consumer Price Index)				

Notes:

1. B.P: Building Permit
2. C.O.: Certificate of Occupancy
3. H.D.: High Density: Projects with 35 units per acre or more
4. L.D.: Low Density: Developments with less than 35 units per acre
5. AMI: Area Median Income

Important AHO Requirements Carried Forward

Council also directed staff to keep two important features of the current AHO in the new proposal. One is the per-square-foot calculation of the Fee payment. The other is the “Combination of Alternatives” provision for all housing projects which allows developers to comply with the AHO by providing a combination of on-site construction, off-site construction, in-lieu fees, and land dedication that at least equals the cost of providing the affordable units on-site and/or furthers affordable housing opportunities in the City to a greater extent.

In-Lieu Fees vs. Impact Fees

Prior to the Palmer decision in 2009, the City had established in-lieu fees (the “In-Lieu Fees”) as an alternative to provision of on-site affordable housing. However, the Palmer decision did not allow the City to impose In-Lieu Fees on rental projects, saying that this violated the state rent control act (the Costa Hawkins Act). The City then completed nexus studies so that an affordable housing impact fee could be imposed on rental projects. In addition, the California Building Industry Association challenged San Jose's affordable housing ordinance, alleging that a nexus study needed to be completed for every affordable housing requirement.

In 2015, the California Supreme Court agreed with San Jose that a nexus study does not need to be prepared for affordable housing ordinances. On September 29, 2017, Governor Jerry Brown signed AB 1505, which allows cities again to require some affordable housing in rental housing and to impose in-lieu fees.

In-Lieu Fees are based on the cost to the City to provide affordable housing when a developer does not choose to construct units on-site, rather than on the impact of the project on the need for affordable housing. Calling the fees In-Lieu Fees rather than impact fees recognizes the purpose of the fees. However, the amount of the fees is also supported by the KMA's Nexus Study, and so they are justified as both impact fees and in-lieu fees. Nevertheless, from this point forward, the current AHO Fees will be continued to be referred to as Fees and the proposed fees will be referred to as In-Lieu Fees.

On-Site Compliance and Fractional Units

This issue was not part of the Nexus Study or the report from staff for the Work Session. However, in response to input from Council during the discussion at that meeting, staff is introducing a recommendation to address this issue, which occurs when a developer elects to comply with the AHO by providing units on-site and the calculation of the obligation results in a unit plus a fraction. The AHO stipulates that, in this case, any fraction must be rounded up. Given the high cost of compliance, especially for smaller projects where rounding up would mean providing an additional affordable unit, staff proposes that the developer be provided the option to provide the whole number of units and pays the In-Lieu Fee equivalent to the fractional unit. For example, if the developer of a forty-two (42) unit townhome development totaling 85,000 sq. ft. elects to provide affordable units on-site, he or she would need to provide five units ($42 * 10\% = 4.2 \sim 5$) pursuant to the current AHO provisions. However, staff recommends that the developer provides the four affordable units on-site and has the option of paying the In-Lieu Fees for the 0.2 units. The calculation of the In-Lieu Fees would look as follows: $(0.2)/(4.2) \text{ units} * \$18.18 \text{ (the In-Lieu Fee paid at issuance of building permits)} * 85,000 \text{ sq. ft.} = \$ 73,586$. In this example, the developer is meeting approximately ninety-five percent of the AHO obligation (4 of 4.2 units are provided on-site) and paying In-Lieu Fees for the remaining five percent (0.2 of 4.2 units owed). The fractional unit fee of \$73,586 is equivalent to a little less than five percent of the total payment the developer would owe if he or she was paying the fees only.

Grandfathering

Council asked staff to further develop recommendations regarding the applicability of the new requirements to development applications in the pipeline (those not receiving final approvals as of the date of this report). The following is staff's recommendation based on a survey of the current queue of residential development proposals (included here as Attachment VII):

- Project proposals not yet submitted will be subject to the new requirements and new In-Lieu Fee levels.
- Projects not deemed complete by November 28, the date of the introduction of the AHO amendments, will be subject to the new requirements and new In-Lieu Fees.
- Projects that are deemed complete by November 28 but do not receive discretionary approvals by the effective date of the ordinance and fee resolution will be subject to the new requirements. However, if the developer elects to comply by paying the In-Lieu Fees, the fee owed shall be half (1/2) the applicable fee for the prototype (i.e., \$7.50 per sq. ft. for high density condominiums and \$9.09 per sq. ft. for all other project types, if the developer pays the fees at issuance of building permits).
- Projects that are deemed complete by November 28 and are entitled prior to the effective date of the ordinance and fee resolution, will be grandfathered into the current AHO requirements and AHO Fees.

Amendments are Consistent with the Housing Element

As mentioned in the Work Session, the recommendations regarding the proposed amendments to the AHO and the adoption of In-Lieu Fees higher than the current AHO Fees are consistent with the goals and policies of the City's Housing Element and the findings of the economic feasibility of the Nexus Study. The latter suggests that the adoption of the In-Lieu Fees at the recommended level (the equivalent to the on-site compliance cost) does not constitute a deterrent to the development of housing. KMA's analysis indicates that the recommended In-Lieu Fees and related affordable requirements could be absorbed by relatively low market adjustments (an increase in the sales prices or rents or a downward adjustment on the value of land).

Amendments do not Require CEQA Review

The resolution amending the AHO and the resolution adopting In-Lieu Fees are exempt from CEQA because they will not have any significant effect on the environment. They only affect the affordability of residences constructed in the City and contain no provisions affecting the physical design or development of residences, and so it can be seen with certainty that there is no possibility that the resolutions may have a significant effect on the environment. (CEQA Guidelines Section 15061(b)(3)). Future projects would go through project specific CEQA review at the time they are proposed.

For these reasons, staff recommends that Council introduces the proposed amendments to the AHO contained in the updated version of the AHO included as Attachment III and adopts

the In-Lieu Fees, as proposed in the Work Session, with the above-described modifications and clarifications. Under state law, the adoption of the In-Lieu Fees cannot become effective for sixty days.

ECONOMIC IMPACT

As stated in the findings of the AHO (see S. 10-17.115), by facilitating the provision of "...affordable units or fees... [the AHO] will mitigate the impacts of market-rate development on the need for affordable housing and will help ensure that part of the City's remaining developable land is used to provide affordable housing." By ensuring that new market-rate housing that contributes to the demand for goods and services in the City mitigates its impact on the local need for affordable housing, the AHO also constitutes the main tool for balancing market-rate residential growth and associated jobs in the local economy (i.e., the "jobs-housing balance").

FISCAL IMPACT

The amendment to the AHO will not directly impact the City's General Fund as all the City's activities related to affordable housing are funded through housing-related special revenue funds. KMA's analysis indicates that the recommended increase in affordable requirements could be absorbed by relatively low market adjustments. Thus, the City will continue to gain additional building permit fee revenue, transfer taxes, and property taxes from new housing development of all types as it is likely that the proposed fee increases will not constitute a deterrent to the development of market-rate housing.

To the extent that they are used to assist the development of new affordable homes and match other non-local dollars, the fees collected through the AHO will result in a positive fiscal impact for the City because, to be financially feasible, those development projects will also attract additional funding from County, State, Federal, or private funding sources.

The survey of residential projects mentioned in the background section of this report and included as Attachment VII, shows that fee payments from projects that have been both deemed complete as of the date of this report and will be entitled prior to the effective date of the AHO would pay In-Lieu Fees of approximately \$1.35 million. Payments of reduced (\$10 per sq. ft.) In-Lieu fees from project submittals not deemed complete as of the date of this report but are likely to be entitled prior to the effective date of AHO are estimated at approximately \$2.3 million. Payments of full In-Lieu fees (\$20 per sq. ft.) from project submittals not deemed complete as of the date of this report and not likely to be entitled prior to the effective date of AHO are estimated at approximately \$4.5 million.

If the City used the revenues from In-Lieu Fees, or approximately \$6.8 million (\$2.3 plus \$4.5 million) for the development of rental housing partially financed with Low-Income Housing Tax Credit equity and provided the equivalent of ten percent of the gap for the rental housing prototype identified by the Nexus Analysis (\$170,000 to \$206,000, see page 38 of Attachment VI), the City would facilitate the creation of between 330 to 400 affordable units.

STRATEGIC INITIATIVES

The AHO is one of the main tools to further the Complete Communities strategic initiative. The purpose of the Complete Communities strategy is to create and support structures, services, and amenities to provide inclusive and equitable access with the goal of becoming a thriving and promising place to live, work, and play for all. This item supports the following goal and objectives:

Goal 2: Provide a mix of housing stock for all Hayward residents and community members, including the expansion of affordable housing opportunities and resources.

Objective 1: Centralize and expand housing services.

Objective 2: Facilitate the development of diverse housing types that serve the needs of all populations.

Objective 4: Increase supply of affordable, safe and resilient housing in Hayward.

PUBLIC CONTACT

- In September 2017, the preliminary draft Nexus Study was published to the City website for public review.
- On September 20, 2017, the Community Services Commission convened a public meeting to review and discuss a preliminary draft of the Nexus Study findings and recommendations, and to provide feedback.
- On September 21, 2017, staff convened a stakeholders' meeting attended by local housing advocates, affordable and market-rate developers, and other interested parties to review and discuss the preliminary Nexus Study findings and recommendations.
- In all of the above, attendees and interested parties were encouraged to provide written feedback and comments in response to the preliminary Nexus Study.
- On October 17, Council held the Work Session to discuss the findings of the Nexus Study and staff's recommendations. Several members of the community, non-profit housing advocates, and affordable and market-rate housing developers provided comments during the public-comment period in connection with the Work Session.
- All comments received during the public outreach hereby described were made available to the public as an attachment to the Work Session staff report.

- In compliance with Government Code Section 66018 of the Mitigation Fee Act, two notices of the public hearing being held tonight were published in the Daily Review: the first on the October 27 issue and the second on the November 3 issue. In sum, City staff has made good faith efforts and complied with public noticing requirements to inform the public and stakeholders (especially the market-rate residential development community) about all the actions leading to the adoption of the proposed AHO amendments and the adoption of the recommended In-Lieu Fees.

NEXT STEPS

If Council introduces the amendments to the AHO, it will be adopted at the November 28 regular Council meeting via a consent item and will become effective on February 1, 2018. If adopted by the Council, the In-Lieu Fees will also become effective on February 1, 2018.

As directed by Council, the In-Lieu Fees will be updated within a year of their effectiveness based on the rate of increase in CPI.

Prepared by: Omar Cortez, Acting Housing Manager

Recommended by: María Hurtado, Assistant City Manager

Approved by:



Kelly McAdoo, City Manager

HAYWARD CITY COUNCIL

RESOLUTION NO. 17-_____

Introduced by Council Member _____

**RESOLUTION FINDING THAT THE ENACTMENT OF AN ORDINANCE
AMENDING CHAPTER 10, ARTICLE 17, OF THE HAYWARD MUNICIPAL CODE
REGARDING AFFORDABLE HOUSING REQUIREMENTS FOR NEW HOUSING
DEVELOPMENTS IS EXEMPT FROM THE CALIFORNIA ENVIRONMENTAL
QUALITY ACT (CEQA)**

WHEREAS, the City Council of the City of Hayward (the "City") has reviewed the provisions of proposed amendments to the Hayward Municipal Code Chapter 10, Article 17 (the "Affordable Housing Ordinance"), which imposes affordable housing requirements for new housing developments; and

WHEREAS, the City Council has reviewed the information contained in the proposed Affordable Housing Ordinance and the accompanying staff report and attachments thereto at a duly noticed meeting on November 7, 2017.

NOW, THEREFORE, BE IT RESOLVED THAT THE CITY COUNCIL OF THE CITY OF HAYWARD hereby finds that the proposed Affordable Housing Ordinance is exempt from CEQA because it can be seen with certainty that there is no possibility that the adoption of the proposed amendments to the Affordable Housing Ordinance may have a significant effect on the environment, in that the amendments to the Affordable Housing Ordinance affect only the affordability of residences constructed in the City of Hayward and contain no provisions modifying the physical design, development, or construction of residences (CEQA Guidelines Section 15061(b)(3)).

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2017

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS

MAYOR:

NOES: COUNCIL MEMBERS

ABSTAIN: COUNCIL MEMBERS

ABSENT: COUNCIL MEMBERS

ATTEST: _____

City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward

ORDINANCE NO. ____

AN ORDINANCE OF THE CITY OF HAYWARD AMENDING CHAPTER 10, ARTICLE 17, OF THE HAYWARD MUNICIPAL CODE REGARDING AFFORDABLE HOUSING REQUIREMENTS FOR NEW HOUSING DEVELOPMENTS

THE CITY COUNCIL OF THE CITY OF HAYWARD DOES ORDAIN AS FOLLOWS:

SECTION 1. Chapter 10, Article 17 of the Hayward Municipal Code is amended to read in full as follows:

ARTICLE 17

AFFORDABLE HOUSING ORDINANCE

Section	Subject Matter
10-17.100	GENERAL PROVISIONS
10-17.105	TITLE
10-17.110	PURPOSE
10-17.115	FINDINGS
10-17.120	DEFINITIONS
10-17.200	RESIDENTIAL DEVELOPMENT PROJECTS
10-17.205	UNIT THRESHOLD AND BASIC REQUIREMENTS
10-17.210	ON-SITE UNITS IN OWNERSHIP RESIDENTIAL PROJECTS
10-17.215	ON-SITE UNITS IN RENTAL RESIDENTIAL PROJECTS
10-17.220	DESIGN, DISTRIBUTION AND TIMING OF AFFORDABLE UNITS
10-17.225	OFF-SITE CONSTRUCTION
10-17.230	ADDITIONAL ALTERNATIVES
10-17.300	[RESERVED]

10-17.400	AFFORDABLE HOUSING IN-LIEU FEE
10-17.405	ADOPTION OF AFFORDABLE HOUSING IN-LIEU FEE
10-17.410	PAYMENT OF AFFORDABLE HOUSING IN-LIEU FEE
10-17.415	USE OF AFFORDABLE HOUSING IN-LIEU FEE
10-17.500	IMPLEMENTATION OF AFFORDABLE HOUSING PLAN
10-17.505	GENERAL
10-17.510	AFFORDABLE HOUSING PLAN
10-17.515	AFFORDABLE HOUSING AGREEMENT
10-17.520	TERM OF AGREEMENT
10-17.525	RECORDING OF AGREEMENT
10-17.600	EXEMPTIONS
10-17.700	DEVELOPMENT INCENTIVES
10-17.800	ADMINISTRATION OF AFFORDABLE UNITS
10-17.805	SELECTION CRITERIA
10-17.810	CONFLICT OF INTEREST
10-17.815	OCCUPANCY
10-17.820	RESALE OF FOR-SALE AFFORDABLE UNITS
10-17.825	OPTION TO PURCHASE – FOR-SALE AFFORDABLE UNITS
10-17.830	RENTAL UNITS
10-17.835	MARKETING PLAN
10-17.840	COMPLIANCE REPORTS
10-17.845	SUBSEQUENT RENTAL TO INCOME-ELIGIBLE TENANT
10-17.850	CHANGES IN TENANT INCOME

10-17.900	ADJUSTMENTS AND WAIVERS
10-17.905	APPLICATION FOR ADJUSTMENTS AND WAIVERS
10-17.910	CONSIDERATIONS
10-17.915	ACTION ON ADJUSTMENT OR WAIVER
10-17.1000	AFFORDABLE HOUSING TRUST FUND
10-17.1005	TRUST FUND
10-17.1010	PURPOSE, LIMITATIONS AND ADMINISTRATION
10-17.1100	ENFORCEMENT
10-17.1105	MISDEMEANOR
10-17.1110	CITY ACTIONS

ARTICLE 17 - AFFORDABLE HOUSING ORDINANCE

SEC. 10-17.100 - GENERAL PROVISIONS

SEC. 10-17.105 - TITLE.

This title shall be known and may be cited and referred to as the "Hayward Affordable Housing Ordinance."

SEC. 10-17.110 - PURPOSE.

The purpose of this Article is to:

- a. Enhance the public welfare by ensuring that future Residential Development Projects contribute to the attainment of the affordable housing goals set forth in the 2015-2023 Housing Element of the General Plan of the City of Hayward.
- b. Require that future Residential Development Projects mitigate their impact on the need for affordable housing in Hayward by contributing to the production of residences in Hayward that are affordable to extremely low, very low, low- and moderate-income households.
- c. Increase the production of residences in Hayward that are affordable to extremely low, very low, low, and moderate-income households.
- d. Ensure that residences affordable to extremely low, very low, low- and moderate-income households are distributed throughout the City's various neighborhoods.
- e. Support the housing objectives contained in State law.

SEC. 10-17.115 - FINDINGS.

The City Council finds and determines that lack of access to affordable housing has a direct impact upon the health, safety and welfare of the residents of the City of Hayward. The housing problem affects a broad range of income groups, including many who would not need public assistance or intervention in the housing market if they lived outside of the San Francisco Bay Area.

- a. According to the 2015-2023 Housing Element, 48 percent of Hayward households pay more than 30 percent of their income for housing. Over 68 percent of lower income households overpay, and among very low-income households, 89 percent of renters overpay for housing.
- b. The 2015-2023 Housing Element also shows that most lower income households cannot afford any available housing in Hayward and that moderate-income households can afford to rent but not purchase housing in Hayward.
- c. Because all forms of housing are expensive to build, rent, and buy, a variety of housing programs and resources are required to help meet the need for affordable housing.
- d. The California Legislature has required each local government agency to develop a comprehensive, long-term plan establishing policies for future development. As specified in Government Code Section 65583(c), the plan must (1) encourage the development of a variety of types of housing for all income levels, including multifamily rental housing; and (2) "[a]ssist in the development of adequate housing to meet the needs of extremely low, very low, low- and moderate-income households." The City is also charged by the Legislature to use the powers vested in it to make adequate provision for the housing needs of all economic segments of the community. (Section 65580(d).)
- e. Because of the high cost of both existing and newly constructed housing, the City will be limited in its ability to contribute to the attainment of State housing goals and to maintain a thriving mixed-income community without additional affordable housing.

- f. Rising land prices have been a key factor in preventing development of new affordable housing. New housing construction in the City that does not include affordable units aggravates the existing shortage of affordable housing by absorbing the supply of available residential land. This reduces the supply of land for affordable housing and increases the price of remaining residential land. At the same time new housing contributes to the demand for goods and services in the City, increasing local service employment at wage levels that do not often permit employees to afford housing in the City. Providing the affordable units or fees required by this ordinance will mitigate the impacts of market-rate development on the need for affordable housing and will help to ensure that part of the City's remaining developable land is used to provide affordable housing.

SEC. 10-17.120 - DEFINITIONS.

As used in this Article, each of the following terms is defined as follows:

- a. "Affordable Unit" is defined as an ownership or rental Dwelling Unit whose price is set at an Affordable Ownership Cost or Affordable Rent as defined in this Article.
- b. "Affordable Ownership Cost" is defined as the maximum purchase price that will be affordable to a Moderate-Income Household at Presumed Occupancy Levels, based on a reasonable down payment and monthly housing payments (including mortgage principal and interest, property taxes, homeowner's insurance, and homeowner/condominium association fees where applicable) that do not exceed one hundred ten percent of Area Median Income multiplied by thirty-five percent and divided by twelve.
- c. "Affordable Rent" is defined as the maximum monthly rent, including all fees for housing services and a utility allowance as determined by the Alameda County Housing Authority, that does not exceed the following, based on Presumed Occupancy Levels:
1. For Extremely Low Income Households: thirty percent of Area Median Income multiplied by thirty percent and divided by twelve.
 2. For Very Low Income Households: fifty percent of Area Median Income multiplied by thirty percent and divided by twelve.
 3. For Low Income Households: sixty percent of Area Median Income multiplied by thirty percent and divided by twelve.
- d. "Applicant" is defined as any person, firm, partnership, association, joint venture, corporation, or any entity or combination of entities that seeks discretionary or ministerial permits for a Residential Development Project from the City of Hayward.
- e. "Area Median Income (AMI)" is defined as the median income for Alameda County, adjusted for household size, as published annually in Title 25 of the California Code of Regulations, Section 6932 (or its successor provision) by the California Department of Housing and Community Development (HCD).
- f. "Decision-Making Body" is defined as the body with the authority to approve an application for a Residential Development Project.
- g. "Dwelling Unit" is defined as a dwelling designed and intended for residential occupancy by one household.
- h. "Extremely Low, Very Low, Low, and Moderate-Income Households" are defined as households whose incomes do not exceed the extremely low, very low, low, or moderate-income limits, as applicable, established for Alameda County and adjusted for household size that are published annually in Title 25 of the California Code of Regulations, Section 6932 (or its successor provision) by HCD.
- i. "Household Income" is defined as the gross annual household income, monetary benefits, and all other sources of household income, before deductions or exemptions, and includes the income of all members of the household 18 years of age or older.

- j. "Ownership Residential Project" is defined as any Residential Development Project that creates new Dwelling Units that may be sold individually, including but not limited to condominiums, townhomes, stock cooperatives, community apartments, and attached or detached single-family homes. An Ownership Residential Project also includes any Residential Development Project with a recorded condominium plan or map and the conversion of residential property to common interest developments as described in Hayward Municipal Code Section 10-3.370.
- k. "Presumed Occupancy Levels" as listed below shall be used to establish Affordable Ownership Cost and Affordable Rents, unless the Residential Development Project is financed with federal tax credits, in which case the applicable federal regulations shall determine the Presumed Occupancy Levels:
 - (1) One person for a studio unit;
 - (2) Two people for a one bedroom unit;
 - (3) Three people for a two bedroom unit; and
 - (4) One additional person for each additional bedroom thereafter.
- l. "Rental Residential Project" is defined as any Residential Development Project that creates new Dwelling Units that cannot be sold individually.
- m. "Residential Development Project" is defined as any development for which a discretionary or ministerial permit is required that includes the creation of two (2) or more net new Dwelling Units or residential lots, or Dwelling Units and residential lots in combination. A conversion of residential property containing two (2) or more Dwelling Units to a common interest development, as defined in Hayward Municipal Code Section 10-3.370, is also a Residential Development Project. All development within a two-year period of two (2) or more Dwelling Units on a lot, or on contiguous lots for which there is evidence of common ownership or control, even though not covered by the same City discretionary or ministerial permit, shall be considered to be one Residential Development Project. The provisions of this section shall be interpreted broadly to effect the purposes of this chapter and to prevent evasion of its terms.

SEC. 10-17.200 - RESIDENTIAL DEVELOPMENT PROJECTS.

SEC. 10-17.205 - UNIT THRESHOLD AND BASIC REQUIREMENTS.

All Residential Development Projects consisting of two (2) or more Dwelling Units shall be subject to the affordable housing requirements of this Article. This Article shall be applied no more than once to an approved Residential Development Project, regardless of changes in the character or ownership of the development, provided that the total number of Dwelling Units does not change.

At the time an application for a Residential Development Project is submitted, the Applicant shall specify how the requirements of this Section shall be met. An Applicant for a Residential Development Project shall comply with the affordable housing requirements of this article by satisfying one of the following options:

- a. Pay an affordable housing in-lieu fee under Section 10-17.410; or
- b. Include on-site for-sale Affordable Units as specified in Section 10-17.210 or on-site rental Affordable Units as specified in Section 10-17.215. Where the calculation of the required number of Affordable Units results in a fraction of a unit, the Applicant may provide one additional Affordable Unit or pay affordable housing in-lieu fees for the fractional unit. If a project amendment results in a change in the total number of Dwelling Units, the number of Affordable Units required will be recalculated to coincide with the final approved Residential Development Project; or

- c. Construct Affordable Units not physically contiguous to the development (off-site) if approved by the Decision-Making Body under Section 10-17.225; or
- d. Propose additional alternatives not listed in this Article if approved by the Decision-Making Body under Section 10-17.230; or
- e. In an Ownership Residential Project, provide rental Affordable Units consistent with Section 10-17.215.

SEC. 10-17.210 – ON-SITE UNITS IN OWNERSHIP RESIDENTIAL PROJECTS.

If the Applicant elects to provide on-site for-sale Affordable Units in an Ownership Residential Project, they shall be provided as follows:

- a. In high-density condominium projects approved at densities of thirty five (35) units per acre or more, 7.5 percent of the Dwelling Units shall be for-sale Affordable Units. In all other Ownership Residential Projects, 10 percent of the Dwelling Units shall be for-sale Affordable Units.
- b. For-sale Affordable Units shall be made affordable to Moderate- Income Households at Affordable Ownership Cost.
- c. For-sale Affordable Units must be legally restricted to occupancy by Moderate-Income Households for a minimum of 45 years from the date of approval of a final inspection or issuance of an occupancy permit.

SEC. 10-17.215 – ON-SITE UNITS IN RENTAL RESIDENTIAL PROJECTS.

If the Applicant elects to provide on-site rental Affordable Units in a Rental Residential Project, they shall be provided as follows:

- a. Six (6) percent of the Dwelling Units shall be rental Affordable Units.
- b. One-half of rental Affordable Units shall be made affordable to Low-Income Households at Affordable Rent and one-half shall be made affordable to Very Low Income Households at Affordable Rent. The first Affordable Unit required shall be made affordable to Very Low Income Households at Affordable Rent.
- c. Rental Affordable Units must be legally restricted to occupancy by Low-Income or Very Low Income Households, as applicable, at Affordable Rent for a minimum of 55 years from the date of approval of a final inspection or issuance of an occupancy permit.

SEC. 10-17.220 - DESIGN, DISTRIBUTION AND TIMING OF AFFORDABLE UNITS.

On-site Affordable Units shall be integrated with the proposed Residential Development Project and shall be comparable in infrastructure (including sewer, water and other utilities), construction quality, exposure to environmental conditions, access to amenities, and exterior design to the on-site market-rate units. Specifically:

- a. The Affordable Units should be integrated with the project as a whole. Affordable Units have different interior finishes and features than market-rate units so long as the interior features are durable, of good quality and consistent with contemporary standards for new housing. The Affordable Units must be at least equal in size and amenities as the on-site market rate units, and any comparative deficiency in size or amenities must be compensated for by additional Affordable Units, larger Affordable Units, or affordability to households with lower incomes.
- b. No building permits will be issued for any market-rate units in the Residential Development Project until permits for all Affordable Units have been obtained, unless Affordable Units are to be constructed in phases pursuant to a plan approved by City Council.

- c. Market-rate units in the Residential Development Project will not be inspected for occupancy until all Affordable Units have been constructed, unless Affordable Units are to be constructed in phases pursuant to a plan approved by City Council.

SEC. 10-17.225 - OFF-SITE CONSTRUCTION.

As an alternative to construction of on-site Affordable Units, an Applicant may instead construct Affordable Units not physically contiguous to the development (off-site) if the Decision-Making Body determines that:

- a. Off-site construction will further affordable housing opportunities in the City to a greater extent than construction of the required Affordable Units as part of the proposed Residential Development Project;
- b. A schedule for completion of the off-site Affordable Units concurrently with completion of the related market-rate units is provided and agreed upon as a condition of approval for the project;
- c. The off-site Affordable Units are at least equal in size and amenities to the Affordable Units that would be provided on-site, or any comparative deficiency in size or amenities is compensated for by additional Affordable Units, larger Affordable Units, or affordability to households with lower incomes.
- d. The off-site location is suitable for the proposed Affordable Units, consistent with the General Plan and the Housing Element, and will not tend to cause residential segregation

Except as approved by the Decision-Making Body, off-site Affordable Units shall conform with all other requirements in this Article that are applicable to on-site Affordable Units.

SEC. 10-17.230 - ADDITIONAL ALTERNATIVES.

An Applicant may also propose additional alternatives not listed in this Article if the Decision-Making Body finds that such an alternative would provide a greater benefit to the City than the other options explicitly described in this Article. An Applicant may also choose to propose any combination of on-site construction, off-site construction, affordable housing in-lieu fee, rental housing, or other alternative that conforms to the provisions of this Article and would at least equal the benefit to the City as the other options explicitly described in this Article. Except as approved by the Decision-Making Body, off-site Affordable Units shall conform with all other requirements in this Article that are applicable to on-site for-sale Affordable Units.

SEC. 10-17.300 – [Reserved]

SEC. 10-17.400 - AFFORDABLE HOUSING IN-LIEU FEE.

SEC. 10-17.405 - ADOPTION OF AFFORDABLE HOUSING IN-LIEU FEE.

Affordable housing in-lieu fees for Residential Development Projects may be established by resolution of the City Council and amended from time to time as appropriate. Any such fees shall be part of the City's Master Fee Schedule. The fees shall not exceed the cost to the City of mitigating the impact of such developments on the need for affordable housing in the City.

SEC. 10-17.410 - PAYMENT OF AFFORDABLE HOUSING IN-LIEU FEE.

Affordable housing in-lieu fees shall be paid either prior to issuance of a building permit for a Dwelling Unit or prior to approval of a final inspection or issuance of an occupancy permit for a Dwelling Unit. Regardless of the option chosen, no final inspection will be approved and no occupancy permit will be issued for any Dwelling Unit unless all required affordable housing in-lieu fees have been paid in full.

SEC. 10-17.415 - USE OF AFFORDABLE HOUSING IN-LIEU FEE.

The affordable housing in-lieu fee shall be placed in the Affordable Housing Trust Fund and used as described in Sections 10-17.1000-1010.

SEC. 10-17.500 - IMPLEMENTATION OF AFFORDABLE HOUSING PLAN.

SEC. 10-17.505 - GENERAL.

The provisions of this Article shall apply to all agents, successors and assignees of an Applicant or property owner proposing a Residential Development Project governed by this Article. No discretionary or ministerial permit shall be issued for any Residential Development Project unless in compliance with the terms of this Article.

SEC. 10-17.510 - AFFORDABLE HOUSING PLAN.

Unless the Applicant proposes to pay affordable housing in-lieu fees consistent with Section 10-17.400-415, an Applicant shall submit an Affordable Housing Plan (AHP) as part of the earliest application for a Residential Development Project. In accordance with the Permit Streamlining Act, the Planning Director shall determine whether the AHP is complete. The elements of a complete AHP are described below. If the AHP is incomplete, the AHP will be returned to the Applicant with a list of the deficiencies or the information required. No application for a discretionary or ministerial permit to which this Article applies shall be deemed complete until the AHP is deemed complete by the Planning Director. At any time during the review process, the Planning Director may require from the Applicant additional information reasonably necessary to clarify and supplement the application or to determine the consistency of the proposed AHP with the requirements of this Article.

A complete AHP shall include, at a minimum:

- a. The location, structure (attached or detached), proposed tenure (for-sale or rental), and size of the proposed market-rate units and Affordable Units and the basis for calculating the number of Affordable Units provided;
- b. A floor or site plan depicting the location of the Affordable Units;
- c. The income levels to which each Affordable Unit will be made affordable;
- d. For phased Residential Development Projects, a phasing plan that provides for the timely development of the number of Affordable Units proportionate to each proposed phase of development as required by this Article;
- e. A description of any incentives that are requested by the Applicant;
- f. If off-site units, rental units, or other alternatives are proposed under Sections 10-17.205, 10-17.225, or 10-17.230, the information necessary to support the findings required for approval of such alternatives;
- g. A marketing plan that describes how the Applicant will inform the public, and those within the appropriate income groups, of the availability of Affordable Units;
- h. A written statement demonstrating compliance with the requirements of Section 10-17.220 for on-site Affordable Units; and

- i. Any other information reasonably requested by the Planning Director to assist with evaluation of the AHP under the standards of this Article.

Affordable Housing Plans that meet all of the requirements of this Article shall be approved by Decision-Making Body. An Affordable Housing Plan that requests a waiver of any of the requirements set forth in this Article shall require approval of the City Council.

SEC. 10-17.515 - AFFORDABLE HOUSING AGREEMENT.

An approved Affordable Housing Plan shall be memorialized by an Affordable Housing Agreement (AHA) between the City and the Applicant. The form of the AHA will vary, depending on the manner in which the provisions of this Article are satisfied for a particular Residential Development Project. An AHA must include, at minimum, the following:

- a. Description of the development, including whether the Affordable Units will be rented or owner-occupied;
- b. The number, size and location of any Extremely Low, Very Low-, Low- or Moderate-Income Units;
- c. Affordability incentives provided by the City (if any), including the nature and amount of any local public funding;
- d. Provisions and/or documents for resale restrictions, deeds of trust, rights of first refusal or rental restrictions;
- e. The marketing plan for sale or rental of the Affordable Units;
- f. Provisions for monitoring the ongoing affordability of the Affordable Units, and the process for qualifying prospective resident households for income eligibility; and
- g. Any additional obligations relevant to the compliance with this Article.

The form of the AHA resale and rental restrictions, deeds of trust, option agreements and other documents authorized by this subsection must be approved by the City Manager or designee prior to being executed with respect to any Residential Development Project.

Approval of an AHA is a condition of any discretionary or ministerial permit for any Residential Development Project for which this Article applies, unless the Applicant has proposed to pay affordable housing mitigation fees consistent with Section 10-17.400-415.

SEC. 10-17.520 - TERM OF AGREEMENT.

All for-sale Affordable Units provided under this Article must be legally restricted to occupancy by Moderate, Low, Very Low, or Extremely Low-Income Households, as applicable, for a minimum of 45 years from the date of approval of a final inspection or issuance of an occupancy permit. All rental Affordable Units provided under this Article must be legally restricted to occupancy by Low, Very Low, or Extremely Low-Income Households, as applicable, for a minimum of 55 years from the date of approval of a final inspection or issuance of an occupancy permit.

SEC. 10-17.525 - RECORDING OF AGREEMENT.

An approved Affordable Housing Agreement must be recorded against the property included in the Residential Development Project prior to approval of any parcel or final map or issuance of any building permit, whichever occurs first. Additional rental or resale restrictions, deeds of trust, option agreements and/or other documents acceptable to the City Manager or designee may also be recorded. In cases where the requirements of this Article are satisfied through the development of off-site units, the Affordable Housing Agreement must simultaneously be recorded against the Residential Development Project site and the property where the off-site units are to be developed.

SEC. 10-17.600 - EXEMPTIONS.

The requirements of this Article do not apply to the following:

- a. The reconstruction of any structures that have been destroyed by fire, flood, earthquake or other act of nature; provided, however, that this Article shall apply to net new Dwelling Units added to a site if the reconstruction of the site increases the total number of Dwelling Units by two or more.
- b. Development agreements originally adopted and executed by the City Council prior to January 1, 2004 and any extensions or modifications of those development agreements that did not modify the affordable housing requirements; and any development agreements which specify an alternative requirement for affordable housing.

SEC. 10-17.700 - DEVELOPMENT INCENTIVES.

This Article confers economic and land use benefits on Residential Development Projects that provide on-site Affordable Units, as set forth below.

- a. **Density Bonus.** The Applicant may apply for a density bonus and other regulatory incentives provided by state law pursuant to Chapter 10, Article 19 of the Hayward Municipal Code. In calculating the number of Affordable Units required by this Article, any additional Dwelling Units authorized as a density bonus pursuant to state law shall not be counted as part of the Residential Development Project.
- b. **Modified Development Standards to Increase Density.**
 - (1) In a residential project which contains single family detached homes, Affordable Units may be attached Dwelling Units rather than detached homes. In a residential project that includes attached multi-story Dwelling Units, Affordable Units may contain only one story;
 - (2) When a Residential Development Project is on a major transportation route, the Applicant may request that the Decision-Making Body reduce the number of parking spaces required for the development based on the assumption that some households will take public transportation to their jobs. This will allow for increased density within the development.
- c. **Expedited Processing.** Expedited processing of development approvals and permits will be available for Residential Development Projects with on-site Affordable Units.
- d. **Technical and Financial Assistance.** Upon request, information shall be provided to Applicants regarding design guidelines and financial subsidy programs for Residential Development Projects.

SEC. 10-17.800 - ADMINISTRATION OF AFFORDABLE UNITS.

SEC. 10-17.805 - SELECTION CRITERIA.

No household shall be permitted to occupy an Affordable Unit unless the City Manager or designee has first approved the household's eligibility as a Moderate-, Low-, Very Low, or Extremely Low-Income Household, as applicable. The Applicant, property owner or property manager shall use an equitable selection method established in compliance with the terms of this Article and approved by the City Manager or designee. If qualified, persons shall be selected for occupancy of an Affordable Unit based on the following criteria:

- a. **First Priority:** Persons who live or work within the City of Hayward.
- b. **Second Priority:** All other eligible households.

SEC. 10-17.810 - CONFLICT OF INTEREST.

The following individuals are ineligible to purchase or rent an Affordable Unit: City employees and officials (and their immediate family members) who have policy-making authority or influence regarding City

housing programs and do not qualify as having a remote interest as provided by California Government Code; the Applicant and its officers and employees (and their immediate family members); and the property owner and its officers and employees (and their immediate family members).

SEC. 10-17.815 - OCCUPANCY.

Any household who occupies an Affordable Unit must occupy that unit as the household's principal residence. Should the household cease to occupy the Affordable Unit as its principal residence, the household will be in default of its resale restriction or lease. The City may, in its sole discretion, grant a temporary waiver of this occupancy requirement for hardship.

SEC. 10-17.820 – RESALE OF FOR-SALE AFFORDABLE UNITS.

The initial and subsequent sales price of for-sale Affordable Units must be set at Affordable Ownership Cost.

- a. Transfer of Restrictions. When the ownership of a for-sale Affordable Unit is transferred prior to the expiration of the 45-year affordability period, each new owner must sign an Affordable Housing Agreement to complete the 45-year term.
- b. Resale. The maximum sales price permitted on resale of a for-sale Affordable Unit shall be the lower of (1) fair market value or (2) the seller's lawful purchase price, increased by the lesser of (a) the rate of increase of Area Median Income during the seller's ownership or (b) the rate at which the Consumer Price Index for All Urban Consumers, San Francisco Area, increased during the seller's ownership. To the extent authorized in the resale restrictions or Affordable Housing Agreement recorded against the property, seller may recover, at time of sale, the value of capital improvements made by the seller (for which there are receipts) and the seller's necessary and usual costs of sale. The City Manager or designee may authorize an increase in the maximum allowable sales price to achieve such recovery. Capital improvements are limited to new construction. Repairs of any type, including but not limited to roofs, bathrooms and kitchens, are not considered capital improvements.

SEC. 10-17.825 - OPTION TO PURCHASE - FOR-SALE AFFORDABLE UNITS.

In the event of a default under the resale restrictions, the City shall have the option to purchase the Affordable Unit following the default by the owner under the terms of the resale restrictions.

It is the responsibility of the seller of an Affordable Unit that is subject to this Article to select a purchaser that meets the income requirements of this Article. Information regarding potential purchasers who may meet the income criteria may be obtained from the City of Hayward or from similar programs offered by other municipalities, lenders, or local housing organizations. The City may establish procedures to review the prospective purchaser's eligibility to purchase an Affordable Unit. If the seller is unable to find an eligible purchaser, the City shall have the option to purchase the Affordable Unit.

In either event, the option price for the Affordable Unit shall equal the price that could be charged to an income-eligible purchaser.

SEC. 10-17.830 - RENTAL AFFORDABLE UNITS.

If rental Affordable Units are provided, the Affordable Units shall be offered to eligible households at Affordable Rent. The owner of rental Affordable Units shall certify each tenant's Household Income to the City Manager or designee at the time of initial rental and annually thereafter. The owner must obtain and review documents that demonstrate the prospective tenant's Household Income and submit such information on a form approved by the City Manager or designee. The City Manager or designee shall review the prospective tenant's eligibility to rent an Affordable Unit. No tenant may move into an Affordable Unit prior to authorization by the City Manager or designee.

SEC. 10-17.835 - MARKETING PLAN.

Owners of rental Affordable Units may fill vacant Affordable Units by selecting income-eligible households in accordance with the approved marketing plan contained in the Affordable Housing Agreement.

SEC. 10-17.840 - COMPLIANCE REPORTS.

Owners of rental Affordable Units shall submit annual compliance reports summarizing the occupancy of each Affordable Unit. Annually, the owner shall re-certify all tenants for income-eligibility and submit an annual report. The forms and format used will be the same as those specified for the Tax Exempt Multifamily Mortgage Bond Program or other State or federal housing subsidy program approved by the City.

SEC. 10-17.845 - SUBSEQUENT RENTAL TO INCOME-ELIGIBLE TENANT.

The owner shall apply the same rental terms and conditions to tenants of Affordable Units as are applied to all other tenants, except as required to comply with this Article (e.g., rent levels, occupancy restrictions and income requirements) or with other applicable government subsidy programs. The owner shall manage and operate the Affordable Units in compliance with federal and state fair housing laws.

SEC. 10-17.850 - CHANGES IN TENANT INCOME.

If, after moving into an Affordable Unit, a tenant's Household Income exceeds the income limit for that Affordable Unit, the following shall apply:

- a. If the tenant's Household Income does not exceed the income limits of other Affordable Units in the Residential Development Project, the owner may, at the owner's option, allow the tenant to remain in the original Affordable Unit and re-designate the Affordable Unit as affordable to households of a higher income level, as long so the next vacant Affordable Unit is re-designated for the income category previously applicable to the tenant's household.
- b. If there are no Affordable Units available at the tenant's increased income level, the tenant's rent shall be raised to 30 percent of the tenant's actual monthly Household Income or fair market rent, whichever is lower. If the tenant is paying fair market rent, the next vacant Dwelling Unit that is comparable in size (number of bedrooms, bathrooms, square footage, etc.) to the original Affordable Unit shall be designated as an Affordable Unit at the income level previously applicable to the Dwelling Unit converted to market rate. However, if the Affordable Units are financed with federal tax credits, the following shall apply: if, upon recertification, a tenant's Household Income exceeds 70 percent of AMI, the owner shall charge the existing tenant rent equal to the amount permitted under the rules and regulations of the Internal Revenue Service and the California Tax Credit Allocation Committee, and the owner shall rent the next available Dwelling Unit to a Very Low Income Household for Affordable Rent.

SEC. 10-17.900 - ADJUSTMENTS AND WAIVERS.

SEC. 10-17.905 - APPLICATION FOR ADJUSTMENTS AND WAIVERS.

As part of an application for the first approval of a Residential Development Project, an Applicant may apply for a reduction, adjustment, or waiver of the requirements of this Article based upon a showing that applying the requirements of this chapter would result in an unconstitutional taking of property or would result in any other unconstitutional result. The Applicant shall set forth in detail the factual and legal basis for the claim, including all supporting technical documentation.

SEC. 10-17.910 - CONSIDERATIONS.

In making a determination on an application to adjust or waive the requirements of this Article, the City Council may assume each of the following when applicable: (a) the Applicant will benefit from any incentives

included in this Article; (b) the Applicant will be obligated to provide the most economical Affordable Units feasible in terms of construction, design, location and tenure; and (c) that the Applicant is likely obtain other housing subsidies where such funds are reasonably available.

SEC. 10-17.915 - ACTION ON ADJUSTMENT OR WAIVER.

The City Council, based upon legal advice provided by or at the behest of the City Attorney, may approve a reduction, adjustment, or waiver if it determines that applying the requirements of this chapter would effectuate an unconstitutional taking of property or otherwise have an unconstitutional application to the property. The reduction, adjustment, or waiver shall be approved only to the extent necessary to avoid an unconstitutional result, after adoption of written findings and based on legal analysis and the evidence. If a reduction, adjustment, or waiver is granted, any change in the residential or nonresidential project shall invalidate the reduction, adjustment, or waiver, and a new application shall be required for a reduction, adjustment, or waiver pursuant to this Section. If the City Council determines no violation of the United States or California Constitutions would occur through application of this Article, the requirements of this Article shall remain applicable.

SEC. 10-17.1000 - AFFORDABLE HOUSING TRUST FUND.

SEC. 10-17.1005 - TRUST FUND.

There is hereby established a separate Affordable Housing Trust Fund ("Fund"). This Fund shall receive all affordable housing in-lieu fees and may also receive monies from other sources.

SEC. 10-17.1010 - PURPOSE, LIMITATIONS AND ADMINISTRATION.

Monies deposited in the Fund must be used to increase the supply of housing affordable to Moderate-, Low-, Very Low-, or Extremely Low-Income households in the City, through new construction, acquisition of affordability covenants and substantial rehabilitation of existing housing, or provision of other residential facilities, including emergency shelters and transitional housing, if those facilities mitigate the impact of market-rate housing on the need for affordable housing. Up to ten percent of revenue may be used to cover reasonable administrative costs associated with the administration and implementation of this Article.

The Fund shall be administered by the City Manager or designee, who may develop procedures to implement the purposes of the Fund consistent with the requirements of this Article and any adopted budget of the City.

SEC. 10-17.1100 - ENFORCEMENT.

SEC. 10-17.1105 - MISDEMEANOR.

It shall be a misdemeanor for any person to sell or rent an Affordable Unit at a sales price or rent exceeding Affordable Rent or Affordable Ownership Cost or otherwise to violate any of the provisions of this Article.

SEC. 10-17.1110 - CITY ACTIONS.

The City may institute actions in law or equity for violations of this Article and may suspend or revoke any discretionary or ministerial permit upon finding a violation of any of the provisions of this Article, an approved Affordable Housing Agreement, or any documents, such as resale restrictions and rent regulatory agreements, entered into by the City to implement the requirements of this Article.

SECTION 2. If any section, subsection, paragraph, or sentence of this Ordinance, or any part thereof, is for any reason found to be unconstitutional, invalid, or beyond the authority of the City of Hayward by a court of competent jurisdiction, such decision shall not affect the validity or effectiveness of the remaining portions of this Ordinance.

SECTION 3. This Ordinance shall become effective February 1, 2018.

INTRODUCED at a regular meeting of the City Council of the City of Hayward, held the 7th day of November, 2017, by Council Member _____

ADOPTED at a regular meeting of the City Council of the City of Hayward, held the ____ day of _____, 2017 by the following votes of members of said City Council.

AYES: COUNCIL MEMBERS:

MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

APPROVED:

Mayor of the City of Hayward

DATE:

ATTEST:

City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward

HAYWARD CITY COUNCIL

RESOLUTION NO. 17-_____

Introduced by Council Member _____

**RESOLUTION RESCINDING RESOLUTION 16-189 AND ESTABLISHING
AFFORDABLE HOUSING IN-LIEU FEES**

WHEREAS, to assure that future housing development in the City of Hayward (the "City") contributes to the production of residential units in the City that are affordable to very low, low- and moderate-income households and mitigates its impact on the need for affordable housing in the City, the City Council has considered and introduced on this same date an ordinance to amend the Affordable Housing Ordinance (Chapter 10, Article 17 of the City's Municipal Code) (the "Affordable Housing Ordinance"); and

WHEREAS, the Affordable Housing Ordinance authorizes the imposition of Affordable Housing In-Lieu Fees on for-sale and rental residential developments to provide funds equal to the cost of providing affordable housing on-site and to mitigate the impact of market-rate housing development on the need for affordable housing, where applicants elect to pay Affordable Housing In-Lieu Fees rather than provide affordable units on- or off-site; and

WHEREAS, to ensure that the Affordable Housing In-Lieu Fees adopted by this Resolution do not exceed the cost of providing affordable housing on-site or the actual affordable housing impacts attributable to the development projects on which the fee is imposed, the City Council has received and considered a report from Keyser Marston Associates dated October 31, 2017 and entitled "Summary, Context Materials, and Recommendations: City of Hayward Affordable Housing Ordinance Update," which includes, among other information, an affordability gap analysis, a residential nexus analysis, a financial feasibility analysis, and an on-site compliance cost analysis (the "KMA Study"); and

WHEREAS, the KMA Study demonstrates that, to fully mitigate the burdens created by residential development on the need for extremely low, very low, low, median, and moderate-income housing, an affordable housing impact fee of \$28.90 to \$44.90 per square foot of new market rate residential development would be needed, and that the cost of on-site compliance is equivalent to approximately \$18 to \$22 per square foot of new market rate residential development; and

WHEREAS, the City Council now desires to rescind the Affordable Housing Impact Fees previously adopted under Resolution 16-189 and to adopt Affordable Housing In-Lieu Fees for residential developments as authorized by the Affordable Housing Ordinance; and

WHEREAS, the KMA Study found that the Affordable Housing In-Lieu Fees imposed by this Resolution are economically feasible and will not pose a constraint on the construction of housing in the City; and

WHEREAS, notice of the hearing on the proposed fee was published twice in the manner set forth in Government Code Section 6062a as required by Government Code Sections 66004 and 66018; and

WHEREAS, the City Council has reviewed the information contained in this Resolution and the accompanying staff report and attachments thereto at a meeting held on November 7, 2017.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HAYWARD THAT:

Section 1. The City Council finds as follows:

A. The foregoing recitals are true and correct and incorporated into this Resolution by this reference.

B. The purpose of the Affordable Housing In-Lieu Fee is to provide funds to the City to develop and construct affordable housing as would otherwise be provided on-site and to mitigate the burdens created by new residential and nonresidential development projects on the need for extremely low, very low, low, and moderate-income housing. An applicant for a residential development project may elect to provide affordable units on-site, to pay the Affordable Housing In-Lieu Fee, to provide affordable units off-site, or to provide affordable housing through other means.

C. In compliance with the Affordable Housing Ordinance, all affordable housing impact fees collected shall be deposited into the City's Affordable Housing Trust Fund to be used solely to increase and preserve the supply of housing affordable to households of extremely low, very low, low, median, and moderate incomes (including reasonable administrative costs).

D. There is a need in the City for housing affordable to households of extremely low, very low, low, and moderate incomes.

E. The KMA Study sets forth cost estimates that are reasonable for constructing affordable housing, and the fees expected to be generated by new development will not exceed these costs.

F. Based on the KMA Study, the proposed Affordable Housing In-Lieu Fees are economically feasible and will not pose a constraint on housing production.

G. Adoption of this Resolution is exempt from the California Environmental Quality Act because the adoption of this Resolution is not a project, in that it is a government funding mechanism which does not involve any commitment to any specific project. (CEQA Guidelines Section 15378(b) (4).)

Section 2. The City Council hereby rescinds and removes the Affordable Housing Impact Fee established by Resolution No. 16-189.

Section 3. The City Council hereby adopts the following Affordable Housing In-Lieu Fees:

1. Residential Development Projects – Ten Units or More

- a. High-Density Condominiums
(35 units per acre or more) \$15.00/Square Foot of Habitable Space*
- b. All Other Dwelling Unit Types \$18.18/Square Foot of Habitable Space*

*Notes:

Affordable housing in-lieu fees shall be paid either prior to issuance of a building permit or prior to approval of a final inspection or issuance of an occupancy permit. Fees paid at occupancy shall be increased by 10 percent to \$16.50/sq. ft. of habitable space for high density condominiums and to \$20/sq. ft. of habitable space for all other dwelling unit types.

"Habitable Space" means floor area within a dwelling unit designed, used, or intended to be used exclusively for living and sleeping purposes and exclusive of vent shafts, eaves, overhangs, atriums, covered entries and courts and any portion of a structure above ground used for parking, parking aisles, loading areas, or accessory uses.

2. Residential Development Projects - Two to Nine Units

Projects of two to nine units shall pay the following percentage of the fee calculated pursuant to Section 1 above:

<u>Number of Units in Project</u>	<u>Percentage of Calculated Fee</u>
2	50%
3	67%
4	75%
5	80%
6	83%
7	86%
8	88%
9	89%

3. Fractional Units. If an applicant provides on-site Affordable Units under Chapter 10, Article 17 of the Hayward Municipal Code and elects to pay Affordable Housing In-Lieu Fees for a fractional unit, the fractional in-lieu fee payment shall be calculated as follows:

Fractional Unit/Total Affordable Unit Requirement x Per Square Foot Fee x Total Habitable Square Footage in the Project

Example: 42-unit townhouse project totaling 85,000 habitable sq. ft. has on-site requirement of 10%, or 4.2 units. Developer elects to provide 4 affordable units and pay an in-lieu fee for the fractional unit. The payment is calculated as follows:

$$0.2/4.2 \times \$18.18 \times 85,000 \text{ sq. ft.} = \$73,586$$

4. Applications for Residential Development Projects of Two or More Units Deemed Complete as of November 28, 2017
 - a. Projects receiving all discretionary approvals by February 1, 2018: Affordable Housing Impact Fees in effect on November 28, 2017.
 - b. Projects not receiving all discretionary approvals by February 1, 2018: 50% of the Affordable Housing In-Lieu Fee calculated under either Section 1 or Section 2 above, as applicable depending on the size of the project.

Section 4. The City Council may review and amend the Affordable Housing In-Lieu Fee from time to time. Beginning January 1, 2019, for any annual period during which the City Council does not review the affordable housing impact fee, fee amounts shall be adjusted once by the City Manager or designee based on the percentage change in the Consumer Price Index for All Urban Consumers, San Francisco Area.

Section 5. An Affordable Housing In-Lieu Fee as shown in Section 3 shall be paid by all developments subject to the fee.

Section 6. This Resolution shall go into full force and effect on February 1, 2018.

Section 7. Any judicial action or proceeding to attack, review, set aside, void or annul this Resolution shall be brought within the 90-day time period as established by Code of Civil Procedure Section 1094.6.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2017

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS

MAYOR:

NOES: COUNCIL MEMBERS

ABSTAIN: COUNCIL MEMBERS

ABSENT: COUNCIL MEMBERS

ATTEST: _____

City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward



**ATTACHMENT I –
EXECUTIVE SUMMARY**

DATE: October 17, 2017

TO: Mayor and City Council

FROM: City Manager

SUBJECT: Discussion of Residential Nexus and Financial Feasibility Study Findings and Draft Recommendations for Potential Amendments to the Affordable Housing Ordinance (AHO) and AHO Fees

This executive summary of the Staff Report (Attachment II) summarizes the key findings and recommendations from the Residential Nexus and Financial Feasibility Study for the City's Affordable Housing Ordinance (AHO) and associated impact fees.

During the January 31, 2017 Council work session on Housing Affordability strategies, Council directed staff to revisit the requirements of the Affordable Housing Ordinance (AHO) for potential adjustments in response to the escalation in local housing prices and rents, which have created local housing affordability challenges. Of particular interest to Council was the AHO and associated in lieu impact fees. In response to this direction, staff engaged the services of Keyser Marston Associates, Inc. (KMA) to conduct a Residential Nexus and Financial Feasibility Study to (1) evaluate the impacts of requiring on-site affordable units, (2) assess the extent to which fee increases would be financially feasible for developments to realistically bear, (3) assess options to decrease the applicable threshold from the current AHO twenty-unit threshold, (4) establish the maximum supportable fee levels applicable to residential developments, and (5) assess the potential impacts that new or higher fees could have on the feasibility of those developments.

The complete Nexus Study analysis is included as Attachment III to this report and provides recommendations for Council consideration of potential amendments to the AHO based on the Study's findings. Below is a summary of the key study findings.

Study Findings

- a) **Maximum Supportable Fees.** KMA's Nexus analysis, summarized on Table 2, indicates that the maximum supported fees (the fees that would fully mitigate the impact of new market-rate housing on the local need for affordable housing) range from \$28.90 for single-family detached units to \$44.90 for both condominium and apartment units. These are per-square-foot fees for the units' net residential areas (exclusive of parking,

corridors, and other common areas). KMA recommends adopting fees lower than the maximum supportable fees to mitigate the impact of fees on the projects' proformas.

Table 2: Maximum Supportable Residential Impact Fees, City of Hayward

	Single Family Detached	Townhome	Condominium	Apartments
Per Market Rate Unit	\$72,200	\$63,400	\$44,900	\$40,400
Per Square Foot	\$28.90	\$31.80	\$44.90	\$44.90

Source: Keyser Marston Associates, DRAFT Summary, Context Materials, and Recommendations – Affordable Housing Ordinance Update. September 2017.

- b) *Affordable Housing Requirements in Other Jurisdictions.* In 2016, KMA assembled and summarized affordable housing requirements for eighteen jurisdictions in Alameda and Santa Clara counties. KMA's survey shows that although there is a wide range in fee levels and fees are expressed differently by jurisdiction, in the case of rental projects, Hayward's fees are well below the fee levels of the other cities. With respect to the requirements for for-sale projects, the survey shows that most jurisdictions, including Hayward, allow in-lieu fee payments as an alternative to providing the units on site. However, Hayward's fees are also lower compared to those of the other surveyed jurisdictions.
- c) *Market Context.* KMA's analysis of the local market concludes that Hayward has a range of residential product types in the development pipeline. It also indicates that the rental market is showing signs of strength and that local home prices have risen significantly over the past several years as a result of the strength of the regional economy, low mortgage rates, and a limited housing inventory.
- d) *Financial Feasibility.* KMA tested the financial feasibility of the four prototypes and found that, except for the stacked flat condominium prototype that was found to be marginally feasible at the moment, all types of residential development projects in Hayward are feasible. This is illustrated by the City's new development pipeline. Additionally, KMA's test showed that an increase in affordable requirements to levels similar to those of area jurisdictions could be absorbed by relatively low market adjustments (an increase in the sales prices or rents or a downward adjustment on the value of land).

CONSIDERATIONS

The preliminary recommendations that follow reflect the following considerations:

- a) The findings of the Study (listed above and in the attached report). These findings analyzed current local market conditions, recent court cases, and recently-approved State legislation;

- b) The housing policy objectives, as specified in the City's Housing Element;
- c) The inclusionary requirements in nearby jurisdictions;
- d) Setting requirements high enough that ensure that new market rate residential projects help mitigate their impact on the local need for affordable housing; and
- e) Requirements low enough that do not discourage local residential development.

RECOMMENDATIONS

For-Sale (Homeownership) Housing Recommendations

1. **Lower the applicability threshold** from twenty (20) units to two (2) units.
2. **Allow in-lieu-fee payment for small projects** with nine or fewer units. This would avoid placing a disproportionate burden on small projects for which percentage requirements would result in less than a full affordable unit being owed.
3. **Utilize a step-up calculation of fees for projects with two to nine units** such as the following: $\text{Applicable PSF fee} = \text{Full PSF Fee} \times (\text{No. Units} - 1) / (\text{No. of units})$. This would avoid creating a disincentive for small multi-unit projects,
4. **Require that affordable units be provided on-site within for-sale projects of ten units or more and remove the option to pay an in-lieu fee** except for specific project types further described below in #6.
5. **Set the onsite affordable unit percentage requirement at no more than 10%**, and make the on-site affordable unit percentage requirements consistent for attached and detached units. (Currently, the on-site requirements are 10% for detached and 7.5% for attached units).
6. **Adjust the requirements for specific project types** as follows:
 - a. **Allow a fee payment for units with a lot size of 4,000 sq. ft. and higher** because providing affordable units onsite within single-family projects is often costlier on a per-affordable-unit basis, especially with larger lots and higher-priced units.
 - b. **Keep the 7.5% on-site requirement and/or allow fee payments for high density condominium projects.** KMA's analysis indicates that the market in Hayward for condominiums at higher densities, such as over 35 units per acre, remains unproven, however the City may want to encourage these of units in some cases.
7. **Increase AHO fees in the range of \$15 to \$20 per square foot** to bring Hayward's fees nearer to the level of the fees charged by other East Bay jurisdictions. KMA's analysis indicates that selecting a fee at the upper end of the range (\$20) would represent an equivalent cost to complying with the maximum on-site requirement recommended above (10%).

Rental Housing Recommendations

1. **Lower the applicability threshold** from twenty (20) units to two (2) units, consistent with the recommendation for ownership units.
2. Due to the signing of AB 1505 by the Governor which provides the City the ability to make on-site affordable units mandatory in rental projects, KMA recommends:
 - a. **Require on-site units for projects with over 100 units** to avoid getting small numbers of affordable rental units in scattered locations that could increase the administrative burden of enforcing affordability covenants. To comply with AB 1505, allow developers to propose an alternative means of compliance utilizing the 'Combination of Alternatives' section of the AHO (discussed further below).
 - b. **Reduce the on-site requirement for the above projects from 7.5% to between 6% and 5%** while maintaining the existing low- and very low-income level split, to decrease the compliance cost to the \$20/sq. ft.,
 - c. **Alternatively, allow rents for the on-site units to be set up at 80% of Area Median Income (AMI)**, a level few affordable rentals serve because it is above the rent levels allowed for projects with tax credit financing.
3. **Continue to allow fee payment in rental projects with 99 units or less.**
4. **Set the applicable fees within the \$15-\$20 per sq. ft. range** as recommended for the ownership projects.

Additional Fee-Related Recommendations

- **Continue to use the existing approach of charging fees on a per-square-foot basis.** This approach, KMA notes, is simple to administer, and ensures that fees are kept proportionate to unit size, with small units paying less and large units paying more.
- **Impose a fee structure within the ranges set forth in Table 3.** KMA's recommendation package does not include any reference to the current fee "payment schedule" of the AHO that allows the developer to pay the base fee plus 10% if the developer chooses to pay the fee at issuance of certificate of occupancy.

Table 3: Recommended Fee Range Structure Options

Timing	Single-Family (Ownership)		Multifamily Rental	Alternative A	Alternative B
	Detached	Attached (Townhomes and Condos)		Both alternatives apply to all development types (for-sale single-family detached and detached homes and multifamily rental housing) with the exceptions described in this report	
	Current	Current	Current		
If Paid at B.P.*	\$ 4.61	\$ 3.87	\$ 3.63	\$ 15.00	\$ 18.15
If Paid at C.O.**	\$ 5.06	\$ 4.28	\$ 3.99	\$ 16.50	\$ 19.97

Grandfathering

KMA recommends that, as in previous ordinance amendments involving a new requirement or an increase in the obligations, the AHO includes a provision that avoids a negative impact to projects currently in the pipeline. For this reason, staff recommends including a grandfathering provision (rather than a phase-in provision) for consistency with the City’s past practices.

Should Council decide to extend a grandfathering provision, it could potentially be provided:

- Only to projects with a complete application at the time the amendments become effective.
- To all projects that have filed an application with the City’s Development Services regardless of whether the project application is deemed complete or not at the time the amendments are adopted.
- All projects that receive discretionary approvals within six or twelve months of the amendments’ adoption.

Council also has the option to include no grandfathering provision - in other words, Council may require that all projects that receive entitlements after the amendments become effective are subject to the new requirements. This could, however, create significant burdens for developers who have already spent significant time and money developing plans based on the requirements that were in place when they made their original application.

Other Recommendations and Considerations

- Retain the “Combination of Alternatives” provision for all housing projects which allows developers to comply with the AHO by providing a combination of on-site construction, off-site construction, in-lieu fees, and land dedication that at least equals the cost of providing the affordable units on-site and/or furthers affordable housing opportunities in the City. This provision would allow the City to comply with AB 1505

which requires that developers of rental housing have the option to comply with the Ordinance through a different alternative in case they cannot or decide not to provide on-site affordable units. The only alternative not applicable to developments of 100 or more units would be the payment of fees.

- Adjust the Fees annually based on the rate of increase in the Consumer Price Index (CPI) published monthly by the Bureau of Labor Statistics or on the Historical Construction Cost Index published by Engineering News Records (ENR). The current methodology proved to be too complicated while the data available for the calculation based on such methodology was too inconsistent.
- Consider transit-oriented inclusionary requirements. One of the stakeholders' comments is that the City considers that (in case Council decides not to remove the option to pay the Fees) all new residential developments within a half-mile or one mile of high frequency transit (defined as fifteen minutes or less headways) or within Downtown Hayward boundaries be required to include affordable units and not fee out, so as to ensure that these developments provide affordable housing opportunities to lower-income households within close proximity to transit and amenities.

NEXT STEPS

Below are key policy questions for Council discussion and direction:

1. **Fees:** Does Council wish to return to an ordinance that requires provision of on-site affordable units but allows for alternative means of compliance for all projects? Should projects only be allowed to pay in-lieu fees upon petition to the Council (except for those smaller projects identified in the report – less than 100 units for rental projects and less than 9 units for for-sale projects)?
2. **Fees:** Does Council wish to impose fees within the recommended range? What is Council's direction regarding desired impact fee levels?
3. **Fees:** Does Council concur with the recommendation that Fees be adjusted annually based on the rate of increase in the Consumer Price Index (CPI) or on the ENR Historical Construction Cost Index?
4. **Grandfathering:** Does Council concur with the recommendation to include a grandfathering provision to mitigate financial impacts to projects currently in the pipeline?
5. **Inclusionary Requirements:** What is Council's direction regarding inclusionary requirements (on-site units) in rental projects – should in-lieu fee payments be allowed for medium- and small projects with fewer than 100 units?

6. **Inclusionary Requirements:** What is Council's direction regarding inclusionary requirements in homeownership (for-sale) projects – should in-lieu fee payments be allowed for small projects of nine or fewer units?
7. **Inclusionary Requirements:** What is Council's direction regarding the possibility of imposing inclusionary requirements for projects within specifically defined geographic areas, for example projects located in proximity to transit hubs?
8. **Overall Recommendations:** Does Council generally concur with the preliminary recommendations outlined in the Recommendations section of this report?

Staff will make any necessary AHO amendments and bring back an agenda item to introduce the ordinance amendments at a regular meeting in November 2017, once Council provides direction.

Prepared by: Omar Cortez, Acting Housing Manager

Recommended by: Sean Reinhart, Director of Library and Community Services
Maria A. Hurtado, Assistant City Manager

Approved by:



Kelly McAdoo, City Manager



KEYSER MARSTON ASSOCIATES

SUMMARY, CONTEXT MATERIALS AND RECOMMENDATIONS AFFORDABLE HOUSING ORDINANCE UPDATE

Prepared for:
City of Hayward

Prepared by:
Keyser Marston Associates, Inc.

October 31, 2017

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ATTACHMENT A – RESIDENTIAL NEXUS ANALYSIS REPORT

I. INTRODUCTION

This Summary, Context Materials, and Recommendations report (“Summary Report”) has been prepared by Keyser Marston Associates, Inc. (KMA) to support consideration of updated affordable housing requirements applicable to residential development in the City of Hayward (“City”). This Summary Report provides a concise version of the affordable housing nexus, financial feasibility and other analyses prepared by KMA and provides recommendations for updates to the City’s affordable housing policies.

The Residential Nexus report is included as Attachment A to this Summary Report and provides the technical analyses and documentation to support Hayward’s affordable housing impact fees applicable to residential development.

A. Hayward’s Existing Affordable Housing Ordinance Requirements

The City of Hayward established its inclusionary program with adoption of an Inclusionary Housing Ordinance in 2003. The City’s program has been amended twice since it was initially adopted, most recently in 2015 when the Affordable Housing Ordinance (AHO) currently in effect was enacted. Following is a description of Hayward’s existing AHO requirements:

Ownership Housing Requirements

The AHO requires residential for-sale (or ownership) projects of twenty or more units to provide affordable units on-site or pay an in-lieu fee instead. Attached for-sale projects must provide 7.5% of units as affordable and detached projects must provide 10% of units as affordable to households at Moderate Income (up to 120% of Area Median Income).

The program has an in-lieu fee option which, following the 2015 update, is permitted by right. In-lieu fees are set well below the cost of providing units on-site. As a result, most projects comply through payment of fees rather than provide affordable units onsite. The current in-lieu fees are:

- Attached For-Sale Units: \$3.87 per square foot if paid at building permit or \$4.28 per square foot if paid at certificate of occupancy; and
- Detached For-Sale Units: \$4.61 per square foot if paid at building permit or \$5.06 per square foot if paid at certificate of occupancy.

Rental Housing Requirements

The AHO requires rental projects of twenty or more units to pay an impact fee of \$3.63 per square foot (or \$3.99 per square foot if paid at certificate of occupancy). Rental projects have the option to provide affordable units on-site as an alternative to payment of the impact fee. The on-site alternative is to provide 7.5% of units as affordable or 10% for detached rental projects. On-site affordable units must be split between Low and Very Low units.

B. Context for Update to Hayward's Program

Rising home prices and rents over the last several years have helped strengthen the housing market in Hayward to the point where the City is now experiencing development activity across a range of residential housing types including new single-family, townhomes, apartments and condominium units. At the same time, the escalation in prices and rents has exacerbated housing affordability challenges. Since Hayward last amended its requirements in early 2015, several other communities in the East Bay have adopted new or updated affordable housing requirements or have begun the process of considering them. These include Fremont, Union City, Oakland and Berkeley. With these recent trends as context and Hayward's requirements now at the low end of the range for cities in the inner East Bay, we understand the City wishes to consider strengthening the requirements of the AHO. The analysis and recommendations summarized in this report have been prepared to support consideration of updated affordable housing requirements applicable to residential development in Hayward.

New Legislation (AB 1505) – California communities have not had the ability to apply inclusionary requirements to rental projects since the 2009 *Palmer* case (*Palmer/Sixth Street Properties L.P. v. City of Los Angeles* [2009] 175 Cal. App. 4th 1396), described further in Attachment A. On September 29th the Governor signed AB 1505, restoring the ability to require on-site affordable units within rental projects.

C. 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 analysis;
- Section IV presents analyses and materials prepared to provide context for policy decisions, including:
 - a. Financial Feasibility Analysis – presents the analysis and findings of the real estate financial feasibility analysis covering four types of residential development in Hayward;
 - b. On-site compliance cost analysis – analysis of the forgone revenue experienced by market rate residential projects in complying with the City's inclusionary policy;
 - 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;
- Attachment A is the full Residential Nexus Analysis report.

II. SUMMARY OF FINDINGS AND RECOMMENDATIONS

In this section, KMA provides a summary of the analysis findings and recommendations for updates to the City's Affordable Housing Ordinance. 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. Inclusionary requirements are generally not bound by nexus findings, but cannot be so high as to be confiscatory or to constitute a taking.
2. The City's policy objectives specified in the Housing Element.
3. The current requirements in neighboring jurisdictions.
4. Setting requirements high enough to support a meaningful contribution to affordable housing in Hayward.
5. Setting requirements low enough to not discourage development.

A. Summary of Findings

The following section provides an overview of KMA's analysis and factors that were considered in developing recommendations for updates to the City's Affordable Housing Ordinance.

1. *Nexus Analysis Findings*

The findings of the residential nexus analysis are summarized below. The findings per square foot refer to net residential area (exclusive of parking, corridors and other common areas).

	<i>Single Family Detached</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments</i>
Per Market Rate Unit	\$72,200	\$63,400	\$44,900	\$40,400
Per Square Foot	\$28.90	\$31.80	\$44.90	\$44.90

Source: Keyser Marston Associates, Attachment A Residential Nexus Analysis.

For small projects where fees may be the primary compliance option available because a whole affordable unit would not be owed under the on-site requirements of the AHO, it is advisable to maintain fees within the maximums supported by the nexus. In addition, for financial feasibility reasons, recommended fees for all project types are less than the maximums supported by the nexus, as described below.

2. Affordable Housing Requirements in Other Jurisdictions

KMA has assembled and summarized affordable housing requirements for 18 jurisdictions in Alameda and Santa Clara counties. These materials were assembled in 2016 for purposes of a multi-jurisdiction nexus study in which Hayward participated for purposes of the non-residential scope of services only and have been partially updated. Following is a condensed version focusing on selected comparisons. A complete summary is provided in Section IV at the end of this report.

Rentals: Overview of Adopted Rental Housing Impact Fees in Alameda County

The chart below shows selected examples of cities in Alameda County that have adopted impact fees for rental development following the 2009 Palmer decision (which eliminated the ability to apply inclusionary requirements to rental projects). There is a wide range in fee levels for rental projects and fees are expressed differently by jurisdiction, with some fees levied on a per market rate unit basis and others on a per square foot basis. Hayward's fees are well below levels in the other cities.

In Hayward, the minimum size project subject to the fee is 20 units while Oakland's and Union City's pending requirements will apply to projects of all sizes. Fremont's fees apply to projects with two or more units and Berkeley's to projects with five or more units.

Table 2 – Impact Fees in Other Jurisdictions – Rental Units		
<i>City</i>	<i>Impact Fee</i>	<i>Min. Project Size Subject to Fee</i>
Hayward	\$3.63/sq. ft.*	20 units
Fremont	\$17.50/sq.ft.	2 units
Union City	\$14 / Square Foot (Year 3 full phase-in level)**	1 unit
Berkeley	\$34,000 per unit if paid at building permit or \$37,000 per unit if paid at certificate of occupancy.	5 units
Oakland	\$12,000 to \$22,000 per unit (varies by zone)	1 unit

See Table 17 for more detail. Data is current as of the time of the survey in 2016 with partial updating in 2017.

* If paid at building permit. An additional 10% is added if the developer elects to pay at certificate of occupancy.

**Council directed staff to prepare an ordinance consistent with the requirements outlined above; however, the changes to the program reflected in this summary are not yet adopted.

Ownership Affordable Housing Requirements

For ownership projects, the most common onsite requirement is 15% with Alameda, Albany, San Leandro, and Union City all at this level. Berkeley is higher at 20%; Oakland has two options: 5% at Very Low or 10% at Low to Moderate. Fremont uses an approach that combines both an on-site requirement and an impact fee. The majority of programs allow in-lieu fee payment as an

alternative to providing units on-site, Hayward included. Hayward's current in-lieu fees are at the low end of the range of the surveyed programs. San Leandro, Albany and Alameda allow in-lieu fee payment for small projects only.

Table 3 – Ownership Unit Affordable Housing Requirements in Other Jurisdictions				
<i>City</i>	<i>Affordable Units Required (Percent)</i>	<i>Affordability Level</i>	<i>Fee In-Lieu of Providing Units</i>	<i>Fee by Right?</i>
Hayward	7.5% (attached) 10% (detached)	Moderate	\$3.87* psf (attached) \$4.61* psf (detached)	Yes
Albany	15%	½ Low and ½ Very Low	(Market Value – Affordable Price) * Units Owed	5 & 6 unit projects only
San Leandro	15%	60% Moderate, 40% Low	(Median Sale Price – Affordable Price) * Units Owed	Projects of 2 to 6 units only
Union City	15%	60% Moderate, 30% Median, 10% Low	City Council direction**: \$22 psf (Year 2 full phase-in level)	Yes**
Alameda	15%	47% Moderate, 27% Low, 27% Very Low	\$19,076 per residential unit	Projects under 10 units only
Oakland	Option A: 5% Option B: 10%	Option A: Very Low Option B: Low – Moderate	MF: \$12-\$22,000 / unit SF: \$8-\$23,000 / unit	Yes
Berkeley	20%	Low	62.5% * (Sale Price – Aff. Price) * units owed	Yes
Dublin	7.5% plus fee 12.5% w/o fee	60% Moderate, 40% Low	\$127,061 / affordable unit owed	Yes (partial)
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
Pleasanton	MF: 15% SF: 20%	MF: Low SF: Moderate	MF: \$2,783 /unit SF <1,500 sf: \$2,783/unit SF >1,500 sf: \$11,228/unit	Yes

MF: Multi-family; SF: Single family

See Table 17 for more detail. Data is current as of the time of the survey in 2016 with partial updating in 2017.

* If paid at building permit. An additional 10% is added if the developer elects to pay at certificate of occupancy.

**Council directed staff to prepare an ordinance consistent with the requirements identified above; however, changes to the program are not yet adopted.

3. Market Context

Hayward has a range of residential product types in the development pipeline and currently marketing including single family, townhomes, apartments and stacked condominiums. New residential development is occurring along the Mission Boulevard corridor, on opportunity sites in the Downtown and in other locations throughout the City where developers have been able to assemble sites.

Pricing has risen significantly over the past several years on the strength of the regional economy, low mortgage rates, and limited housing supply. A new prototypical single family detached home 2,500 square feet in size can now be expected to sell for \$950,000 or \$380 per square foot. Prototypical attached townhome units are smaller but sell for more on a per square foot measure estimated at \$400 per square foot. Higher density stacked condominiums are still an emergent project type although there are now two such projects under development review (Matyas Village and Mission Seniors), one of which is a senior project.

The rental market in Hayward is showing signs of strength. There is one recently built rental project near the South Hayward BART station and four more rental projects in the development pipeline (Maple and Main, Lincoln Landing, Campways and Haymont Village). A prototypical 900-square foot apartment in a newly developed rental project is now estimated to rent for \$2,800 per month.

See Appendix A to the Residential Nexus Analysis for more detail and supporting data.

4. *Financial Feasibility*

KMA tested the financial feasibility of four types of residential development projects in Hayward including single family detached, townhome/attached, apartments and stacked flat condominiums. The analysis indicates that single family, townhomes and apartments are all currently feasible. The significant number of residential projects in the City's new development pipeline is also an indication of financial feasibility. The stacked flat condominium prototype is the only prototype where feasibility was found to be somewhat marginal at this time.

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 affordable housing requirements in a variety of ways. One way that markets can adjust is through downward pressure on land prices created when developers price new requirements into the economics of their projects and adjust what they can afford to pay for land. When market prices and rents are rising, this condition also helps projects absorb the cost associated with new or increased requirements.

KMA used the pro forma analysis to test three scenarios with increased affordable housing requirements representing a cost of \$10/square foot, \$15/square foot and \$20/square foot. As one example, a \$15/square foot requirement could be absorbed by increases in sale prices and rents in the range of 1.6% for the apartment prototype and 2.8% for the townhome prototype.

Table 4 – Overview of Financial Feasibility Analysis Findings				
<i>Prototype</i>	<i>Single Family Detached</i>	<i>Townhome/ Attached</i>	<i>Condominiums</i>	<i>Apartments</i>
Feasibility Conclusion with existing requirements	Feasible	Feasible	Marginally Feasible	Feasible
Supported Land Value (\$/acre)	\$1,457,000	\$1,556,000	\$1,322,500	\$2,174,000
Market Rent / Sales Price Increase Sufficient to Absorb Updated Requirements				
Representing Cost of \$10/SF	1.4%	1.5%	1.0%	0.9%
Representing Cost of \$15/SF	2.7%	2.8%	1.9%	1.6%
Representing Cost of \$20/SF	4.1%	4.0%	2.7%	2.3%
Land Value Decrease to Absorb Updated Requirements				
Representing Cost of \$10/SF	9%	16%	14%	16%
Representing Cost of \$15/SF	18%	29%	26%	28%
Representing Cost of \$20/SF	26%	41%	37%	41%

Note: adjustments would each be independently sufficient to absorb increased requirements.

See Section IV. A. for the full range of scenarios that were tested.

B. Program Recommendations

The City has had an inclusionary housing program in place since 2003 and has updated its requirements on two prior occasions. The analyses and information generated in this work program will be helpful to the City in updating the program to respond to the current strong conditions in the local housing development market coupled with deepening affordability challenges. Following are KMA recommendations, based on consideration of local market conditions, the real estate financial feasibility analysis, nexus analysis results, requirements in neighboring cities, our understanding of the City's policy objectives, and other factors.

Ownership Program Recommendations:

- a. *Requiring or Encouraging On-site Affordable Units* – We understand the City would like to encourage more projects to provide affordable units on-site rather than receive in-lieu fees. Two primary approaches for accomplishing this in for-sale projects are to:
 - Require on-site units and remove the option of paying an in-lieu fee, or
 - Increase fees to the point where the decision to provide affordable units on-site becomes financially advantageous for the developer relative to fee payment.

KMA recommends requiring affordable units be provided on-site within for-sale projects of 10 units or more and removing the option to pay an in-lieu fee except for specific project types as described in c. below. We understand inclusion of units onsite within new development projects to be a core City objective of the AHO update and eliminating the in-lieu fee option would be the surest way to achieve this outcome.

- b. *Affordable Unit Percentage* – KMA recommends making on-site affordable unit percentage requirements consistent for attached and detached units and setting the requirement at no more than 10%. The cost associated with providing onsite affordable units is similar for single family detached and attached townhomes on a per square foot basis. This 10% recommendation is estimated to equate to a developer cost in the range of \$20 to \$21 per square foot for prototypical single family and townhome units. Based on the findings of the feasibility analysis, these increased requirements could be absorbed with a relatively modest 4% further improvement in the for-sale market in Hayward. Section IV B. provides additional information if the City would like to consider adjustments to affordable unit pricing from the current 110% of AMI requirement.

While we recognize some neighboring jurisdictions have higher percentage requirements than recommended for Hayward, including several at 15%, it is useful to keep in mind the following additional background in drawing comparisons: a) Union City's 15% requirement has a fee option that costs less than providing the units onsite

and b) in San Leandro our general understanding is that there has been limited development activity to evidence feasibility of the City's mandatory 15% onsite requirement.

c. *Adjustments to Requirements for Specific Project Types* – the following describes recommendations for application of modified requirements to several specific project types:

- *Larger Lot Single Family* - The City may wish to consider allowing fee payment for certain single family projects, such as those above a lot size threshold. Providing affordable units onsite within single family projects is often costlier on a per affordable unit basis, especially those with larger lots and higher priced units. Larger lot single family units are also more likely to be built in areas less accessible to transportation, services and amenities; therefore, these projects may be less desirable locations for affordable units to be provided onsite. Allowing fee payment for larger lot single family projects would allow the City to maintain a source of local funding that may be leveraged with outside funding sources to produce a greater number of affordable units than could be provided onsite within larger lot single family home developments. While selection of a threshold is a matter of policy preference; we suggest consideration of a lot size of +/- 4,000 square feet and higher for allowing fee payment.
- *Higher Density Condos* – Condominiums at higher densities, such as over 35 units per acre, currently face feasibility challenges relative to other for-sale development types and the market for these projects in Hayward remains unproven. The cost to provide affordable units onsite in a higher density condo project is also estimated to be 20% higher on a per square foot basis than for townhomes. If the City would like to encourage this development type, we recommend lower percentage requirements of up to 7.5% consistent with KMA's recommendations for rental projects and / or allowing fee payment for these projects.

d. *In-lieu Fee Level* – Where permitted, KMA recommends consideration of an increased in-lieu fee in the range of \$15 to \$20 per square foot. A requirement at this level would bring Hayward nearer to, but still below, what other jurisdictions in the East Bay such as Union City and Fremont require. Selection of a fee at the upper end of this range would represent an equivalent cost to the maximum on-site requirements recommended above. While there are other viable alternatives for structuring fees, our suggestion is to continue the existing approach of charging fees on a per square foot basis. This is a common approach, is simple to administer, and ensures fees are kept proportionate to unit size, with small units paying less and large units paying more.

- e. *Project Size Thresholds* – The 20-unit minimum project size subject to the City’s AHO is among the highest thresholds in the East Bay. The nexus analysis allows the City to consider fees that apply to small projects and even single units. KMA recommends consideration of a threshold of 2 units for projects to become subject to fees and a threshold of 10 units for applicability of the on-site build requirement, which is the minimum project size for which a whole affordable unit would be owed with a 10% affordability requirement (this 10-unit threshold should be adjusted if a different onsite percentage is selected). Allowing in-lieu fee payment for small projects with 9 or fewer units avoids placing a disproportionate burden on small projects for which percentage requirements would result in less than a full affordable unit being owed.

A step up of fees for projects with 2 to 9 units is recommended to avoid creating a disincentive for small multi-unit projects. One potential formula-based approach to a step up is identified below. The formula is equivalent to exempting the first unit in the project based on the average-sized unit.

$$\text{Applicable PSF fee} = \text{Full PSF Fee} \times (\text{No. Units} - 1) / (\text{No. of units}).$$

Alternatively, the formula can be converted to a set of percentages than can be used to adjust the per square foot fee applicable to small projects:

Number of Units in Project	Percentage Factor to Reduce Per Square Foot Fee for two to nine-unit projects
2	50%
3	67%
4	75%
5	80%
6	83%
7	86%
8	88%
9	89%

Rental Program Recommendations:

Under the existing AHO, rental projects must pay an impact fee or may elect to voluntarily provide 7.5% affordable units to mitigate their impact, rather than pay the impact fee. AB 1505, which was signed by the Governor on September 29th, restored the ability to implement inclusionary requirements for rental projects. Following are recommendations for updates to the AHO following enactment of AB 1505 as well as under the law as it existed prior to AB 1505.

- a. *Rental Recommendations with Enactment of AB 1505* – With enactment of AB 1505, the City has the ability to make onsite affordable units mandatory in rental projects¹. This is recommended if the City has a very strong preference for units to be provided onsite over fees which could be combined with tax credits and other sources to assist all affordable projects. If the onsite requirement becomes mandatory, based on the feasibility analysis, KMA recommends considering modifications to bring the cost of complying with requirements to no more than approximately \$20 per square foot. The current 7.5% onsite option at Low and Very Low-Income is estimated to cost projects approximately \$27 per square foot to provide. Two possible options for reducing compliance costs to within the \$20 per square foot range are to a) allow rents to be set at up to 80% of AMI, a level few affordable rentals serve because it is above the rent level allowed for projects with tax credit financing, or b) reduce the percentage requirement to between 5% and 6% while maintaining the existing income level. We recommend continuing to allow fee payment in rental projects below a threshold size in the range of, say, +/- 100 units to avoid getting small numbers of affordable rental units in scattered locations that could increase the administrative burden of enforcing affordability covenants. Administrative burden associated with scattered units is more of an issue with rental than for-sale because compliance monitoring occurs regularly, not just upon resale as with ownership units. For projects below this threshold, KMA recommends fees be set in the \$15 to \$20 per square foot range, consistent with ownership units.
- b. *Rental Recommendations Under Prior Law* – Prior to AB 1505, the City could seek to encourage voluntary provision of onsite units by implementing one of the two options for reducing the cost of compliance described above in combination with an increase to the impact fee level. Depending on how strong of an incentive for onsite units the City wishes to create, impact fees could be set from \$20 per square foot anywhere up to the maximum supported by the nexus study. For projects under a threshold size of, say, +/- 100 units, we recommend fees be limited to \$15 to \$20 per square foot to avoid incentivizing provision of small numbers of onsite affordable rental units in scattered locations which could increase the administrative burden of enforcing affordability covenants.

If the City prefers to keep fees in line with other jurisdictions and does not see on-site units as a priority in rental projects, then a lower fee in the \$10 to \$15 psf range could be a better fit. A fee in the \$10 to \$15 psf range would place Hayward's requirements in the same range as Union City's at \$14 per square foot and comparable to levels adopted by Oakland of \$12,000 per unit at full phase applicable to the southern portion of the City which is equivalent to \$13 per square foot for a 900 SF apartment.

¹ However, at least one alternative must be provided, for example, off-site construction of affordable units.

- c. *Project Size Threshold* – Move to a lower threshold for application of requirements, such as two units, consistent with KMA recommendations for the ownership program.

Since the above recommendations represent a significant increase in the affordability obligations of new residential projects, KMA recommends a provision to avoid negatively impacting projects currently in the pipeline. Two potential approaches are a phase-in and grandfathering. With a phase in approach, requirements could be phased in incrementally. With grandfathering, the City could elect to apply requirements in place as of the time projects reach a certain stage in the process, such when an application is deemed complete. City staff have indicated the grandfathering method offers the best continuity with past City practices.

III. SUMMARY OF NEXUS ANALYSIS

This section provides a concise summary of the residential nexus analysis prepared for the City of Hayward. The analysis provides documentation necessary for adoption of updated affordable housing impact fees applicable to residential development. The analysis establishes maximum supportable impact fee levels based on the impact new residential development has on the need for affordable housing. Findings represent the results of an impact analysis only and are not recommended fee levels.

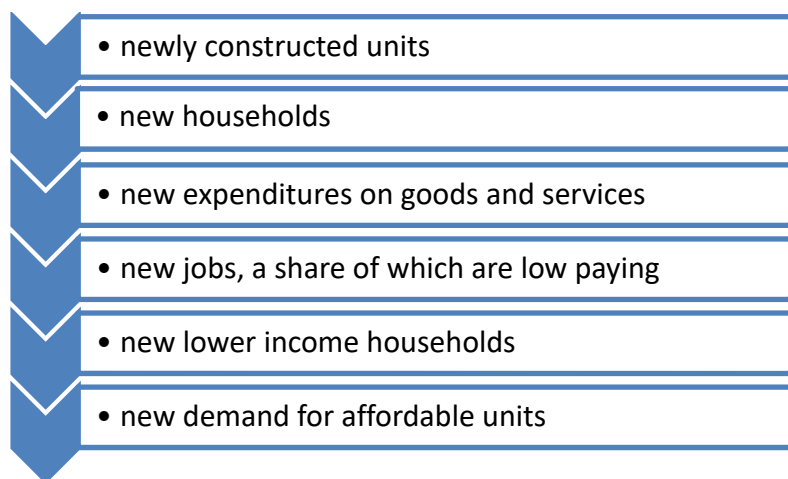
Nexus findings represent upper limits for impact fees. However, inclusionary housing requirements, including those that give the developer the option of paying an in-lieu fee, are not required to be justified by nexus studies, although they cannot be ‘confiscatory,’ based on the 2016 ruling by the California Supreme Court in the San Jose inclusionary zoning case.

Full documentation of the analyses can be found in the report titled Residential Nexus Analysis included as Attachment A.

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 Hayward. 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 Hayward and therefore need affordable housing.

Nexus Analysis Concept



1. Market Rate Residential Prototypes

In collaboration with City staff, a total of four market rate residential prototypes were selected: three ownership prototypes and one rental prototype. The intent of the selected prototypes is to identify representative development prototypes likely to be developed in Hayward in the immediate to mid-term future.

A summary of the four 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.

	<i>Single Family</i>			
	<i>Detached</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments</i>
Avg. Unit Size	2,500 SF	2,000 SF	1,000 SF	900 SF
Avg. No. of Bedrooms	4.00	3.50	2.00	1.50
Avg. Sales Price / Rent Per Square Foot	\$950,000 \$380 /SF	\$800,000 \$400 /SF	\$590,000 \$590 /SF	\$2,800 /mo. \$3.11 /SF

B. Household Expenditures and Job Generation

Using the sales price or rent levels applicable to each of the four 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.

Table 6 – Household Income, Expenditures, Job Generation, and Net New Worker Households				
	<i>Single Family</i>			
	<i>Detached</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments</i>
Avg. Sales Price / Rent	\$950,000	\$800,000	\$590,000	\$2,800
Gross Household Income	\$187,000	\$162,000	\$121,000	\$117,000
Net Annual Income available	\$125,300	\$110,200	\$82,300	\$74,000
Total Jobs Generated [from IMPLAN] (100 Units)	93.0	81.8	58.2	52.3
Net New Jobs after 20% reduction for declining industries (100 units)	74.4	65.4	46.5	41.9

See Attachment A Residential Nexus Analysis for full documentation.

C. 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 Alameda 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 1.62 workers per working household in Alameda County is used.

Table 7 – Adjustment from No. of Workers to No. of Households				
	<i>Single Family</i>			
	<i>Detached</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments</i>
Net New Jobs (100 Units)	74.4	65.4	46.5	41.9
Divide by No. of Workers per Worker Household	1.62	1.62	1.62	1.62
Net new worker households (100 Units)	45.9	40.3	28.7	25.8

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 Hayward. Four categories are 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 Hayward prototype units.

Table 8 – New Worker Households per 100 Market Rate Units				
	<i>Single Family</i>			
	<i>Detached</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments</i>
Extremely Low (0%-30% AMI)	5.1	4.5	3.2	2.9
Very Low (30%-50% AMI)	11.8	10.4	7.4	6.6
Low (50%-80% AMI)	12.2	10.8	7.6	6.8
Moderate (80%-120% AMI)	7.4	6.5	4.6	4.1
Total, Less than 120% AMI	36.6	32.2	22.8	20.5
Greater than 120% AMI	9.3	8.2	5.9	5.3
Total, New Households	45.9	40.3	28.7	25.8

See Attachment A Residential Nexus Analysis 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 a large share of jobs most directly associated with consumer spending tend to be low-paying, such as food preparation, administrative, and retail sales occupations.

D. 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.

Table 9 – Maximum Supported Residential Impact Fees, City of Hayward				
	<i>Single Family Detached</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments</i>
Per Market Rate Unit	\$72,200	\$63,400	\$44,900	\$40,400
Per Square Foot*	\$28.90	\$31.80	\$44.90	\$44.90

* 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 four residential prototype developments in Hayward. These findings are **not** recommended fee levels.

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:

- **Real Estate Financial Feasibility Analysis** – Section A. presents the analysis and findings regarding the financial feasibility of new market rate residential development;
- **Inclusionary Program Compliance Costs** – Section B. analyzes the cost to a market rate residential project of complying with the City's existing inclusionary policy;
- **Residential Affordable Housing Requirements in Other Jurisdictions** – Section C. provides a summary of inclusionary and impact fee requirements in other jurisdictions;

A. Real Estate 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 affordable housing fees could have on the feasibility of new development 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 sale prices and rents supported by the market as well as development costs and developer return requirements. This feasibility analysis is intended to reflect prototypical residential projects in Hayward but it is recognized that the economics of actual projects will differ to some degree from those of the prototypes analyzed.
- *Near Term Time Horizon* – This feasibility analysis is a snapshot of real estate market conditions as of mid-year 2017. The analysis is most informative regarding near term implications updated affordable housing requirements 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 sale price and rent potential, construction costs, land costs, and costs of financing. A year or two from now, conditions will undoubtedly be different to some degree.

- *Adjustments to Land Costs over Time* – Developers purchase development sites at values that will allow for financially feasible projects. If housing requirements are updated, developers will “price in” the updated 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 bring costs back into better balance with the overall economics supported by projects.

Market Context

Like most parts of the Bay Area, Hayward has experienced improving residential market conditions in recent years as exhibited by rapidly rising home prices and apartment rents and new development activity. The improvement in market conditions is attributable to robust regional job growth and the overall strength of the regional economy. It is also acknowledged that, while home prices and apartment rents have grown significantly, the strong real estate market has also had the offsetting effect of driving construction cost inflation.

Financial Feasibility Analysis

The financial feasibility analysis estimates the costs to develop new residential projects and the sale revenues or rental income that could be generated by the projects upon completion. If the revenues are sufficient to support the development costs and to 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 revenue 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 10 below, the direct construction costs are estimated to range from \$296,300/unit for the apartment prototype to \$462,500/unit for the single

family detached prototype. These estimates have 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 financing costs. The fees and permits cost estimates include Hayward's current affordable housing fees of \$4.61, \$3.87, and \$3.63/square foot for the single family detached prototype, attached for-sale prototypes (townhomes and condos) and rental apartment prototype respectively.

- Market rate sale prices have been estimated to range from \$590,000/unit for the stacked flat condominium prototype to \$950,000/unit for the single family detached prototype.
- Rental income for the apartment prototype has been estimated at \$2,800/month, or \$3.11/square foot/month. After a vacancy factor, operating expenses, and property taxes, the net operating income (NOI) has been estimated at \$21,730/unit/year. Using this NOI and applying a 5.2% project return, the project value/supported investment is estimated at \$418,000/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 10, the residual land values range from \$26,400/unit to \$145,600/unit and from \$1.32 million to \$2.17 million/acre.

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 likely be needed for feasibility.

Table 10 – Summary of Residual Land Value Analysis

<i>Prototype</i>	<i>Single Family Detached</i>	<i>Townhome/ Attached</i>	<i>Condominiums</i>	<i>Apartments</i>
Acreage	2.0 acres	2.0 acres	2.0 acres	2.0 acres
Total Units	20 units	40 units	100 units	120 units
Density	10.0 du/acre	20.0 du/acre	50.0 du/acre	60.0 du/acre
Average Unit Size	2,500 sq.ft.	2,000 sq.ft.	1,000 sq.ft.	900 sq.ft.
Development Costs	\$/Unit	\$/Unit	\$/Unit	\$/Unit
Land Acquisition	\$0	\$0	\$0	\$0
Directs	\$462,500	\$400,000	\$332,500	\$296,300
Indirects				
A&E	\$28,000	\$20,000	\$13,300	\$11,800
Affordable Housing Fee	\$11,600	\$7,800	\$3,900	\$3,300
Other Fees & Permits	\$52,500	\$42,000	\$35,000	\$31,500
Taxes/Insurance/Legal	\$37,500	\$37,500	\$15,000	\$6,700
Sales & Marketing	\$12,500	\$10,000	\$7,500	\$5,000
Administrative/Other	\$18,500	\$16,000	\$16,600	\$14,800
Financing	<u>\$33,800</u>	<u>\$26,400</u>	<u>\$19,900</u>	<u>\$12,400</u>
Total Costs Excluding Land	\$656,900	\$559,700	\$443,700	\$381,800
Residual Land Value	\$/Unit	\$/Unit	\$/Unit	\$/Unit
Sale Price/Monthly Rent	\$950,000	\$800,000	\$590,000	\$2,800
\$/Sq.Ft.	\$380	\$400	\$590	\$3.11
Net Supported Investment ⁽¹⁾	\$802,500	\$637,400	\$470,100	\$418,000
(Less) Costs Excluding Land	<u>(\$656,900)</u>	<u>(\$559,700)</u>	<u>(\$443,700)</u>	<u>(\$381,800)</u>
Residual Land Value/Unit	\$145,600	\$77,700	\$26,400	\$36,200
Land Value/Acre	\$1,456,000	\$1,554,000	\$1,320,000	\$2,172,000
Land Value/Land SF	\$33	\$36	\$30	\$50

⁽¹⁾ Net Supported Investment after sales commissions and profit margin with for-sale prototypes; after vacancy, operating expenses, and profit margin for apartment prototype. See Tables 13 and 14 for further detail.

Prevailing Land Values

In order to assess prevailing land values for residential development in Hayward, KMA reviewed relevant land sale comparables in Hayward (comps) from 2015 to 2017. The sale prices of these comps ranged from as low as \$32,000/unit to as high as \$120,000/unit. The wide range in per-unit values is largely attributable to the difference in unit sizes and densities among the projects. Based on the fact that some of the land sales reviewed for this analysis occurred in 2015 and 2016, the values for these comps would be expected to be somewhat higher today after accounting for land value appreciation.

Table 11 – Residential Land Sale Comparables (2015-2017), City of Hayward

	Address	Sale Date	Acres	Proposed		Sale Price	\$/Acre (rounded)	\$/Unit (rounded)
				Units	DU/Acre			
<i>Sorted by Density</i>								
1	22471-22491 Maple Ct	Jul-16	0.60	44	73.1	\$1,950,000	\$3,239,000	\$44,300
2	Mission Seniors	Mar-16	5.13	203	39.6	\$6,500,000	\$1,267,000	\$32,000
3	27794 Mission Blvd	Jun-16	0.24	9	38.2	\$400,000	\$1,699,000	\$44,400
4	21339 Oak St	Jul-16	1.66	58	35.0	\$2,050,000	\$1,238,000	\$35,300
5	25501 Mission Blvd	Jun-17	7.64	237 *	31.0	\$15,800,000	\$2,068,000	\$66,700
6	22836 Watkins St	Nov-15	0.27	6	22.5	\$500,000	\$1,878,000	\$83,300
7	24755 O'Neil Ave	Nov-15	0.80	16	20.1	\$735,000	\$922,000	\$45,900
8	396 Grove Way	Oct-15	0.44	5	11.4	\$505,000	\$1,148,000	\$101,000
9	1332 E St	Jun-17	0.21	2	9.6	\$240,000	\$1,148,000	\$120,000

Source: CoStar, RealQuest, Loopnet

*Includes 93 "guest" rooms.

Feasibility Conclusion

Based on the comparison of residual land values to recent land transactions in the market, this analysis concludes that the single family detached, townhome/attached, and apartment prototypes are generally feasible at this time, including payment of the City's current affordable housing fees. The significant number of residential projects in the City's new development pipeline is also an indication of market feasibility. The stacked flat condominium prototype is the only prototype that does not appear to support a land value in line with market transactions. However, a relatively minor adjustment to the estimated average sale price of these units (roughly 3%), would likely bring this prototype within the range of financial feasibility.

Potential Market Adjustments to Absorb Increased Requirements

To illustrate the impacts a potential increase in affordable housing requirements could have to financial feasibility, KMA used the pro forma analysis to test three alternative affordable housing requirements representing a cost of \$10/square foot, \$15/square foot, and \$20/square foot. For purposes of this test it is assumed these fee levels would replace the current fee levels of \$4.61, \$3.87, and \$3.63/square foot (i.e. they would not be additive). Note that while expressed in terms of dollars per square foot, these requirement levels can readily be converted to equivalent cost on-site inclusionary requirements using the information presented in the next section.

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 increases in sale prices and rents) can help to absorb increased fees. As one example, a \$15/square foot fee could be absorbed by increases in sale prices and rents in the range of 1.6% for the apartment prototype and 2.8% for the townhome prototype.

Table 12 – Potential Market Adjustments to Absorb Illustrative Fee / Requirement Cost Levels

	\$10/SF	\$15/SF	\$20/SF
<u>Single Family Detached Prototype</u>			
Increase in Sale Price	1.4%	2.7%	4.1%
Decrease in Direct Costs	2.9%	5.6%	8.3%
Decrease in Land Values	9.2%	17.8%	26.4%
<u>Townhome/Attached Prototype</u>			
Increase in Sale Price	1.5%	2.8%	4.0%
Decrease in Direct Costs	3.1%	5.6%	8.1%
Decrease in Land Values	15.8%	28.6%	41.5%
<u>Condominium Prototype</u>			
Increase in Sale Price	1.0%	1.9%	2.7%
Decrease in Direct Costs	1.8%	3.3%	4.9%
Decrease in Land Values ^[1]	14.1%	25.6%	37.1%
<u>Apartment Prototype</u>			
Increase in Rents	0.9%	1.6%	2.3%
Decrease in Direct Costs	1.9%	3.5%	5.0%
Decrease in Land Values	15.8%	28.2%	40.7%

Note: Each of the above adjustments would independently be sufficient to absorb the fee / requirement cost increase. Depending upon the market cycle and other factors, a combination of the above market adjustments might be expected to contribute to absorbing a new fee.

^[1] For the condominium prototype, the decrease in land values is based on the higher land value supported by the apartment prototype, which has a similar density.

Table 13
Feasibility Analysis: Ownership Prototypes
City of Hayward

	Single Family Detached Prototype				Townhomes/Attached Prototype				Condominiums (Stacked Flats) Prototype			
Acres	2.00 acres				2.00 acres				2.00 acres			
Units	20 units				40 units				100 units			
Density	10.0 du/acre				20.0 du/acre				50.0 du/acre			
Average Unit Size	2,500 sq.ft.				2,000 sq.ft.				1,000 sq.ft.			
Development Costs												
	\$/NSF	\$/Unit (rounded)	Total	%Directs	\$/NSF	\$/Unit (rounded)	Total	%Directs	\$/NSF	\$/Unit (rounded)	Total	%Directs
Land Acquisition	\$0	\$0	\$0	0%	\$0	\$0	\$0	0%	\$0	\$0	\$0	0%
Directs (incl. Sitework)	\$185	\$462,500	\$9,250,000	100%	\$200	\$400,000	\$16,000,000	100%	\$333	\$332,500	\$33,250,000	100%
Indirects												
A&E	\$11	\$28,000	\$560,000	6%	\$10	\$20,000	\$800,000	5%	\$13	\$13,300	\$1,330,000	4%
Affordable Housing Fee	\$5	\$11,600	\$231,000	2%	\$4	\$7,800	\$310,000	2%	\$4	\$3,900	\$387,000	1%
Other Fees & Permits	\$21	\$52,500	\$1,050,000	11%	\$21	\$42,000	\$1,680,000	11%	\$35	\$35,000	\$3,500,000	11%
Taxes/Insurance/Legal	\$15	\$37,500	\$750,000	8%	\$19	\$37,500	\$1,500,000	9%	\$15	\$15,000	\$1,500,000	5%
Sales & Marketing	\$5	\$12,500	\$250,000	3%	\$5	\$10,000	\$400,000	3%	\$8	\$7,500	\$750,000	2%
Administrative/Other	\$7	\$18,500	\$370,000	4%	\$8	\$16,000	\$640,000	4%	\$17	\$16,600	\$1,663,000	5%
Financing	\$14	\$33,800	\$676,000	7%	\$13	\$26,400	\$1,056,000	7%	\$20	\$19,900	\$1,986,000	6%
Total Costs Excluding Land	\$263	\$656,900	\$13,137,000	142%	\$280	\$559,700	\$22,386,000	140%	\$444	\$443,700	\$44,366,000	133%
Residual Land Value												
	\$/NSF	\$/Unit (rounded)	Total		\$/NSF	\$/Unit (rounded)	Total		\$/NSF	\$/Unit (rounded)	Total	
Market Rate Sales	\$380	\$950,000	\$19,000,000		\$400	\$800,000	\$32,000,000		\$590	\$590,000 ⁽¹⁾	\$59,000,000	
(Less) Closing Costs 4%	(\$15)	(\$38,000)	(\$760,000)		(\$16)	(\$32,000)	(\$1,280,000)		(\$24)	(\$23,600)	(\$2,360,000)	
(Less) Profit Margin 12% 17%	(\$44)	(\$109,500)	(\$2,189,000)		(\$65)	(\$130,600)	(\$5,222,000)		(\$96)	(\$96,300)	(\$9,629,000)	
(Less) Development Costs excl. Land	<u>(\$263)</u>	<u>(\$656,900)</u>	<u>(\$13,137,000)</u>		<u>(\$280)</u>	<u>(\$559,700)</u>	<u>(\$22,386,000)</u>		<u>(\$444)</u>	<u>(\$443,700)</u>	<u>(\$44,366,000)</u>	
Residual Land Value	\$58	\$145,700	\$2,914,000		\$39	\$77,800	\$3,112,000		\$27	\$26,500	\$2,645,000	
Residual Land Value/Acre			\$1,457,000				\$1,556,000				\$1,322,500	
Residual Land Value/Land Sq.Ft.			\$33				\$36				\$30	

⁽¹⁾ Sale price for stacked flat condominiums reflects price needed for financial feasibility, which is somewhat above current market prices.

Table 14
Feasibility Analysis: Apartment Prototype
City of Hayward

Apartment Prototype				
Acres			2.00 acres	
Units			120 units	
Density			60.0 du/acre	
Average Unit Size			900 sq.ft.	
Development Costs				
		\$/NSF	\$/Unit (rounded)	Total %Directs
Land Acquisition		\$0	\$0	\$0 0%
Directs (incl. Sitework)		\$329	\$296,300	\$35,550,000 100%
Indirects				
A&E		\$13	\$11,800	\$1,420,000 4%
Affordable Housing Fee		\$4	\$3,300	\$392,000 1%
Other Fees & Permits		\$35	\$31,500	\$3,780,000 11%
Taxes/Insurance/Legal		\$7	\$6,700	\$800,000 2%
Sales & Marketing		\$6	\$5,000	\$600,000 2%
Administrative/Other		\$16	\$14,800	\$1,778,000 5%
Financing		<u>\$14</u>	<u>\$12,400</u>	<u>\$1,492,000</u> <u>4%</u>
Total Costs Excluding Land		\$424	\$381,800	\$45,812,000 129%
				\$51,000,000
Residual Land Value				
		\$/NSF/Month	\$/Unit/Month	Total
Gross Rents		\$3.11	\$2,800	\$4,032,000
Other Income		\$0.08	\$70	\$100,800
(Less) Vacancy/Bad Debt	5%	(\$0)	(\$143)	(\$206,600)
(Less) Op Ex		(\$1)	(\$500)	(\$720,000)
(Less) Property Taxes		<u>(\$0)</u>	<u>(\$415)</u>	<u>(\$598,000)</u>
NOI		\$2	\$1,811	\$2,608,200
Supported Investment	5.20%		\$418,000	\$50,160,000
(Less) Costs excluding Land			<u>(\$381,800)</u>	<u>(\$45,812,000)</u>
Residual Land Value			\$36,200	\$4,348,000
Residual Land Value/Acre				\$2,174,000
Residual Land Value/Land Sq.Ft.				\$50

B. On-Site Compliance Cost Analysis

To assist the City in understanding the cost associated with providing affordable units onsite, KMA estimated the foregone revenue to the developer when units are restricted to affordable prices or rents; this is referred to as the 'onsite compliance cost.' This information is often useful as context when considering potential onsite and fee obligations.

KMA modeled the cost associated with complying with existing AHO requirements by providing affordable units onsite (10% onsite in single family detached projects and 7.5% onsite for attached for-sale and rental projects). In addition, the cost of setting aside each 1% of units as affordable was evaluated to assist in evaluating potential modified onsite requirement levels.

Findings of the compliance cost analysis are summarized in the table below. Supporting analysis is presented on Tables 16A to 16D. As shown, each 1% of units that are made affordable results in forgone revenue to the developer of between \$2.05 and \$3.64 per square foot or between \$2,500 and \$5,200 per unit. Hayward's existing on-site requirement / option equates to a cost of \$15 to \$27 per square foot depending on the prototype, which is far costlier than payment of current in-lieu / impact fees which range from \$3.63 to \$4.61 per square foot.

Table 15 – Onsite Compliance Cost Analysis				
	<i>Single Family Detached</i>	<i>Townhomes</i>	<i>Stacked Condos</i>	<i>Apartments</i>
Affordability Level	Moderate	Moderate	Moderate	50% Low, 50% Very Low
Forgone Revenue Per Affordable Unit Provided	\$524,200	\$409,300	\$247,100	\$328,000
For Each 1% of Units Made Affordable				
Forgone Revenue Per Unit in Project	\$5,242	\$4,093	\$2,471	\$3,280
Forgone Revenue Per Square Foot in Project	\$2.10	\$2.05	\$2.47	\$3.64
Current Onsite Requirement / Option (10% detached, 7.5% attached)				
Forgone Revenue Per Unit in Project	\$52,400	\$30,700	\$18,500	\$24,600
Forgone Revenue Per Square Foot in Project	\$20.96	\$15.35	\$18.50	\$27.33

Tables 16A and 16B provide additional compliance cost findings at 100% AMI for ownership units and 80% of area median income for rental units. Each 1% of units provided at 110% of AMI is approximately equivalent in cost to providing 0.9% of units at 100% of AMI. For rentals, 1% of units split between very low and low are approximately equivalent in cost to provide as 1.36% of units at 80% of AMI.

**TABLE 16A
COST OF ONSITE COMPLIANCE AND EQUIVALENT IN-LIEU FEES: FOR-SALE UNITS
CITY OF HAYWARD, CA**

	Single Family Detached		Townhomes / Attached		Condominiums (Stacked Flats)	
Unit Size ¹	2,500 sq ft		2,000 sq ft		1,000 sq ft	
Number of Bedrooms	4		3		2	
Market Rate Prices¹	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
	\$380	\$950,000	\$400	\$800,000	\$590	\$590,000
Affordable Prices²		Per Unit		Per Unit		Per Unit
Moderate@110% AMI		\$425,800		\$390,700		\$342,900
Moderate@100% AMI		\$382,200		\$350,300		\$306,500
Affordability Gap³		Per Unit		Per Unit		Per Unit
Moderate@110% AMI		\$524,200		\$409,300		\$247,100
Moderate@100% AMI		\$567,800		\$449,700		\$283,500
Cost of Onsite Compliance	Per SF	Per Unit	Per SF	Per Unit	Per SF	Per Unit
Each 1% of Units						
Moderate@110% AMI	\$2.10	\$5,242	\$2.05	\$4,093	\$2.47	\$2,471
Moderate@100% AMI	\$2.27	\$5,678	\$2.25	\$4,497	\$2.84	\$2,835
Compliance Costs at 110% AMI						
Onsite Req.: 7.5% @ Moderate	\$15.72	\$39,300	\$15.35	\$30,700	\$18.50	\$18,500
Onsite Req.: 10% @ Moderate	\$20.96	\$52,400	\$20.45	\$40,900	\$24.70	\$24,700
Onsite Req.: 15% @ Moderate	\$31.44	\$78,600	\$30.70	\$61,400	\$37.10	\$37,100
Compliance Costs at 100% AMI						
Onsite Req.: 7.5% @ Median	\$17.04	\$42,600	\$16.85	\$33,700	\$21.30	\$21,300
Onsite Req.: 10% @ Median	\$22.72	\$56,800	\$22.50	\$45,000	\$28.40	\$28,400
Onsite Req.: 15% @ Median	\$34.08	\$85,200	\$33.75	\$67,500	\$42.50	\$42,500
On-site percentage at 100% AMI equivalent in cost to 1% @110% AMI		0.92%		0.91%		0.87%
Existing In-Lieu Fee	\$4.61	\$11,525	\$3.87	\$7,740	\$3.87	\$3,870

Shading denotes compliance costs for existing onsite percentage requirements

1. Prototype unit sizes and prices based on Residential Nexus Analysis market survey.
2. See Table 16C and 16D.
3. The difference between the market rate sales prices and the restricted affordable price.
4. Inclusionary requirement is 10% of units for detached projects and 7.5% for attached projects.

TABLE 16B
COST OF ON-SITE COMPLIANCE: RENTAL UNITS
CITY OF HAYWARD, CA

		Apartments		
1	Gross Unit Size	900 sq ft		
2	Number of Bedrooms	1.5		
3	Household Size	2.5		
Market Rate		Per Unit		
4	Rent per month	\$2,800		
5	Other Income	\$70		
6	Annual Rent	\$34,440		
7	(Less Vacancy Allowance @ 5%)	(\$1,722)		
8	Annual Operating Expenses ⁴	(\$10,980)		
9	Annual Net Operating Income (NOI)	\$21,738		
10	Unit Value @ 5.2% Return on Cost	\$418,000		
Affordable Income & Rents		Very Low	Low Income @60% AMI	Low Income @80% AMI
11	Household Income Limit ¹	\$44,350	\$49,665	\$68,375
12	Gross Rent ²	\$1,109	\$1,242	\$1,709
14	(Less Utility Allowance) ³	(\$80)	(\$80)	(\$80)
15	Net Rent	\$1,029	\$1,162	\$1,629
16	Annual Rent	\$12,345	\$13,940	\$19,553
13	(Less Vacancy Allowance @ 5%)	(\$617)	(\$697)	(\$978)
17	Annual Operating Expenses ⁴	(\$7,200)	(\$7,500)	(\$8,500)
18	Annual Net Operating Income (NOI)	\$4,528	\$5,743	\$10,075
19	Unit value @ 5.7% Return on Cost	\$79,000	\$101,000	\$177,000
20	Gap in Unit Value	\$339,000	\$317,000	\$241,000

Onsite Cost Equivalents		50% Low, 50% Very Low	Low Income @80% AMI
Cost Per Unit in Project			
21	For each 1% affordable	\$3,280	\$2,410
22	7.5% On-site Requirement	\$24,600	\$18,075
23	10% On-site Requirement	\$32,800	\$24,100
24	15% On-site Requirement	\$49,200	\$36,150
Cost Per Square Foot in Project			
26	For each 1% affordable	\$3.64	\$2.68
27	7.5% On-site Requirement	\$27.33	\$20.08
28	10% On-site Requirement	\$36.44	\$26.78
29	15% On-site Requirement	\$54.67	\$40.17

Shading denotes compliance costs for existing onsite option

Percent requirement at 80% AMI equivalent in cost to **1.36%**
 1% requirement at Very Low and Low (60% AMI)

1. California Department of Housing & Community Development, 2017. Average of two and three-person households.
2. Calculated at 30% of household income.
3. Monthly utilities include direct-billed utilities and landlord reimbursements estimated based on County Housing Authority utility allowance schedule.
4. Assumes \$6,000 in annual operating expenses plus property taxes estimated at 1.2% of value.
5. Includes a 0.5% return on cost premium as a reflection of lower rent growth potential of affordable units.

TABLE 16C
MODERATE INCOME HOME PRICES at 110% AMI
CITY OF HAYWARD

Unit Size Household Size	CONDO	TOWNHOME	DETACHED
	2-Bedroom 3-person HH	3-Bedroom 4-person HH	4-Bedroom 5-person HH
Median Income - Alameda County 2017	\$87,650	\$97,400	\$105,200
Annual Income @ 110%	\$96,415	\$107,140	\$115,720
% Available for Housing Costs	35%	35%	35%
Income Available for Housing Costs	\$33,745	\$37,499	\$40,502
(Less) Property Taxes	(\$4,459)	(\$5,083)	(\$5,538)
(Less) HOA	(\$3,600)	(\$3,000)	(\$1,800)
(Less) Utilities	(\$1,212)	(\$1,536)	(\$2,772)
(Less) Insurance	(\$343)	(\$391)	(\$426)
(Less) Mortgage Insurance	(\$2,814)	(\$3,205)	(\$3,494)
Income Available for Mortgage	\$21,318	\$24,285	\$26,473
Mortgage Amount	\$330,900	\$377,000	\$410,900
Down Payment (homebuyer cash)	\$12,000	\$13,700	\$14,900
Affordable Home Price	\$342,900	\$390,700	\$425,800
<u>Key Assumptions</u>			
- Mortgage Interest Rate	5.0%	5.0%	5.0%
- Down Payment	3.5%	3.5%	3.5%
- Property Taxes (% of sales price)	1.3%	1.3%	1.3%
- HOA (per month)	\$300	\$250	\$150
- Utilities (per month)	\$101	\$128	\$231
- Mortgage Insurance (% of loan amount)	0.85%	0.85%	0.85%

⁽¹⁾ Residential nexus analysis

⁽²⁾ Utilities estimated based on utility allowance schedule from the Housing Authority of Alameda County.

**TABLE 16D
MODERATE INCOME HOME PRICES at 100% AMI
CITY OF HAYWARD**

Unit Size Household Size	CONDO	TOWNHOME	DETACHED
	2-Bedroom 3-person HH	3-Bedroom 4-person HH	4-Bedroom 5-person HH
Median Income - Alameda County 2017	\$87,650	\$97,400	\$105,200
Annual Income @ 100%	\$87,650	\$97,400	\$105,200
% Available for Housing Costs	35%	35%	35%
Income Available for Housing Costs	\$30,678	\$34,090	\$36,820
(Less) Property Taxes	(\$3,986)	(\$4,555)	(\$4,970)
(Less) HOA	(\$3,600)	(\$3,000)	(\$1,800)
(Less) Utilities	(\$1,212)	(\$1,536)	(\$2,772)
(Less) Insurance	(\$307)	(\$350)	(\$382)
(Less) Mortgage Insurance	(\$2,515)	(\$2,874)	(\$3,136)
Income Available for Mortgage	\$19,058	\$21,774	\$23,760
Mortgage Amount	\$295,800	\$338,000	\$368,800
Down Payment (homebuyer cash)	\$10,700	\$12,300	\$13,400
Affordable Home Price	\$306,500	\$350,300	\$382,200
<u>Key Assumptions</u>			
- Mortgage Interest Rate	5.0%	5.0%	5.0%
- Down Payment	3.5%	3.5%	3.5%
- Property Taxes (% of sales price)	1.3%	1.3%	1.3%
- HOA (per month)	\$300	\$250	\$150
- Utilities (per month)	\$101	\$128	\$231
- Mortgage Insurance (% of loan amount)	0.85%	0.85%	0.85%

⁽¹⁾ Residential nexus analysis

⁽²⁾ Utilities estimated based on utility allowance schedule from the Housing Authority of Alameda County.

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.

A survey of affordable housing requirements in eighteen jurisdictions was prepared for purposes of the multi-jurisdiction nexus study in which the City of Hayward participated (for purposes of the non-residential scope of services only). The comparison jurisdictions were selected by the participants in that effort. The survey was prepared in 2016 and is incorporated in this report with limited updating.

Table 17 is four-page chart which summarizes the key features of the eighteen cities in the survey. The chart was designed to focus on the major components of each city's program that would be most relevant to decision making, 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 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 and Oakland programs go down to single units as do proposed requirements for Union City. 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 requiring rental projects to mitigate their impacts on the need for affordable housing. On-site affordable units must be allowed as an alternative to fee payment if consistent with the Costa Hawkins Act and provided in exchange for a financial contribution or regulatory incentive such as a density bonus.

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. Oakland is a new adoption that will phase in fees up to \$23,000 per market rate unit. Berkeley recently increased its fees to \$34,000 per unit or add \$3,000 more if paid at certificate of occupancy. In May, the City Council of Union City directed staff to come back with an ordinance at \$22 per square foot for ownership projects and \$14 per square foot for rentals (at full phase-in).
- 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 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, Oakland has both a 5% and a 10% option depending on the depth of affordability. 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. To convert per unit owed to per market rate unit, one can multiply the per unit amount by the percentage requirement.
- 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. 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 17
COMPARISON OF AFFORDABLE HOUSING REQUIREMENTS - RESIDENTIAL
ALAMEDA COUNTY CITIES**

	Albany	Fremont	Hayward	San Leandro	Union City
Year Adopted / Updated	2005	Est. 2002, update 2015, full phase-in 2017	Update 2015	2004	Est. 2001, update 2006
Minimum Project Size For In-lieu/Impact Fee For Build Requirement	FS: 5 units FS: 7 units	FS/R: 2 units no build req.	FS/R: 20 units no build req.	FS: 2 units FS: 7 units	FS/R: 1 unit no build req.
Impact / In-Lieu Fee	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 \$3.87/sf, Detached \$4.61/sf R: \$3.63/sf	FS: (Median Sale Price - Affordable Price) x units owed	Council Direction for Updated Ordinance (April 2017): FS: \$22/SF R: \$14/SF
Onsite Requirement/Option 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%
Income Level for Qualification	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.
Income Level for Pricing(% AMI)	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
Fractional Units	<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
Comments		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.	Reflects Council direction for updates to ordinance that have not yet been adopted. Fee applies to additions over 500 square feet.

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.

**TABLE 17
COMPARISON OF AFFORDABLE HOUSING REQUIREMENTS - RESIDENTIAL
ALAMEDA COUNTY CITIES**

	Alameda (city)	Berkeley	Dublin	Oakland	Pleasanton
Year Adopted / Updated	2003	Est. 1986, rental fee 2011, update adopted 2017	Est. 1997, update 2005	2016	Est. 1978, update 2000.
Minimum Project Size	FS: 5 units	FS/R: 5 units	FS/R: 20 units	FS/R: 1 unit	FS/R: 15 units
For In-lieu/Impact Fee	FS: 10 units	no build req.	FS/R: 20 units (partial)	no build req.	no build req.
For Build Requirement	FS: \$19,076/du	FS: 62.5% x (Sale Price - Affordable Price) x units owed	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
Impact / In-Lieu Fee		R: \$34,000/du or \$37,000/du if paid at C/O			
Onsite Requirement/Option	FS: 15%	FS/R: 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%
Percent of Total Units	FS: 47% Moderate, 27% Low, 27% Very Low	FS: Low	FS: 60% Moderate, 40% Low	FS/R: Option A Very Low Option B Low and Moderate	FS: MF Low SF Moderate
Income Level for Qualification	FS: Moderate @ 110%, Low @ 70%, Very Low @ 50%	R: Current Very Low Proposed 1/2 Very Low, 1/2 Low	R: 50% Moderate, 20% Low, 30% Very Low		
Income Level for Pricing(% AMI)		FS: Low @ 80%	FS: Moderate @ 110%, Low @ 70%	FS: Moderate @ 110%, Low @ 70%, Very Low @ 50%	FS: MF 80% AMI SF 120% AMI
		R: Low at 81%, Very Low at 50%.	R: Moderate @ 110%, Low @ 80%, Very Low @ 50%	R: Moderate 110%, Low @ 60%, Very Low @ 50%	
Fractional Units	<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
Comments				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.

**TABLE 17
COMPARISON OF AFFORDABLE HOUSING REQUIREMENTS - RESIDENTIAL
SANTA CLARA COUNTY CITIES**

	Campbell	Los Altos	Milpitas	Santa Clara City
Year Adopted / Updated	2006	Est. 1995, update 2009	2015	Est. 1991, update 2006
Minimum Project Size				
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
Impact / In-Lieu Fee	FS: \$34.50 /sf	none	FS/R: 5% building permit value	FS: Fractional units only (Market Value - Affordable Price) x fractional unit
Onsite Requirement/Option				
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)	FS: Moderate @ 110% Low @ 70%	Not Specified.	Not specified.	Not specified.
Fractional Units	<0.5: round down, >0.5: round up	provide unit	not specified	pay fee or provide unit
Comments	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.

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 17
COMPARISON OF AFFORDABLE HOUSING REQUIREMENTS - RESIDENTIAL
SANTA CLARA COUNTY CITIES**

	Cupertino	Mountain View	San Jose	Sunnyvale
Year Adopted / Updated	Est. 1992, update 2015	Est. 1999, rental impact fee in 2012, update 2015	Est. 2010. Rental Fee 2014.	Update 2015
Minimum Project Size For In-lieu/Impact Fee	FS/R: 1 unit	FS: 3 units R: 5 units Mixed FS/R: 6 units	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
Impact / In-Lieu Fee	FS: Detached \$15/sf, Attached \$16.50/sf, MF \$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)
Onsite Requirement/Option 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)	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
Fractional Units	<.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
Comments			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.



KEYSER MARSTON ASSOCIATES

ATTACHMENT A

RESIDENTIAL NEXUS ANALYSIS

Prepared for:
City of Hayward

Prepared by:
Keyser Marston Associates, Inc.

October 31, 2017

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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 Hayward. The report has been prepared by Keyser Marston Associates, Inc. (KMA) pursuant to a contract with the City of Hayward.

Background, Context and Use of the Analysis

The analysis addresses market rate residential projects in Hayward and the various types of units that are subject to the City's Affordable Housing Ordinance (AHO) 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 Hayward.

The City of Hayward's inclusionary program was first established in 2003 and has been updated twice since it was originally adopted. For-sale projects of twenty or more units are required to provide affordable units on-site or pay an in-lieu fee instead. Attached for-sale projects must provide 7.5% of units as affordable while detached projects must provide 10% of units affordable to households at Moderate Income. The program has an in-lieu fee alternative which is permitted by right.

The requirement for rental projects is to pay an impact fee. Affordable units may be provided on-site as an alternative to paying the impact fee. The on-site option for rental projects is to provide 7.5% of units as affordable split between Low and Very Low-Income units¹.

Hayward's current fees are:

- *Attached For-Sale Units*: \$3.87 per square foot if paid at building permit or \$4.28 per square foot if paid at certificate of occupancy; and
- *Detached For-Sale Units*: \$4.61 per square foot if paid at building permit or \$5.06 per square foot if paid at certificate of occupancy.
- *Rentals*: \$3.63 per square foot if paid at building permit or \$3.99 per square foot if paid at certificate of occupancy.

The nexus analysis provided herein enables the City to proceed with an update of the housing impact fees applicable to residential development in the City of Hayward. The conclusions of the analysis represent maximum supportable or legally defensible impact fee levels based on the

¹ For detached rentals, which are presumably rare, the on-site percentage is 10%.

impact of new residential development on the need for affordable housing. Findings are not recommended fee levels.

It should be noted that requirements need not be bound by the findings of this nexus analysis in accordance with the ruling in *C.B.I.A.*, described below. For small projects that would owe less than one onsite affordable unit, it is recommended that in-lieu fees be kept within the nexus maximums given on-site compliance with inclusionary requirements may not be practical and so the fee becomes the primary compliance option.

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. AB 1505, enacted on September 29th 2017, restores the ability to require on-site affordable units within rental projects.

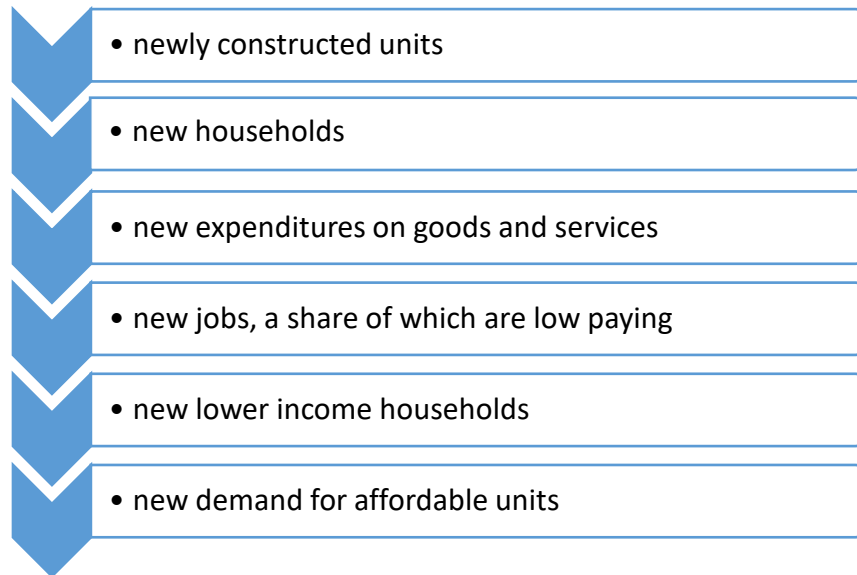
In *C.B.I.A.*, (*California Building Industry Association v. City of San Jose*, California Supreme Court Case No. S212072, June 15, 2015), also referred to as the San Jose Case, the California Building Industry Association challenged the City of San Jose's newly adopted inclusionary program. A core contention 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 Hayward. These households represent new income in Hayward 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 Hayward 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 moderate-income households who cannot afford market rate housing in Hayward.

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 Hayward. 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 Hayward 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 Hayward 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 Alameda County. While much of the impact will occur within Hayward, 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 Alameda 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

Four 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 Hayward or which are expected in the future including:

- Single Family Detached;
- Townhome;
- Condominium; and,
- Apartment.

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, which 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 Hayward or that are likely to be built in Hayward 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 four representative development prototypes envisioned to be developed in Hayward in the future based on projects proposed and recently built in the City. KMA then undertook a market survey of residential projects to estimate current sale prices and rent levels. More details on the market survey can be found in Appendix A.

At the time of the market survey in mid-July 2017, there were 12 new for-sale residential developments being marketed in Hayward. Asking prices for these units, combined with recent closed home sales in the market, formed the basis for the pricing in the nexus analysis. For market rents for new apartment developments in Hayward, KMA performed a survey of asking apartment rents in select properties in Hayward and neighboring jurisdictions.

The four residential prototypes are summarized in the table below. 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 Hayward.

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 the characteristics and pricing of specific projects would vary to some degree from the residential prototypes analyzed. In summary, the residential prototypes analyzed in the nexus analysis are as follows:

Hayward Residential Prototypes				
	<i>Typical Density</i>	<i>Average Unit Size</i>	<i>Average Price/Rent</i>	<i>Price/Rent \$/SF</i>
For-Sale Prototypes				
1) Single Family Detached	10 du/acre	2,500 sq. ft.	\$950,000	\$380/SF
2) Townhomes/Attached	20 du/acre	2,000 sq. ft.	\$800,000	\$400/SF
3) Condominiums (Stacked Flats)	50 du/acre	1,000 sq. ft.	\$590,000	\$590/SF
Rental Prototype				
4) Apartments	60 du/acre	900 sq. ft.	\$2,800	\$3.11/SF

Source: KMA market study; see Appendix A.

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. The selected terms for the analysis are: a down-payment of 20% which is representative of new purchase loans originated locally.² 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 June 2002 to June 2017.³ An interest rate premium of 0.25% is added to non-conforming loans over \$636,150 (jumbo loans). Tables A-1 to A-3 at the end of this section provide the details.

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.⁴ 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

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 Based on Freddie Mac Primary Mortgage Market Survey. Reflects weekly average rates for 30 year fixed rate mortgages during the period from 6/2002 through 6/2017 applicable to the West Region and rounded to the nearest whole percentage.

⁴ 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.

35% of gross income is reflective of the local average for new purchase loans⁵ and is consistent with criteria used by lenders to determine mortgage eligibility.⁶

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.⁷ 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-1 through A-4 and summarized below.

Gross Household Income				
	<i>Single Family</i>			
	<i>Detached</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments</i>
Gross Household Income	\$187,000	\$162,000	\$121,000	\$117,000

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-5 at the end of this section shows the calculation of income available for expenditures.

⁵ 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. 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.

⁶ 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.

⁷ Health and Safety Code Section 50052.5 defines affordable rent levels based on 30% of income.

Income available for expenditures is estimated at approximately 67% 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 who itemize deductions on their tax returns will pay an average of 12.2% of gross income for federal taxes. Residents of the market rate rental units are estimated to pay an average of 14.0% 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 range from 3.7% to 4.7% 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 \$127,200 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 a 20-year average derived from United States Bureau of Economic Analysis data.

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 67% - 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:

Income Available for Expenditures				
	<i>Single Family</i>			
	<i>Detached</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments</i>
Gross Household Income	\$187,000	\$162,000	\$121,000	\$117,000
Percent Income available for Expenditures	67%	68%	68%	67%
Spending Adjustment / Rental Vacancy	N/A	N/A	N/A	95%
Household Income Available for Expenditure ⁽¹⁾				
One Unit	\$125,300	\$110,200	\$82,300	\$74,000
100 Units [input to IMPLAN]	\$12,530,000	\$11,020,000	\$8,230,000	\$7,400,000

(1) Calculated as gross household income multiplied by the percent available for expenditures multiplied by the 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-6 and A-7 summarize the conclusions of this section and calculate the household income for the 100-unit building modules.

TABLE A-1

1 □

**SALES PRICE TO INCOME RATIO
RESIDENTIAL NEXUS ANALYSIS
HAYWARD, CA**

**Prototype 1
Single Family Detached**

Sales Price	\$380 /SF	2,500 SF ¹	\$950,000 ¹
Mortgage Payment			
Downpayment @ 20%		20% ²	\$190,000
Loan Amount			\$760,000
Interest Rate			5.25% ³
Term of Mortgage			30 years
Annual Mortgage Payment	\$4,200 /month		\$50,400
Other Costs			
Property Taxes	1.30% of sales price ⁴		\$12,350
HOA Dues	\$150 per month ¹		\$1,800
Homeowner Insurance	0.10% of sales price ⁵		\$1,000
Total Annual Housing Cost	\$5,500 /month		<u>\$65,550</u>
% of Income Spent on Hsg			35% ⁶
Annual Household Income Required			\$187,000
Sales Price to Income Ratio			5.1

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 6/2002 through 6/2017. 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-2
PROTOTYPE 2: TOWNHOME
SALES PRICE TO INCOME RATIO
RESIDENTIAL NEXUS ANALYSIS
HAYWARD, CA

			Prototype 2 Townhome
Sales Price	\$400 /SF	2,000 SF ¹	\$800,000 ¹
Mortgage Payment			
Downpayment @ 20%		20% ²	\$160,000
Loan Amount			\$640,000
Interest Rate			5.25% ³
Term of Mortgage			30 years
Annual Mortgage Payment	\$3,500 /month		\$42,400
Other Costs			
Property Taxes	1.30% of sales price ⁴		\$10,400
HOA Dues	\$250 per month ¹		\$3,000
Homeowner Insurance	0.10% of sales price ⁵		\$800
Total Annual Housing Cost	\$4,700 /month		\$56,600
% of Income Spent on Hsg			35% ⁶
Annual Household Income Required			\$162,000
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 6/2002 through 6/2017. 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-3
PROTOTYPE 3: CONDOMINIUM
SALES PRICE TO INCOME RATIO
RESIDENTIAL NEXUS ANALYSIS
HAYWARD, CA

			Prototype 3 Condominium
Sales Price	\$590 /SF	1,000 SF ¹	\$590,000 ¹
Mortgage Payment			
Downpayment @ 20%		20% ²	\$118,000
Loan Amount			\$472,000
Interest Rate			5.00% ³
Term of Mortgage			30 years
Annual Mortgage Payment	\$2,500 /month		\$30,400
Other Costs			
Property Taxes	1.30% of sales price ⁴		\$7,670
HOA Dues	\$300 per month		\$3,600
Homeowner Insurance	0.10% sale price ⁵		\$600
Total Annual Housing Cost	\$3,500 /month		\$42,270
% of Income Spent on Hsg			35% ⁶
Annual Household Income Required			\$121,000
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 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 6/2002 through 6/2017.

(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 4: APARTMENTS
 RENT TO INCOME RATIO
 RESIDENTIAL NEXUS ANALYSIS
 HAYWARD, CA**

		Prototype 4 Apartments
Market Rent	<u>Unit Size</u>	
Monthly	900 SF ¹	\$2,800 ¹
Utilities ²		<u>\$130</u>
Monthly housing cost		\$2,930
Annual housing cost		\$35,160
% of Income Spent on Rent		30% ³
Annual Household Income Required		\$117,000
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-5
INCOME AVAILABLE FOR EXPENDITURES¹
RESIDENTIAL NEXUS ANALYSIS
HAYWARD, CA

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>
	Single Family Detached	Townhome	Condominium	Apartments
Gross Income	100%	100%	100%	100%
<u>Less:</u>				
Federal Income Taxes ²	12.2%	12.2%	12.2%	14.0%
State Income Taxes ³	4.7%	4.4%	3.7%	3.8%
FICA Tax Rate ⁴	7.65%	7.65%	7.65%	7.65%
Savings & other deductions ⁵	8%	8%	8%	8%
Percent of Income Available for Expenditures⁶ [Input to IMPLAN model]	67%	68%	68%	67%

Notes:

- ¹ 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.
- ² Reflects average tax rates (as opposed to marginal) based on U.S. Internal Revenue Services, Tax Statistics, Tables 1.1 and 2.1 for 2014. Homeowners are assumed to itemize deductions. Renter households are assumed to take the standard deduction. Tax rates reflect averages for applicable income range.
- ³ 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.
- ⁴ For Social Security and Medicare. Social Security taxes estimated based upon the current ceiling on applicability of Social Security taxes of \$127,200 (ceiling applies per earner not per household) and the average number of earners per household.
- ⁵ 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 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."
- ⁶ 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-6
FOR SALE PROTOTYPES: SALES PRICE TO INCOME SUMMARY
RESIDENTIAL NEXUS ANALYSIS
HAYWARD, CA**

		<u>Per Unit</u>	<u>Per Sq.Ft.</u>	<u>100 Unit Building Module</u> <i>(Per 100 Units)</i>
PROTOTYPE 1 : SINGLE FAMILY DETACHED				
Building Sq.Ft. (excludes garage)		2,500		250,000
Sales Price		\$950,000	\$380	\$95,000,000
Sales Price to Income Ratio		5.1		5.1
Gross Household Income		\$187,000		\$18,700,000
Income Available for Expenditure ¹	67% of gross	\$125,300		\$12,530,000
PROTOTYPE 2: TOWNHOME				
Building Sq.Ft. (excludes garage)		2,000		200,000
Sales Price		\$800,000	\$400	\$80,000,000
Sales Price to Income Ratio		4.9		4.9
Gross Household Income		\$162,000		\$16,200,000
Income Available for Expenditure ¹	68% of gross	\$110,200		\$11,020,000
PROTOTYPE 3: CONDOMINIUM				
Building Sq.Ft. (excludes garage)		1,000		100,000
Sales Price		\$590,000	\$590	\$59,000,000
Sales Price to Income Ratio		4.9		4.9
Gross Household Income		\$121,000		\$12,100,000
Income Available for Expenditure ¹	68% of gross	\$82,300		\$8,230,000

Notes:

(1) Represents net income available for expenditures after income tax, payroll taxes, and savings. See Table A-5 for derivation.

Source: See Table A-1 through A-3.

**TABLE A-7
NEW MARKET RATE RESIDENTIAL HOUSEHOLD SUMMARY
RESIDENTIAL NEXUS ANALYSIS
HAYWARD, CA**

	<u>Per Unit</u>	<u>Per Sq.Ft.</u>	<u>100 Unit Building Module (Per 100 Units)</u>
PROTOTYPE 4: APARTMENTS			
Building Sq.Ft.	900		90,000
Rent			
Monthly	\$2,800	\$3.11 /SF	\$280,000
Monthly with Utilities	\$2,930		
Annual with Utilities	\$35,160		\$3,516,000
Rent to Income Ratio	3.3		3.3
Gross Household Income	\$117,000		\$11,700,000
Income Available for Expenditure ¹	67% of gross	\$78,000	\$7,840,000
Expenditures adjusted for vacancy ²	5% vacancy	\$74,000	\$7,400,000

Notes:

(1) Represents net income available for expenditures after income tax, payroll taxes, and savings. See Table A-5 for derivation.

(2) Allowance to account for standard operational vacancy.

Source: Table A-4

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 Alameda 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 Hayward or nearby. In addition, the employment impacts will extend throughout the county and beyond based on where jobs are located that serve Hayward residents. In fact, Hayward 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 Alameda 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.

Jobs Generated Per 100 Units				
	<i>Single Family</i>			
	<i>Detached</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments</i>
Annual Household Expenditures (100 Units)	\$12,530,000	\$11,020,000	\$8,230,000	\$7,400,000
Total Jobs Generated (100 Units)	93.0	81.8	58.2	52.3

Table B-1 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
HAYWARD, CA

<i>Per 100 Market Rate Units</i>	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>	% of Jobs
	Single Family Detached	Townhome	Condominium	Apartments	
Household Expenditures (100 Market Rate Units)	\$12,530,000	\$11,020,000	\$8,230,000	\$7,400,000	
Jobs Generated by Industry ¹					
Full-service restaurants	5.1	4.5	3.4	3.1	6%
Limited-service restaurants	4.2	3.7	2.8	2.5	5%
All other food and drinking places	<u>2.7</u>	<u>2.4</u>	<u>1.8</u>	<u>1.6</u>	<u>3%</u>
Subtotal Restaurant	12.0	10.6	8.0	7.2	13%
Retail - Food and beverage stores	2.9	2.6	1.8	1.6	3%
Retail - General merchandise stores	2.4	2.1	1.5	1.3	3%
Personal care services	1.7	1.5	1.2	1.1	2%
Retail - Health and personal care stores	1.0	0.9	0.6	0.6	1%
Retail - Miscellaneous store retailers	1.2	1.0	0.7	0.7	1%
Retail - Building material and garden	1.4	1.2	0.9	0.8	1%
Other personal services	1.3	1.2	0.8	0.7	1%
Retail - Clothing and accessories	0.9	0.8	0.6	0.5	1%
Retail - Motor vehicle and parts dealers	1.1	1.0	0.7	0.6	1%
Retail - Nonstore retailers	<u>1.0</u>	<u>0.9</u>	<u>0.6</u>	<u>0.6</u>	<u>1%</u>
Subtotal Retail and Service	15.0	13.2	9.4	8.4	16%
Hospitals	3.5	3.0	2.5	2.2	4%
Nursing and community care facilities	2.2	1.9	1.6	1.4	2%
Home health care services	1.2	1.1	0.9	0.8	1%
Offices of physicians	2.5	2.2	1.8	1.6	3%
Offices of dentists	1.2	1.0	0.9	0.8	1%
Offices of other health practitioners	<u>1.2</u>	<u>1.0</u>	<u>0.9</u>	<u>0.8</u>	<u>1%</u>
Subtotal Healthcare	11.7	10.3	8.5	7.6	13%
Other educational services	2.5	2.2	1.1	1.0	2%
Colleges, universities	1.1	1.0	0.5	0.4	1%
Elementary and secondary schools	<u>1.6</u>	<u>1.4</u>	<u>0.7</u>	<u>0.6</u>	<u>1%</u>
Subtotal Education	5.2	4.6	2.2	2.0	5%
Individual and family services	3.9	3.4	2.4	2.1	4%
Real estate	3.4	3.0	2.3	2.1	4%
Wholesale trade	3.0	2.6	1.9	1.7	3%
Services to private households	1.9	1.6	1.1	1.0	2%
Child day care services	1.8	1.6	0.8	0.7	2%
Other financial investment activities	1.7	1.5	1.0	0.9	2%
Automotive repair and maintenance	1.5	1.3	1.0	0.9	2%
Services to buildings	1.3	1.1	0.8	0.7	1%
Employment services	1.2	1.0	0.8	0.7	1%
Depository credit (banking)	1.0	0.9	0.6	0.5	1%
All Other	32.3	28.4	19.8	17.8	34%
Total Number of Jobs Generated	93.0	81.8	58.2	52.3	100%

¹ 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. 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 four 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 2017 Area Median Income (AMI) for Alameda 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).

2017 Income Limits for Alameda County						
	Household Size (Persons)					
	1	2	3	4	5	6 +
Extr. Low (Under 30% AMI)	\$21,950	\$25,050	\$28,200	\$31,300	\$33,850	\$36,350
Very Low (30%-50% AMI)	\$36,550	\$41,750	\$46,950	\$52,150	\$56,350	\$60,500
Low (50%-80% AMI)	\$56,300	\$64,350	\$72,400	\$80,400	\$86,850	\$93,300
Moderate (80%-120% AMI)	\$81,850	\$93,500	\$105,200	\$116,900	\$126,250	\$135,600
Median (100% of Median)	\$68,200	\$77,900	\$87,650	\$97,400	\$105,200	\$113,000

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 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 Oakland-Hayward-Berkeley and San Jose-Sunnyvale-Santa Clara Metropolitan Districts over the ten-year period from 2005 to 2015 and reflects the ratio between jobs lost in declining industries to jobs gained in growing and stable industries at 20%⁸. 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 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.

⁸ 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%).

Step 3 – Adjustment from Employees to Employee Households

This step (Table C-1) 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 1.62 workers per worker household (from the U. S. Census Bureau 2011-2015 American Community Survey) is used for this step in the analysis. The number of jobs is divided by 1.62 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 1.62 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. The IMPLAN output is paired with data from the Department of Labor, Bureau of Labor Statistics May 2016 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.

Illustration of Model Step 4a.						
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>
1.6	487 - Child day care services	1.6	6244 Child day care services	1.6	100%	6244 Child day care services
3.0	482 - Hospitals	3.0	622 Hospitals	2.8	92%	6221 General Medical and Surgical Hospitals
				0.1	4%	6222 Psychiatric and Substance Abuse Hospitals
				0.1	4%	6223 Specialty (except Psychiatric and Substance Abuse) Hospitals

Source: KMA, Bureau of Labor Statistics May 2016 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, new jobs will be distributed across a variety of occupational categories. The three largest occupational categories are office and administrative support (16%), food preparation and serving (14%), 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 Alameda 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 Alameda County as of 2017.

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 Alameda 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 Alameda County and are derived from the 2011 – 2015 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 Alameda 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 / number 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 shows the result after completing Steps 5, 6, and 7 for the Extremely Low Income Tier. Tables C-2B, C-2C, C-2D show results for the Very Low, Low, and Moderate Income tiers.

Summary Findings

Table C-3 indicates the results of the analysis for all 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.

<i>New Worker Households per 100 Market Rate Units</i>				
	<i>Single Family</i>			
	<i>Detached</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments</i>
Extremely Low (0%-30% AMI)	5.1	4.5	3.2	2.9
Very Low (30%-50% AMI)	11.8	10.4	7.4	6.6
Low (50%-80% AMI)	12.2	10.8	7.6	6.8
Moderate (80%-120% AMI)	7.4	6.5	4.6	4.1
Total, Less than 120% AMI	36.6	32.2	22.8	20.5
Greater than 120% AMI	9.3	8.2	5.9	5.3
Total, New Households	45.9	40.3	28.7	25.8

Housing demand for new worker households earning less than 120% of AMI ranges from 36.6 units per 100 market rate units for single family detached units to 20.5 per 100 market rate units for the apartments. 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
HAYWARD, CA

	Prototype 1	Prototype 2	Prototype 3	Prototype 4
	Single Family Detached	Townhome	Condominium	Apartments
Step 1 - Employees ¹	93.0	81.8	58.2	52.3
Step 2 - Adjustment for Changing Industries (20%) (2)	74.4	65.4	46.5	41.9
Step 3 - Adjustment for Number of Households (1.62) (3)	45.9	40.3	28.7	25.8
Step 4 - Occupation Distribution ⁴				
Management Occupations	4.5%	4.5%	4.4%	4.4%
Business and Financial Operations	4.5%	4.5%	4.4%	4.4%
Computer and Mathematical	1.5%	1.5%	1.5%	1.5%
Architecture and Engineering	0.5%	0.5%	0.5%	0.5%
Life, Physical, and Social Science	0.3%	0.3%	0.3%	0.3%
Community and Social Services	2.0%	2.0%	2.0%	2.0%
Legal	0.6%	0.6%	0.6%	0.6%
Education, Training, and Library	4.4%	4.4%	3.2%	3.2%
Arts, Design, Entertainment, Sports, and Media	1.9%	1.9%	1.7%	1.7%
Healthcare Practitioners and Technical	6.9%	6.9%	7.7%	7.7%
Healthcare Support	4.2%	4.2%	4.7%	4.7%
Protective Service	1.4%	1.4%	1.3%	1.3%
Food Preparation and Serving Related	13.6%	13.6%	14.4%	14.4%
Building and Grounds Cleaning and Maint.	5.2%	5.2%	5.1%	5.1%
Personal Care and Service	7.0%	7.0%	6.9%	6.9%
Sales and Related	12.6%	12.6%	12.6%	12.6%
Office and Administrative Support	15.7%	15.7%	15.7%	15.7%
Farming, Fishing, and Forestry	0.1%	0.1%	0.1%	0.1%
Construction and Extraction	1.1%	1.1%	1.1%	1.1%
Installation, Maintenance, and Repair	3.8%	3.8%	3.9%	3.9%
Production	1.7%	1.7%	1.7%	1.7%
Transportation and Material Moving	<u>6.3%</u>	<u>6.3%</u>	<u>6.1%</u>	<u>6.1%</u>
Totals	100.0%	100.0%	100.0%	100.0%
Management Occupations	2.0	1.8	1.3	1.1
Business and Financial Operations	2.1	1.8	1.3	1.1
Computer and Mathematical	0.7	0.6	0.4	0.4
Architecture and Engineering	0.2	0.2	0.1	0.1
Life, Physical, and Social Science	0.1	0.1	0.1	0.1
Community and Social Services	0.9	0.8	0.6	0.5
Legal	0.3	0.3	0.2	0.2
Education, Training, and Library	2.0	1.8	0.9	0.8
Arts, Design, Entertainment, Sports, and Media	0.9	0.8	0.5	0.4
Healthcare Practitioners and Technical	3.2	2.8	2.2	2.0
Healthcare Support	1.9	1.7	1.3	1.2
Protective Service	0.6	0.6	0.4	0.3
Food Preparation and Serving Related	6.2	5.5	4.1	3.7
Building and Grounds Cleaning and Maint.	2.4	2.1	1.5	1.3
Personal Care and Service	3.2	2.8	2.0	1.8
Sales and Related	5.8	5.1	3.6	3.2
Office and Administrative Support	7.2	6.3	4.5	4.1
Farming, Fishing, and Forestry	0.0	0.0	0.0	0.0
Construction and Extraction	0.5	0.5	0.3	0.3
Installation, Maintenance, and Repair	1.7	1.5	1.1	1.0
Production	0.8	0.7	0.5	0.4
Transportation and Material Moving	<u>2.9</u>	<u>2.6</u>	<u>1.8</u>	<u>1.6</u>
Totals	45.9	40.3	28.7	25.8

Notes:

- ¹ Estimated employment generated by expenditures of households within 100 prototypical market rate units from Table B-1.
- ² 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%.
- ³ Adjustment from number of workers to households using county-wide average of 1.62 workers per worker household derived from the U.S. Census American Community Survey 2011 to 2015.
- ⁴ See Appendix B Tables 1 - 4 for additional information on Major Occupation Categories.

TABLE C-2A
EXTREMELY LOW-INCOME (ELI) EMPLOYEE HOUSEHOLDS¹ GENERATED
RESIDENTIAL NEXUS ANALYSIS
HAYWARD, CA

Per 100 Market Rate Units

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>
	Single Family			
	Detached	Townhome	Condominium	Apartments
Step 5 & 6 - Extremely Low Income Households (under 30% AMI) within Major Occupation Categories ²				
Management	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	-	-	-	-
Legal	-	-	-	-
Education Training and Library	0.11	0.10	0.05	0.05
Arts, Design, Entertainment, Sports, & Media	-	-	-	-
Healthcare Practitioners and Technical	0.00	0.00	0.00	0.00
Healthcare Support	0.17	0.15	0.11	0.10
Protective Service	-	-	-	-
Food Preparation and Serving Related	1.44	1.27	0.96	0.86
Building Grounds and Maintenance	0.26	0.22	0.16	0.14
Personal Care and Service	0.62	0.54	0.38	0.34
Sales and Related	1.08	0.95	0.67	0.60
Office and Admin	0.37	0.33	0.23	0.21
Farm, Fishing, and Forestry	-	-	-	-
Construction and Extraction	-	-	-	-
Installation Maintenance and Repair	0.03	0.02	0.02	0.02
Production	-	-	-	-
Transportation and Material Moving	0.31	0.27	0.19	0.17
ELI Households - Major Occupations	4.38	3.86	2.78	2.50
ELI Households¹ - all other occupations	0.70	0.62	0.43	0.39
Total ELI Households¹	5.09	4.47	3.21	2.88

(1) Includes households earning from zero through 30% of Alameda 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 HOUSEHOLDS¹ GENERATED
RESIDENTIAL NEXUS ANALYSIS
HAYWARD, CA

Per 100 Market Rate Units

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>
	Single Family			
	Detached	Townhome	Condominium	Apartments
Step 5 & 6 - Very Low Income Households (30%-50% AMI) within Major Occupation Categories ²				
Management	0.03	0.03	0.02	0.02
Business and Financial Operations	0.02	0.01	0.01	0.01
Computer and Mathematical	-	-	-	-
Architecture and Engineering	-	-	-	-
Life, Physical and Social Science	-	-	-	-
Community and Social Services	-	-	-	-
Legal	-	-	-	-
Education Training and Library	0.48	0.43	0.22	0.20
Arts, Design, Entertainment, Sports, & Media	-	-	-	-
Healthcare Practitioners and Technical	0.05	0.05	0.04	0.03
Healthcare Support	0.63	0.55	0.44	0.39
Protective Service	-	-	-	-
Food Preparation and Serving Related	2.19	1.93	1.45	1.31
Building Grounds and Maintenance	0.80	0.70	0.49	0.44
Personal Care and Service	1.14	1.01	0.70	0.63
Sales and Related	1.88	1.66	1.17	1.06
Office and Admin	1.80	1.58	1.13	1.02
Farm, Fishing, and Forestry	-	-	-	-
Construction and Extraction	-	-	-	-
Installation Maintenance and Repair	0.29	0.25	0.18	0.16
Production	-	-	-	-
Transportation and Material Moving	0.88	0.78	0.54	0.48
Very Low Households - Major Occupations	10.20	8.97	6.38	5.74
Very Low Households ¹ - all other occupations	1.63	1.44	0.99	0.89
Total Very Low Inc. Households¹	11.83	10.41	7.37	6.63

(1) Includes households earning from 30% through 50% of Alameda 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 HOUSEHOLDS¹ GENERATED
RESIDENTIAL NEXUS ANALYSIS
HAYWARD, CA

Per 100 Market Rate Units

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>
	Single Family			
	Detached	Townhome	Condominium	Apartments
Step 5 & 6 - Low Income Households (50%-80% AMI) within Major Occupation Categories ²				
Management	0.11	0.10	0.07	0.07
Business and Financial Operations	0.22	0.20	0.14	0.12
Computer and Mathematical	-	-	-	-
Architecture and Engineering	-	-	-	-
Life, Physical and Social Science	-	-	-	-
Community and Social Services	-	-	-	-
Legal	-	-	-	-
Education Training and Library	0.58	0.51	0.26	0.24
Arts, Design, Entertainment, Sports, & Media	-	-	-	-
Healthcare Practitioners and Technical	0.17	0.15	0.11	0.10
Healthcare Support	0.59	0.52	0.41	0.37
Protective Service	-	-	-	-
Food Preparation and Serving Related	1.79	1.57	1.18	1.06
Building Grounds and Maintenance	0.75	0.66	0.46	0.41
Personal Care and Service	0.97	0.85	0.59	0.53
Sales and Related	1.65	1.45	1.03	0.93
Office and Admin	2.31	2.03	1.45	1.30
Farm, Fishing, and Forestry	-	-	-	-
Construction and Extraction	-	-	-	-
Installation Maintenance and Repair	0.47	0.42	0.30	0.27
Production	-	-	-	-
Transportation and Material Moving	0.92	0.81	0.56	0.50
Low Households - Major Occupations	10.54	9.27	6.58	5.91
Low Households ¹ - all other occupations	1.69	1.48	1.02	0.92
Total Low Inc. Households¹	12.23	10.76	7.60	6.83

(1) Includes households earning from 50% through 80% of Alameda 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 HOUSEHOLDS¹ GENERATED
RESIDENTIAL NEXUS ANALYSIS
HAYWARD, CA

Per 100 Market Rate Units

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>
	Single Family Detached	Townhome	Condominium	Apartments
Step 5 & 6 - Moderate Income Households (80%-120% AMI) within Major Occupation Categories ²				
Management	0.28	0.25	0.18	0.16
Business and Financial Operations	0.41	0.36	0.25	0.23
Computer and Mathematical	-	-	-	-
Architecture and Engineering	-	-	-	-
Life, Physical and Social Science	-	-	-	-
Community and Social Services	-	-	-	-
Legal	-	-	-	-
Education Training and Library	0.46	0.40	0.21	0.19
Arts, Design, Entertainment, Sports, & Media	-	-	-	-
Healthcare Practitioners and Technical	0.46	0.40	0.31	0.28
Healthcare Support	0.36	0.32	0.25	0.23
Protective Service	-	-	-	-
Food Preparation and Serving Related	0.52	0.46	0.34	0.31
Building Grounds and Maintenance	0.43	0.38	0.26	0.24
Personal Care and Service	0.31	0.28	0.19	0.17
Sales and Related	0.68	0.60	0.42	0.38
Office and Admin	1.54	1.35	0.96	0.87
Farm, Fishing, and Forestry	-	-	-	-
Construction and Extraction	-	-	-	-
Installation Maintenance and Repair	0.45	0.39	0.29	0.26
Production	-	-	-	-
Transportation and Material Moving	0.50	0.44	0.30	0.27
Moderate Households - Major Occupations	6.40	5.62	3.97	3.57
Moderate Households ¹ - all other occupations	1.02	0.90	0.62	0.55
Total Moderate Inc. Households¹	7.42	6.53	4.59	4.12

(1) Includes households earning from 80% through 120% of Alameda 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
HAYWARD, CA**

RESIDENTIAL UNIT DEMAND IMPACTS - PER 100 MARKET RATE UNITS

Number of New Households ¹	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>
	Single Family Detached	Townhome	Condominium	Apartments
Under 30% AMI	5.1	4.5	3.2	2.9
30% to 50% AMI	11.8	10.4	7.4	6.6
50% to 80% AMI	12.2	10.8	7.6	6.8
80% to 120% AMI	7.4	6.5	4.6	4.1
Subtotal through 120% AMI	36.6	32.2	22.8	20.5
Over 120% AMI	9.3	8.2	5.9	5.3
Total Employee Households	45.9	40.3	28.7	25.8

RESIDENTIAL UNIT DEMAND IMPACTS - PER EACH (1) MARKET RATE UNIT

Number of New Households ¹	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>
	Single Family Detached	Townhome	Condominium	Apartments
Under 30% AMI	0.05	0.04	0.03	0.03
30% to 50% AMI	0.12	0.10	0.07	0.07
50% to 80% AMI	0.12	0.11	0.08	0.07
80% to 120% AMI	0.07	0.07	0.05	0.04
Subtotal through 120% AMI	0.37	0.32	0.23	0.20
Over 120% AMI	0.09	0.08	0.06	0.05
Total Employee Households	0.46	0.40	0.29	0.26

Notes

¹ 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 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.

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 Hayward, known as the ‘affordability gap.’ Affordability gaps are calculated for each of the four categories of Area Median Income: 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 and appropriate for housing the average Moderate Income worker household. The typical project assumed for Hayward is a three-bedroom attached townhome unit for a four-person household.

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. The analysis uses a two-bedroom affordable rental unit for a three-person household.

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, recent residential land sale comps, and other construction data sources such as RS Means. It is estimated that the new affordable for-sale townhome unit would have a total development cost of approximately \$564,000 and the new affordable multi-family apartment unit would have a total development cost of approximately \$502,000. Development cost assumptions were designed to be reflective of averages for affordable projects in Hayward. Tables D-1 and D-3 provide further details.

Development Costs for Affordable Units		
<i>Income Group</i>	<i>Unit Tenure / Type</i>	<i>Development Cost</i>
Under 30% AMI	Rental	\$502,000
30% to 50% AMI	Rental	\$502,000
50% to 80% AMI	Rental	\$502,000
80% to 120% AMI	Ownership	\$564,000

The multi-family construction costs reflect the costs of building at higher densities, including structured parking garages as well as the inclusion of common building areas such as internal hallways, lobbies, community rooms, and a manager’s office, which townhome developments typically do not have. Prevailing wages are assumed in the construction of both affordable housing prototypes, as it is assumed that public funds will be used to subsidize the projects.

Development cost estimates were informed by KMA’s review of pro forma information for three recent affordable projects in Hayward as well as numerous other 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.

Unit Values

For affordable ownership units, the unit value was based on an estimate of the restricted affordable purchase price for a qualifying Moderate Income household. For a 3-bedroom unit, KMA calculated the affordable sales price for the matching 4-person household at \$391,600. Details of the calculation are presented in Table D-3.

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 permanent debt financing supported by the project’s operating income, a deferred developer fee, and equity generated by the sale of Low Income Housing Tax Credits (LIHTC), a common source of financing for affordable apartment projects. Affordable housing subsidies from other sources such as CDBG, HOME, AHP, Section 8, and various Federal and State funding programs are 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 \$223,800, the Very Low-Income units at \$295,800, and the Low-income units at \$331,800. Details for these calculations are presented in Table D-1.

Unit Values for Affordable Units			
Income Group	Unit Tenure / Type	Household Size	Unit Values / Affordable Sales Price
Under 30% AMI	Rental	3 persons	\$223,800
30% to 50% AMI	Rental	3 persons	\$295,800
50% to 80% AMI	Rental	3 persons	\$331,800
80% to 120% AMI	Ownership	4 persons	\$391,600

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:

Affordability Gap Calculation			
	Unit Value / Affordable Sales Price	Development Cost	Affordability Gap
<u>Affordable Rental Units</u>			
Extremely Low (Under 30% AMI)	\$223,800	\$502,000	\$278,200
Very Low (30% to 50% AMI)	\$295,800	\$502,000	\$206,200
Low (50% to 80% AMI)	\$331,800	\$502,000	\$170,200
<u>Affordable Ownership Units</u>			
Moderate (80% to 120% AMI)	\$391,600	\$564,000	\$172,400

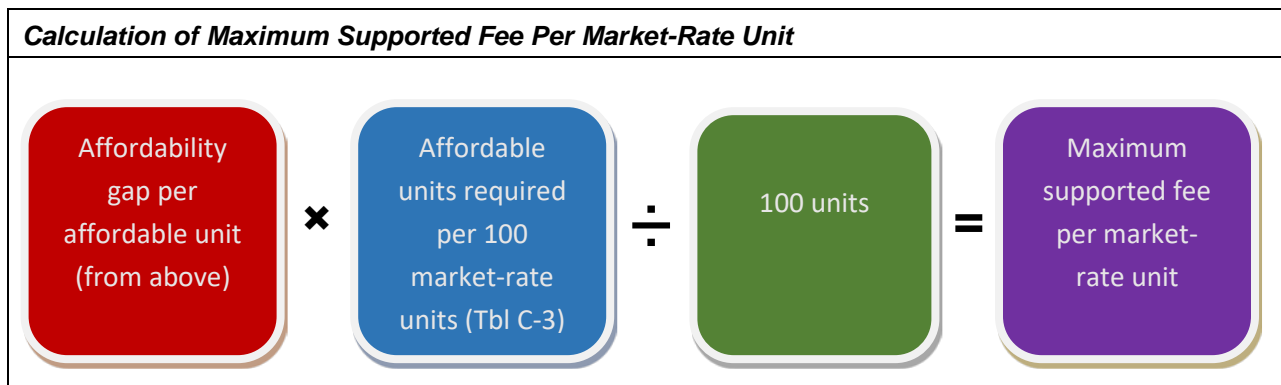
AMI = Area Median Income

Tables D-1 through D-3 present the detailed affordability gap calculations.

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 four prototypes to the affordability gaps, or the costs of delivering housing to them in Hayward.

Table D-4 summarizes the analysis. The Affordability Gaps are drawn from the prior discussion. The “Total Nexus Cost per Market Rate Unit” shows the results of the following calculation:



The total nexus costs or maximum supported fee per market rate unit for each of the prototypes are as follows:

Total Nexus Cost Per Market Rate Unit, City of Hayward				
<i>Income Category</i>	<i>Single Family Detached</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments</i>
Extremely Low (0%-30% AMI)	\$14,200	\$12,400	\$8,900	\$8,000
Very Low (30%-50% AMI)	\$24,400	\$21,500	\$15,200	\$13,700
Low (50%-80% AMI)	\$20,800	\$18,300	\$12,900	\$11,600
Moderate (80%-120% AMI)	\$12,800	\$11,200	\$7,900	\$7,100
Total Supported Fee/ Nexus Costs	\$72,200	\$63,400	\$44,900	\$40,400

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:

Total Nexus Cost Per Sq. Ft., City of Hayward				
	<i>Single Family Detached</i>	<i>Townhome</i>	<i>Condominium</i>	<i>Apartments</i>
<i>Unit Size (Sq Ft)</i>	<i>2,500 SF</i>	<i>2,000 SF</i>	<i>1,000 SF</i>	<i>900 SF</i>
Extremely Low (0%-30% AMI)	\$5.70	\$6.20	\$8.90	\$8.90
Very Low (30%-50% AMI)	\$9.80	\$10.80	\$15.20	\$15.20
Low (50%-80% AMI)	\$8.30	\$9.20	\$12.90	\$12.90
Moderate (80%-120% AMI)	\$5.10	\$5.60	\$7.90	\$7.90
Total Nexus Costs	\$28.90	\$31.80	\$44.90	\$44.90

These costs express the total linkage or nexus costs for the four prototype developments in the City of Hayward. 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 fees may be set.**

**TABLE D-1
AFFORDABILITY GAPS FOR EXTREMELY LOW, VERY LOW, AND LOW INCOME
CITY OF HAYWARD**

	Extremely Low	Very Low	Low Income
I. Affordable Prototype			
Tenure	Rental		
Average Unit Size	800 square feet		
II. Development Costs ^[1]			
	Per Unit	Per Unit	Per Unit
Land Acquisition	\$40,000	\$40,000	\$40,000
Directs	\$328,000	\$328,000	\$328,000
Indirects	\$115,000	\$115,000	\$115,000
Financing	\$19,000	\$19,000	\$19,000
Total Development Costs	\$502,000	\$502,000	\$502,000
III. Supported Financing			
	Per Unit	Per Unit	Per Unit
<u>Affordable Rents</u>			
Average Number of Bedrooms	2 Bedrooms	2 Bedrooms	2 Bedrooms
Maximum TCAC Rent ^[2]	\$704	\$1,173	\$1,408
(Less) Utility Allowance ^[3]	(\$92)	(\$92)	(\$92)
Maximum Monthly Rent	\$612	\$1,081	\$1,316
<u>Net Operating Income (NOI)</u>			
Gross Potential Income			
Monthly	\$612	\$1,081	\$1,316
Annual	\$7,344	\$12,972	\$15,792
Other Income	\$250	\$250	\$250
(Less) Vacancy	5.0% (\$380)	5.0% (\$661)	5.0% (\$802)
Effective Gross Income (EGI)	\$7,214	\$12,561	\$15,240
(Less) Operating Expenses	(\$6,000)	(\$6,000)	(\$6,000)
(Less) Property Taxes ^[4]	\$0	\$0	\$0
Net Operating Income (NOI)	\$1,214	\$6,561	\$9,240
<u>Permanent Financing</u>			
Permanent Loan	5.0% \$16,000	5.0% \$88,000	5.0% \$124,000
Deferred Developer Fee	\$7,000	\$7,000	\$7,000
4% Tax Credit Equity	\$200,800	\$200,800	\$200,800
Total Sources	\$223,800	\$295,800	\$331,800
IV. Affordability Gap			
	Per Unit	Per Unit	Per Unit
Supported Permanent Financing	\$223,800	\$295,800	\$331,800
(Less) Total Development Costs	(\$502,000)	(\$502,000)	(\$502,000)
Affordability Gap	(\$278,200)	(\$206,200)	(\$170,200)

^[1] Development costs estimated by KMA based on affordable project pro formas in Alameda County (includes prevailing wages) and residential land sale comps.

^[2] Maximum rents per Tax Credit Allocation Committee (TCAC) for projects utilizing Low Income Housing Tax Credits.

^[3] Utility allowances from Alameda County Housing Authority (2017).

^[4] Assumes tax exemption for non-profit general partner.

**TABLE D-2
AFFORDABILITY GAP FOR MODERATE INCOME
CITY OF HAYWARD**

I. Affordable Prototype

Tenure	For-Sale
Density	20 du/acre
Unit Size	1,600 SF
Bedrooms	3-Bedrooms
Construction Type	Townhomes

II. Development Costs Per Unit

Land Acquisition	\$70,000
Directs	\$368,000 ^[1]
Indirects	\$110,000
Financing	\$16,000
Total Costs	<u>\$564,000</u>

III. Affordable Sales Price Per Unit

Household Size	4 person HH
110% of Median Income ^[2]	\$107,140
Maximum Affordable Sales Price	\$391,600 ^[3]

IV. Affordability Gap Per Unit

Affordable Sales Price	\$391,600
(Less) Development Costs	<u>(\$564,000)</u>
Affordability Gap - Moderate Income	(\$172,400)

^[1] Construction costs include prevailing wages.

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

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

**TABLE D-3
MODERATE INCOME HOME PRICE ESTIMATES
CITY OF HAYWARD**

Unit Size	3-Bedroom
Household Size	<u>4-person HH</u>
Median Income - Alameda County 2017	\$97,400
Annual Income @ 110%	\$107,140
% Available for Housing Costs	35%
Income Available for Housing Costs	\$37,499
(Less) Property Taxes	(\$5,208)
(Less) HOA	(\$2,400)
(Less) Utilities	(\$1,536)
(Less) Insurance	(\$800)
(Less) Mortgage Insurance	(\$3,213)
Income Available for Mortgage	<u>\$24,342</u>
Mortgage Amount	\$377,900
Down Payment (homebuyer cash)	\$13,700
Affordable Home Price	<u>\$391,600</u>
<u>Key Assumptions</u>	
- Mortgage Interest Rate	5.0%
- Down Payment	3.5%
- Property Taxes (% of sales price)	1.33%
- HOA (per month)	\$200 ⁽¹⁾
- Utilities (per month)	\$128 ⁽²⁾
- Mortgage Insurance (% of loan amount)	0.85%

⁽¹⁾ HOA dues estimated based on new development projects currently on the market in Hayward.

⁽²⁾ Utilities estimated based on utility allowance schedule from the Housing Authority of Alameda County.

**TABLE D-4
SUPPORTED FEE / NEXUS SUMMARY
RESIDENTIAL NEXUS ANALYSIS
HAYWARD, CA**

TOTAL NEXUS COST PER MARKET RATE UNIT

		Nexus Cost Per Market Rate Unit³			
		Prototype 1	Prototype 2	Prototype 3	Prototype 4
Affordability Gap Per Unit	Single Family Detached	Townhome	Condominium	Apartments	
		Household Income Level			
Under 30% AMI	\$278,200 ¹	\$14,200	\$12,400	\$8,900	\$8,000
30% to 50% AMI	\$206,200 ¹	\$24,400	\$21,500	\$15,200	\$13,700
50% to 80% AMI	\$170,200 ¹	\$20,800	\$18,300	\$12,900	\$11,600
80% to 120% AMI	\$172,400 ²	\$12,800	\$11,200	\$7,900	\$7,100
Total Supported Fee Per Unit		\$72,200	\$63,400	\$44,900	\$40,400

TOTAL NEXUS COST PER SQUARE FOOT⁴

		Nexus Cost Per Square Foot⁴			
		Prototype 1	Prototype 2	Prototype 3	Prototype 4
Avg. Unit Size (SF)	Single Family Detached	Townhome	Condominium	Apartments	
		Household Income Level			
Under 30% AMI	2,500 SF	\$5.70	\$6.20	\$8.90	\$8.90
30% to 50% AMI	2,500 SF	\$9.80	\$10.80	\$15.20	\$15.20
50% to 80% AMI	2,500 SF	\$8.30	\$9.20	\$12.90	\$12.90
80% to 120% AMI	2,500 SF	\$5.10	\$5.60	\$7.90	\$7.90
Total Supported Fee Per Sq.Ft.		\$28.90	\$31.80	\$44.90	\$44.90

Notes:

¹ Assumes affordable rental units. Affordability gaps represent the remaining affordability gap after tax credit financing. See affordability gap section for details.

² Affordability gap for moderate income households based on ownership unit.

³ Nexus cost per unit calculated by multiplying the affordable unit demand per market rate units from Table C-3 by the affordability gap.

⁴ Nexus cost per square foot computed by dividing the nexus cost per unit from above by the average unit size.

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 Hayward, conditions are consistent with this underlying assumption. According to the Census (2011 to 2015 ACS), approximately 48% 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 Alameda County. While many of the impacts will occur within the City, some impacts will be experienced elsewhere in Alameda 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 job 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 city boundaries may be mitigated by the city.

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 Hayward, 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

Hayward'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 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 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 Hayward.

APPENDIX A: RESIDENTIAL MARKET SURVEY

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 Hayward 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 Hayward in the future. The following summarizes the basic characteristics of these prototypes.

Hayward Residential Prototypes				
	<i>Typical Density</i>	<i>Average Unit Size</i>	<i>Average Price/Rent</i>	<i>Price/Rent \$/SF</i>
For-Sale Prototypes				
1) Single Family Detached	10 du/acre	2,500 sq. ft.	\$950,000	\$380/SF
2) Townhomes/Attached	20 du/acre	2,000 sq. ft.	\$800,000	\$400/SF
3) Condominiums (Stacked Flats)	50 du/acre	1,000 sq. ft.	\$590,000	\$590/SF
Rental Prototype				
4) Apartments	60 du/acre	900 sq. ft.	\$2,800	\$3.11/SF

Source: *Prototype densities and unit sizes by KMA in collaboration with City of Hayward; rents and sale prices estimated by KMA.*

The prototypes were developed largely based upon the characteristics of residential development projects recently built and in the development pipeline in Hayward. The following table lists the development pipeline projects in Hayward, which is illustrative of the range of housing types and the geographic dispersion of projects throughout the City.

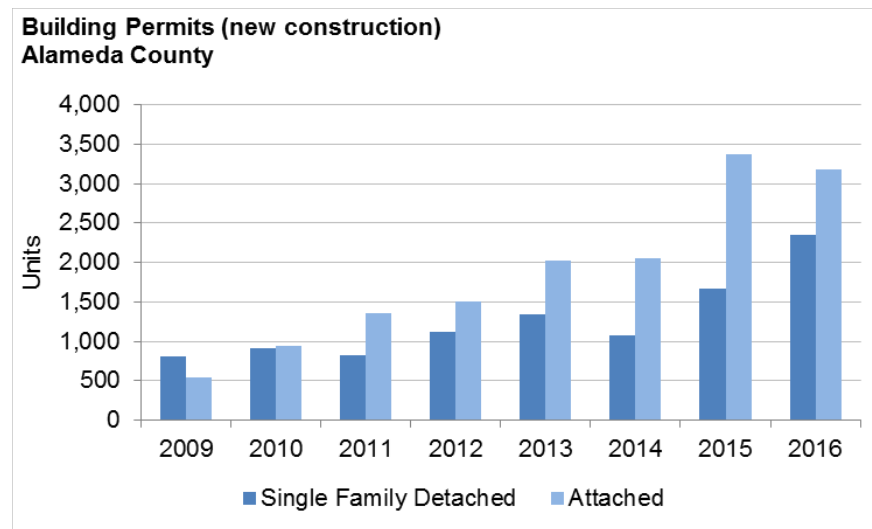
Development Pipeline Projects, City of Hayward		
<i>Project</i>	<i>Address</i>	<i>Unit Type</i>
Maple & Main	22455 Main St	High Density Apartments (mixed use)
Lincoln Landing	22301 Foothill Blvd	High Density Apartments (mixed use)
Campways	28168 Mission Blvd	Apartments
Mission Seniors	29312 Mission Blvd	High Density Condos & Single Family
Matyas Village	22634 Second St	High Density Condos
Mission Village	411 Industrial Pkwy	Townhomes
Haymont Village	Mission & Sorenson (NWC)	Townhomes & Apartments
Mission Crossings	25501 Mission Blvd	Townhomes & Hotel
Ward Creek Cottages	Walpert & 2 nd (SWC)	Single Family Detached
Hesperian	2475 Hesperian Blvd	Single Family Detached

Source: *City of Hayward*

III. MARKET SURVEY & PRICING ESTIMATES

A. Residential Building Activity

The City of Hayward and Alameda County as a whole have experienced significant new residential development in the years following the recession. New development has taken the form of both low-density single family detached homes, which is characteristic of the historic development patterns in suburban portions of the county, as well as higher density attached homes, condominiums, and multi-family apartments. Only in recent years have real estate market conditions supported the development of higher density multi-family projects in Hayward and other suburban East Bay communities. As shown in the table above, there are higher density multi-family projects in Hayward’s development pipeline today.

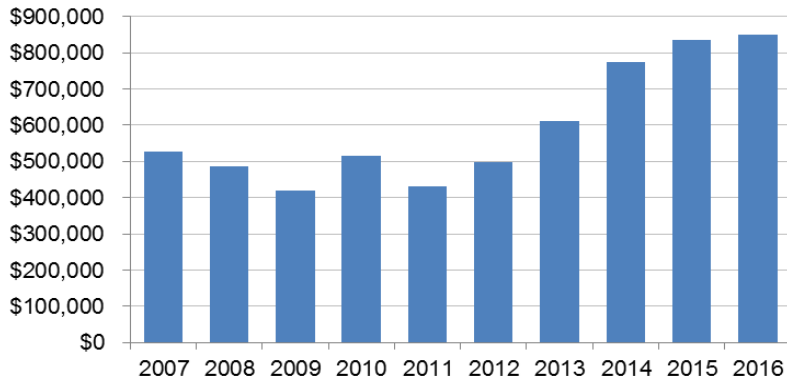


Source: Real Estate Research Council

Overview of For-Sale Market

Home prices in Hayward and throughout Alameda County have risen significantly in the last several years due to the strength of the regional economy, low mortgage interest rates, and limited housing market supply. New home prices now well exceed pre-recession levels, even on an inflation adjusted basis, although the pace of price escalation has moderated in more recent years.

**New Home Prices
Alameda County**

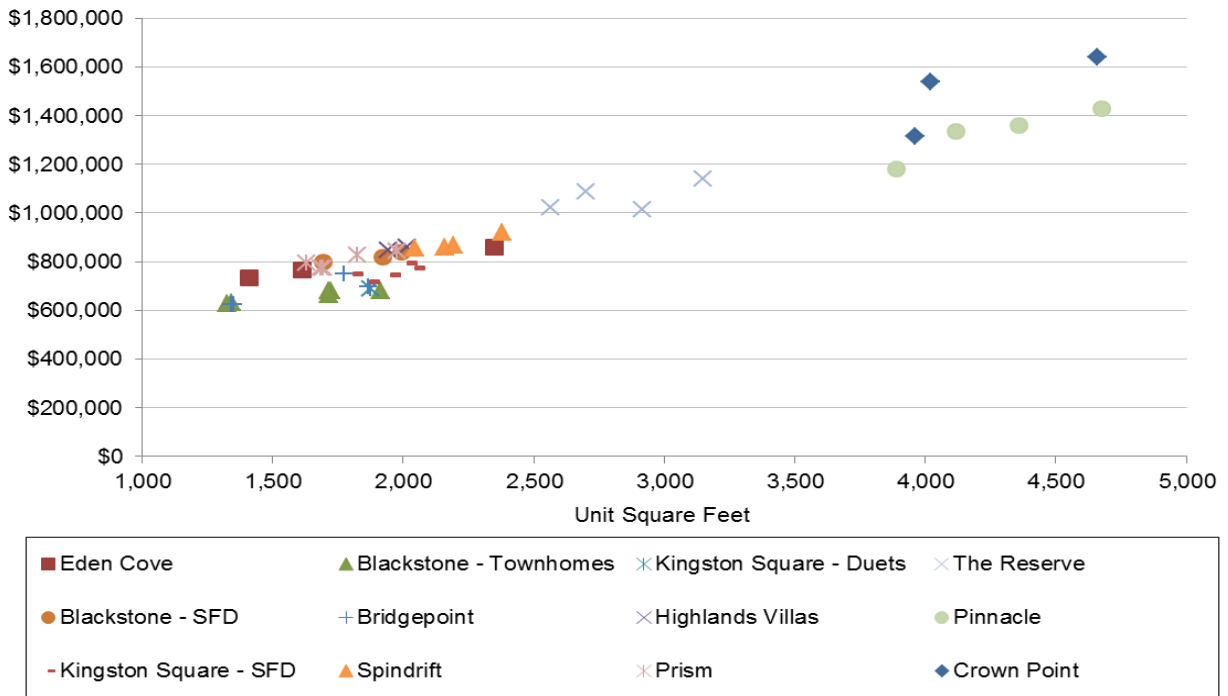


Source: Dataquick

B. Recent Home Prices of Newly Built Units

At the time of the market survey in mid-July 2017, 12 new for-sale housing developments were being tracked by market data firm Real Estate Economics. Most of the new homes on the market were attached townhome-type units and single family detached homes up to 2,500 square feet. There were two developments in the Hayward hills with large homes in the 4,000 to 5,000 square feet range. There were no stacked flat condominiums on the market.

**Sale Prices of New Home Developments
City of Hayward**



Source: Real Estate Economics (July 2017)

C. For-Sale Prototype Price Estimates

The sale prices of new homes on the market, combined with an analysis of resales of existing homes, formed the basis for KMA’s price estimates. It is noted that there were no comparable units on the market for the stacked flat condominium prototype. Therefore, pricing for this prototype was estimated based upon smaller townhome-type units on the market and adjusted for unit size, density, and location.

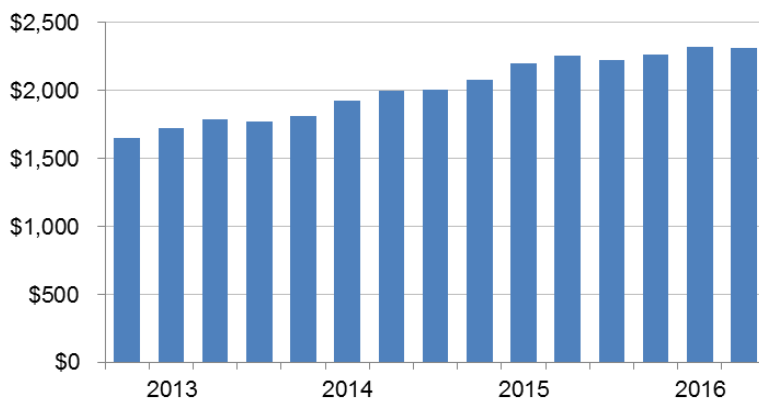
The table below summarizes KMA’s conclusions regarding for-sale prototype unit sizes and pricing.

For-Sale Prototype Price Estimates			
	Unit Size	Price	\$/SF
Single Family Detached	2,500 sq. ft.	\$950,000	\$380
Townhomes/Attached	2,000 sq. ft.	\$800,000	\$400
Condominiums (Stacked Flats)	1,000 sq. ft.	\$590,000	\$590

D. Rental Housing Market

In recent years, apartment market conditions have improved throughout Alameda County as exhibited by rising rents and occupancy rates. In addition, new development projects have been built and are in the development pipeline throughout the county, particularly near public transit and in mixed use downtown settings where access to job centers and neighborhood services is convenient. For example, new apartment developments were recently completed near the South Hayward and Union City BART Stations (The Cadence and Union Flats). Four market rate rental developments are current in the City of Hayward’s development pipeline including Lincoln Landing, Maple and Main, Campways and Haymont Village (also includes townhomes).

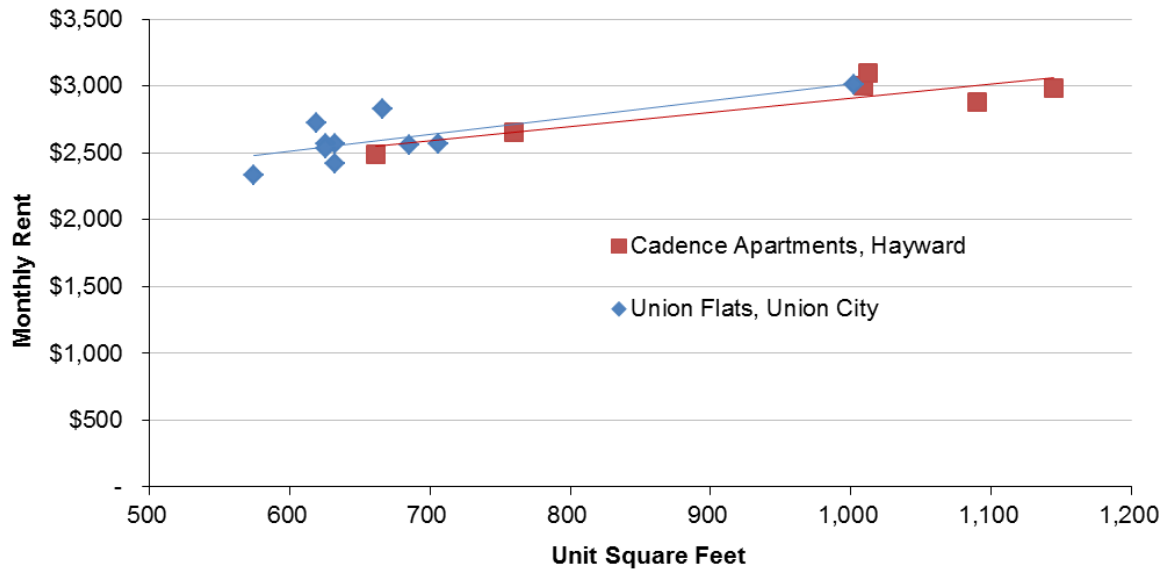
**Average Apartment Rents (Quarterly)
Alameda County**



Source: RealAnswers

Current market rents for the Cadence and Union Flats projects are shown in the chart below. Based on these rent comps, KMA estimates the average monthly rent for the apartment prototype (new construction) would be in the range of \$2,800 for the 900 square foot apartment prototype.

**Apartment Rent Comparables - Newly Built Properties
Hayward, Union City**



Source: On-line listings (July 2017)
Further survey detail is provided in Appendix Table 2.

Supporting data on new home sales, apartment rents, and pipeline projects in Hayward is provided in Appendix A Tables 1 to 3.

**Appendix Table A-1
Sales Prices for New Homes in Hayward
City of Hayward**

DRAFT

Project	Plan Type	Units Released	No. of Beds	Living Area	Asking Sales Price	\$/SF	HOA
New Single Family Homes							
Highlands Villas - SFD	Plan 1	9	3	1,942	\$848,000	\$437	\$230
Grupe Homes	Plan 2	5	4	2,014	\$859,000	\$427	
Spindrift - SFD	Plan 1	12	3	2,046	\$855,990	\$418	\$35
Pulte Homes	Plan 2	11	4	2,160	\$857,990	\$397	
	Plan 3	13	4	2,193	\$867,990	\$396	
	Plan 4	11	4	2,377	\$919,990	\$387	
The Reserve	Plan 1	6	4	2,566	\$1,019,880	\$397	\$175
DR Horton	Plan 2	4	3	2,701	\$1,085,880	\$402	
	Plan 3	6	5	2,915	\$1,013,880	\$348	
	Plan 4	3	4	3,150	\$1,138,880	\$362	
Prism	Plan 1	3	3	1,632	\$794,965	\$487	\$127
Meritage Homes	Plan 2	2	4	1,684	\$774,965	\$460	
	Plan 3	1	4	1,693	\$773,950	\$457	
	Plan 4	2	4	1,824	\$824,950	\$452	
	Plan 5	1	4	1,978	\$840,950	\$425	
	Plan 6	1	4	1,979	\$840,950	\$425	
Pinnacle	Plan 1	9	5	3,891	\$1,179,950	\$303	\$230
Meritage Homes	Plan 2	23	4	4,117	\$1,334,950	\$324	
	Plan 3	28	5	4,358	\$1,359,950	\$312	
	Plan 4	19	4	4,674	\$1,429,950	\$306	
Crown Point	Plan 1	19	4	3,961	\$1,315,000	\$332	\$230
Brookfield	Plan 2	16	5	4,021	\$1,540,000	\$383	
	Plan 3	17	5	4,657	\$1,640,000	\$352	
Blackstone	Plan 1	18	3	1,692	\$796,900	\$471	\$240
Tri Pointe Homes	Plan 2	14	3	1,922	\$819,900	\$427	
	Plan 3	12	4	1,995	\$837,900	\$420	
Kingston Square	Plan 1	6	4	1,814	\$751,000	\$414	\$188
Meritage Homes	Plan 2	3	4	1,876	\$717,000	\$382	
	Plan 3	4	3	1,958	\$747,000	\$382	
	Plan 4	7	4	2,021	\$792,000	\$392	
	Plan 5	5	4	2,047	\$772,000	\$377	
Eden Cove	Plan 1	7	3	1,410	\$733,686	\$520	\$238
KB Home	Plan 2	3	3	1,613	\$765,993	\$475	
	Plan 3	5	3	2,350	\$860,400	\$366	
New Attached Townhomes and Duets							
Blackstone - Townhomes	Plan 1	2	2	1,344	\$629,370	\$468	\$240
TRI Ponte	Plan 2	2	3	1,326	\$628,210	\$474	
	Plan 3	17	3	1,723	\$679,385	\$394	
	Plan 4	12	3	1,716	\$665,900	\$388	
	Plan 5	10	3	1,716	\$681,900	\$397	
	Plan 6	13	3	1,915	\$681,900	\$356	
Kingston Square - Duets	Plan 1	10	4	1,876	\$689,450	\$368	\$188
Meritage Homes							
Bridgepoint - Duets	Plan 1	1	2	1,341	\$625,000	\$466	\$157
Nuvera Homes	Plan 2	1	2	1,350	\$625,000	\$463	
	Plan 3	2	3	1,774	\$749,000	\$422	
	Plan 4	1	4	1,866	\$695,000	\$372	

Source: Real Estate Economics (July 2017)

**Appendix Table A-2
Apartment Rental Comps
City of Hayward**

DRAFT

	Sq. Ft.	Monthly Rent		\$/SF		Notes
		Low	High	Low	High	
Cadence Apartments, Hayward						
1 Bd / 1 Ba	661	\$2,375	\$2,605	\$3.59	\$3.94	28850 Dixon Street, Hayward
1 Bd / 1 Ba	760	\$2,615	\$2,690	\$3.44	\$3.54	(S. Hayward BART)
2 Bd / 2 Ba	1,009	\$2,900	\$3,100	\$2.87	\$3.07	2016
2 Bd / 2 Ba	1,012	\$3,100	\$3,100	\$3.06	\$3.06	206 Units
2 Bd / 2 Ba	1,090	\$2,880	\$2,880	\$2.64	\$2.64	
2 Bd / 2 Ba	1,145	\$2,985	\$2,985	\$2.61	\$2.61	
Union Flats, Union City						
Studio	574	\$2,330	\$2,330	\$4.06	\$4.06	34588 11th Street, Union City
Studio	632	\$2,390	\$2,445	\$3.78	\$3.87	(Union City BART)
Studio	632	\$2,570	\$2,570	\$4.07	\$4.07	2017
1 Bd / 1 Ba	619	\$2,720	\$2,720	\$4.39	\$4.39	243 Units
1 Bd / 1 Ba	626	\$2,530	\$2,605	\$4.04	\$4.16	
1 Bd / 1 Ba	626	\$2,530	\$2,530	\$4.04	\$4.04	
1 Bd / 1 Ba	666	\$2,825	\$2,825	\$4.24	\$4.24	
1 Bd / 1 Ba	685	\$2,555	\$2,555	\$3.73	\$3.73	
1 Bd / 1 Ba	706	\$2,570	\$2,570	\$3.64	\$3.64	
2 Bd / 2 Ba	1002	\$3,010	\$3,010	\$3.00	\$3.00	

**Appendix Table A-3
Pipeline Residential Projects
City of Hayward**

DRAFT

Project Info	Plan Type	# of Beds	# of units	Living Area
<u>Mission Village</u>				
Townhomes	Plan 1	3+Loft	13	1953 SF
w/ retail	Plan 2	3+Den	17	2094 SF
Doug Rich + Valley Oak Partners	Plan 3	3+Den	11	2111 SF
30' to roof eave	Plan 4	3+Den	12	2042 SF
Type V: R2 occupancy	Plan 5	3+Den	4	2108 SF
Parking: 2 spaces per unit	Plan 6	4	4	2216 SF
	Plan 7	3	7	1608 SF
	Plan 8	4+Loft	4	1930 SF
<i>Total / Average</i>			72	2014 SF
<i>Site Area</i>			3.3 Acres	
<i>Density</i>			21.8 du/acre	
<u>Mission Crossings</u>				
Townhomes	Plan 1	2	31	1437 SF
w/ hotel	Plan 2	4	18	2021 SF
Justin Derby w/ MLC Holdings	Plan 3	4	27	2110 SF
36' tall	Plan 4	4	27	2150 SF
Type V	Plan 5	4	37	1889 SF
<i>Total / Average</i>			140	1899 SF
<i>Site Area</i>			7.39 Acres	
<i>Density</i>			19 du/acre	
<u>Matyas Villas (Guru Thalagangni)</u>				
Stacked flat condominiums	Plan 1	2	15	830 SF
w/ ground floor comm.	Plan 2	3	42	1110 SF
2298 SF ground floor retail				
55' tall, Parking: 86 stalls				
<i>Total / Average</i>			57	1036 SF
<i>Site Area</i>			0.93 Acres	
<i>Density</i>			61 du/acre	
<u>Mission Seniors</u>				
stacked flat condos for seniors (mkt rate)	Plan 1	Studio	1	601 SF
57' tall	Plan 2	1	72	-
Type 1A, VA Construction	Plan 3	2	98	-
Parking: 259 stalls	Plan 4	3	29	1701 SF
<i>Total / Average</i>			200	N/A
<i>Site Area</i>			4.8 Acres	
<i>Density</i>			41.7 du/acre	

Project Info	Plan Type	# of Beds	# of units	Living Area
<u>Haymont Village</u>				
Townhomes				
Townhomes and rental apartments	Plan 1	3	5	1735 SF
Ray Panek w/ KB Home	Plan 2	3	16	1823 SF
Townhomes: 35'	Plan 3	3	<u>14</u>	<u>2074 SF</u>
Apartments: 50'			35	1911 SF
Type V construction				
Apartments				
	Plan 1	1	9	692 SF
	Plan 2	1	3	779 SF
	Plan 3	1	3	655 SF
	Plan 4	1	3	785 SF
	Plan 5	2	<u>21</u>	<u>1012 SF</u>
			39	875 SF
<i>Total units</i>			74 units	
<i>Density</i>			35 du/acre	
<u>Ward Creek Cottages</u>				
Single Family Detached	Plan 1	3	-	1941 SF
34' - 37'	Plan 2	3	-	1868 SF
VB Construction	Plan 3	3	-	2007 SF
Parking: 2 spaces per unit	Plan 4	5	-	2431 SF
<i>Site Area</i>			14.9 Acres	
<i>Park/ Open Space</i>			7.44 Acres	
<u>Hesperian</u>				
Single Family	Plan 1	4	-	2240 SF
27'	Plan 2	4	-	2550 SF
VB Construction				
Parking: 2 spaces per unit				
<i>Net Density</i>			8.5 du/acre	

Project Info	Plan Type	# of Beds	# of units	Living Area
<u>Lincoln Landing</u>				
Market Rate Apartments	Plan 1	Studio	12	590 SF
Dollinger Properties	Plan 2	1	334	750 SF
22' - 84.5' Height	Plan 3	2	102	1250 SF
Type 1A ground floor	Plan 4	3	28	1350 SF
Type IIIA on upper levels				
Parking: 863 Stalls				
1.8 stalls per unit				
<i>Total Units</i>			476 units	
<i>Site Area</i>			11.3 Acres	
<i>Density</i>			42 du/acre	
<u>Maple and Main</u>				
Mrkt. rate and Aff. Apts	Plan 1	Studio	15	568
Bay Area Property Developers	Plan 2	1	82	582 SF
58' Height	Plan 3	2	123	930 SF
Type IIIA Construction	Plan 4	2	20	1100 SF
5 story parking structure				
Total Parking: 481				
Res Parking: 1.36/unit				
<i>Total Units</i>			240 units	
<i>Site Area</i>			3.93 Acres	
<i>Density</i>			61 du/acre	
<u>Campways</u>				
Market Rate apts w/ retail	Plan 1	Studio	3	541 SF
JC Martin Company	Plan 2	1	40	661 SF
4 stories, 60' height	Plan 3	1	4	759 SF
Type V construction	Plan 4	2	33	1021 SF
Res. Parking: 1.11/unit	Plan 5	2	7	1017 SF
	Plan 6	2	6	976 SF
	Plan 7	3	4	1571 SF
<i>Total units</i>			97 units	
<i>Site Area</i>			1.81 Acres	
<i>Density</i>			54 du/acre	
<u>808 A Street</u>				
Affordable Senior Apartments	Plan 1	1	45	561 SF
Meta Housing	Plan 2	2	15	754 SF
56' Height				
Type V Construction				
Parking 0.5/unit				
<i>Total units</i>			60 units	
			65 max du/acre	

Source: City of Hayward

APPENDIX B: WORKER OCCUPATIONS AND COMPENSATION LEVELS

**RESIDENTIAL NEXUS APPENDIX B TABLE 1
 WORKER OCCUPATION DISTRIBUTION, 2016
 SERVICES TO HOUSEHOLDS EARNING \$100 - \$150K, RESIDENT SERVICES
 RESIDENTIAL NEXUS ANALYSIS
 HAYWARD, CA**

Worker Occupation Distribution¹ Services to Households Earning \$100,000 to \$150,000

Major Occupations (2% or more)

Management Occupations	4.3%
Business and Financial Operations Occupations	4.3%
Education, Training, and Library Occupations	3.1%
Healthcare Practitioners and Technical Occupations	7.5%
Healthcare Support Occupations	4.6%
Food Preparation and Serving Related Occupations	13.9%
Building and Grounds Cleaning and Maintenance Occupations	5.0%
Personal Care and Service Occupations	6.7%
Sales and Related Occupations	12.2%
Office and Administrative Support Occupations	15.3%
Installation, Maintenance, and Repair Occupations	3.8%
Transportation and Material Moving Occupations	6.0%
All Other Worker Occupations - Services to Households Earning \$100,000 to \$150,000	<u>13.4%</u>
INDUSTRY TOTAL	100.0%

¹ 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, 2017
 SERVICES TO HOUSEHOLDS EARNING \$100,000 TO \$150,000
 RESIDENTIAL NEXUS ANALYSIS
 HAYWARD, CA**

Occupation ³	2017 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total No. of Service Workers
<i>Page 1 of 4</i>			
<i>Management Occupations</i>			
Chief Executives	\$232,400	3.0%	0.1%
General and Operations Managers	\$147,300	35.4%	1.5%
Sales Managers	\$157,500	4.5%	0.2%
Administrative Services Managers	\$110,400	3.4%	0.1%
Financial Managers	\$162,800	8.1%	0.3%
Food Service Managers	\$50,200	4.9%	0.2%
Medical and Health Services Managers	\$134,700	6.4%	0.3%
Property, Real Estate, and Community Association Managers	\$102,400	8.7%	0.4%
Social and Community Service Managers	\$78,200	3.6%	0.2%
Managers, All Other	\$147,100	3.4%	0.1%
All other Management Occupations (Avg. All Categories)	<u>\$136,300</u>	<u>18.5%</u>	<u>0.8%</u>
Weighted Mean Annual Wage	\$136,300	100.0%	4.3%
<i>Business and Financial Operations Occupations</i>			
Claims Adjusters, Examiners, and Investigators	\$79,500	3.3%	0.1%
Human Resources Specialists	\$79,600	5.8%	0.2%
Management Analysts	\$109,400	6.0%	0.3%
Training and Development Specialists	\$86,000	3.8%	0.2%
Market Research Analysts and Marketing Specialists	\$86,600	7.9%	0.3%
Business Operations Specialists, All Other	\$88,600	9.5%	0.4%
Accountants and Auditors	\$89,600	17.7%	0.8%
Financial Analysts	\$105,500	7.3%	0.3%
Personal Financial Advisors	\$182,600	9.6%	0.4%
Loan Officers	\$100,900	4.4%	0.2%
All Other Business and Financial Operations Occupations (Avg. All Categories)	<u>\$103,400</u>	<u>24.7%</u>	<u>1.1%</u>
Weighted Mean Annual Wage	\$103,400	100.0%	4.3%
<i>Education, Training, and Library Occupations</i>			
Vocational Education Teachers, Postsecondary	\$70,700	4.3%	0.1%
Preschool Teachers, Except Special Education	\$37,500	16.3%	0.5%
Elementary School Teachers, Except Special Education	\$76,300	6.8%	0.2%
Secondary School Teachers, Except Special and Career/Technical Education	\$74,100	4.7%	0.1%
Self-Enrichment Education Teachers	\$54,300	13.3%	0.4%
Teachers and Instructors, All Other, Except Substitute Teachers	\$42,600	8.7%	0.3%
Substitute Teachers	\$43,200	3.9%	0.1%
Teacher Assistants	\$34,200	15.3%	0.5%
All Other Education, Training, and Library Occupations (Avg. All Categories)	<u>\$48,700</u>	<u>26.7%</u>	<u>0.8%</u>
Weighted Mean Annual Wage	\$48,700	100.0%	3.1%

RESIDENTIAL NEXUS APPENDIX B TABLE 2
 AVERAGE ANNUAL WORKER COMPENSATION, 2017
 SERVICES TO HOUSEHOLDS EARNING \$100,000 TO \$150,000
 RESIDENTIAL NEXUS ANALYSIS
 HAYWARD, CA

Occupation ³	2017 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total No. of Service Workers
<i>Healthcare Practitioners and Technical Occupations</i>			
Pharmacists	\$139,600	3.5%	0.3%
Physicians and Surgeons, All Other	\$225,500	3.9%	0.3%
Physical Therapists	\$95,400	3.4%	0.3%
Registered Nurses	\$119,400	29.4%	2.2%
Dental Hygienists	\$104,200	4.2%	0.3%
Pharmacy Technicians	\$46,200	4.8%	0.4%
Licensed Practical and Licensed Vocational Nurses	\$57,900	8.7%	0.7%
All Other Healthcare Practitioners and Technical Occupations (Avg. All Categories)	<u>\$110,000</u>	<u>41.9%</u>	<u>3.1%</u>
Weighted Mean Annual Wage	\$110,000	100.0%	7.5%
<i>Healthcare Support Occupations</i>			
Home Health Aides	\$30,300	22.9%	1.0%
Nursing Assistants	\$35,800	29.8%	1.4%
Massage Therapists	\$53,500	4.4%	0.2%
Dental Assistants	\$43,100	10.9%	0.5%
Medical Assistants	\$43,000	15.3%	0.7%
All Other Healthcare Support Occupations (Avg. All Categories)	<u>\$37,500</u>	<u>16.7%</u>	<u>0.8%</u>
Weighted Mean Annual Wage	\$37,500	100.0%	4.6%
<i>Food Preparation and Serving Related Occupations</i>			
First-Line Supervisors of Food Preparation and Serving Workers	\$42,400	6.9%	1.0%
Cooks, Fast Food	\$23,900	3.8%	0.5%
Cooks, Restaurant	\$28,300	8.8%	1.2%
Food Preparation Workers	\$26,700	6.5%	0.9%
Bartenders	\$33,800	6.8%	0.9%
Combined Food Preparation and Serving Workers, Including Fast Food	\$25,500	25.9%	3.6%
Counter Attendants, Cafeteria, Food Concession, and Coffee Shop	\$25,800	3.5%	0.5%
Waiters and Waitresses	\$34,200	19.3%	2.7%
Dishwashers	\$25,700	3.9%	0.6%
All Other Food Preparation and Serving Related Occupations (Avg. All Categories)	<u>\$29,800</u>	<u>14.6%</u>	<u>2.0%</u>
Weighted Mean Annual Wage	\$29,800	100.0%	13.9%

**RESIDENTIAL NEXUS APPENDIX B TABLE 2
 AVERAGE ANNUAL WORKER COMPENSATION, 2017
 SERVICES TO HOUSEHOLDS EARNING \$100,000 TO \$150,000
 RESIDENTIAL NEXUS ANALYSIS
 HAYWARD, CA**

Occupation ³	2017 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total No. of Service Workers
<i>Building and Grounds Cleaning and Maintenance Occupations</i>			
First-Line Supervisors of Landscaping, Lawn Service, and Groundskeeping Work	\$57,600	3.6%	0.2%
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	\$36,200	44.5%	2.2%
Maids and Housekeeping Cleaners	\$34,300	10.7%	0.5%
Landscaping and Groundskeeping Workers	\$34,800	32.4%	1.6%
All Other Building and Grounds Cleaning and Maintenance Occupations (Avg. All Categories)	<u>\$36,300</u>	<u>8.7%</u>	<u>0.4%</u>
Weighted Mean Annual Wage	\$36,300	100.0%	5.0%
<i>Personal Care and Service Occupations</i>			
First-Line Supervisors of Personal Service Workers	\$51,300	3.9%	0.3%
Nonfarm Animal Caretakers	\$26,800	6.7%	0.5%
Hairdressers, Hairstylists, and Cosmetologists	\$33,700	14.9%	1.0%
Manicurists and Pedicurists	\$25,000	4.0%	0.3%
Childcare Workers	\$29,800	10.4%	0.7%
Personal Care Aides	\$28,700	35.7%	2.4%
Fitness Trainers and Aerobics Instructors	\$47,500	6.1%	0.4%
Recreation Workers	\$33,000	4.3%	0.3%
All Other Personal Care and Service Occupations (Avg. All Categories)	<u>\$32,000</u>	<u>13.9%</u>	<u>0.9%</u>
Weighted Mean Annual Wage	\$32,000	100.0%	6.7%
<i>Sales and Related Occupations</i>			
First-Line Supervisors of Retail Sales Workers	\$49,600	8.8%	1.1%
Cashiers	\$26,700	25.7%	3.1%
Counter and Rental Clerks	\$38,300	5.0%	0.6%
Retail Salespersons	\$30,800	34.6%	4.2%
Sales Representatives, Services, All Other	\$65,800	5.2%	0.6%
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific	\$71,000	5.3%	0.7%
All Other Sales and Related Occupations (Avg. All Categories)	<u>\$36,600</u>	<u>15.3%</u>	<u>1.9%</u>
Weighted Mean Annual Wage	\$36,600	100.0%	12.2%
<i>Office and Administrative Support Occupations</i>			
First-Line Supervisors of Office and Administrative Support Workers	\$67,100	6.6%	1.0%
Bookkeeping, Accounting, and Auditing Clerks	\$51,600	7.3%	1.1%
Customer Service Representatives	\$45,300	11.4%	1.7%
Receptionists and Information Clerks	\$36,100	8.2%	1.2%
Stock Clerks and Order Fillers	\$30,000	10.5%	1.6%
Medical Secretaries	\$46,000	4.1%	0.6%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	\$45,600	11.1%	1.7%
Office Clerks, General	\$39,000	14.3%	2.2%
All Other Office and Administrative Support Occupations (Avg. All Categories)	<u>\$43,600</u>	<u>26.5%</u>	<u>4.0%</u>
Weighted Mean Annual Wage	\$43,600	100.0%	15.3%

**RESIDENTIAL NEXUS APPENDIX B TABLE 2
 AVERAGE ANNUAL WORKER COMPENSATION, 2017
 SERVICES TO HOUSEHOLDS EARNING \$100,000 TO \$150,000
 RESIDENTIAL NEXUS ANALYSIS
 HAYWARD, CA**

Occupation ³	2017 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total No. of Service Workers
<i>Installation, Maintenance, and Repair Occupations</i>			
First-Line Supervisors of Mechanics, Installers, and Repairers	\$83,400	7.9%	0.3%
Telecommunications Equipment Installers and Repairers, Except Line Installers	\$62,700	3.2%	0.1%
Automotive Body and Related Repairers	\$51,000	6.7%	0.3%
Automotive Service Technicians and Mechanics	\$53,800	19.8%	0.7%
Bus and Truck Mechanics and Diesel Engine Specialists	\$56,100	4.3%	0.2%
Maintenance and Repair Workers, General	\$48,200	31.0%	1.2%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	<u>\$54,900</u>	<u>27.2%</u>	<u>1.0%</u>
Weighted Mean Annual Wage	\$54,900	100.0%	3.8%
<i>Transportation and Material Moving Occupations</i>			
Bus Drivers, School or Special Client	\$38,300	4.8%	0.3%
Driver/Sales Workers	\$41,000	6.3%	0.4%
Heavy and Tractor-Trailer Truck Drivers	\$49,900	15.1%	0.9%
Light Truck or Delivery Services Drivers	\$41,400	10.0%	0.6%
Taxi Drivers and Chauffeurs	\$32,100	3.1%	0.2%
Parking Lot Attendants	\$31,200	7.0%	0.4%
Industrial Truck and Tractor Operators	\$41,500	3.3%	0.2%
Cleaners of Vehicles and Equipment	\$28,000	7.4%	0.4%
Laborers and Freight, Stock, and Material Movers, Hand	\$35,000	20.3%	1.2%
Packers and Packagers, Hand	\$27,400	6.0%	0.4%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	<u>\$37,800</u>	<u>16.8%</u>	<u>1.0%</u>
Weighted Mean Annual Wage	\$37,800	100.0%	6.0%
			86.6%

¹ 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.

² Occupation percentages are based on the 2016 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2016 Occupational Employment Survey data applicable to Alameda County updated by the California Employment Development Department to 2017 wage levels.

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

**RESIDENTIAL NEXUS APPENDIX B TABLE 3
 WORKER OCCUPATION DISTRIBUTION, 2016
 SERVICES TO HOUSEHOLDS EARNING \$150K+, RESIDENT SERVICES
 RESIDENTIAL NEXUS ANALYSIS
 HAYWARD, CA**

Worker Occupation Distribution¹ Services to Households Earning \$150,000 and up

Major Occupations (2% or more)

Management Occupations	4.3%
Business and Financial Operations Occupations	4.4%
Education, Training, and Library Occupations	4.3%
Healthcare Practitioners and Technical Occupations	6.7%
Healthcare Support Occupations	4.1%
Food Preparation and Serving Related Occupations	13.2%
Building and Grounds Cleaning and Maintenance Occupations	5.1%
Personal Care and Service Occupations	6.8%
Sales and Related Occupations	12.2%
Office and Administrative Support Occupations	15.2%
Installation, Maintenance, and Repair Occupations	3.7%
Transportation and Material Moving Occupations	6.2%
All Other Worker Occupations - Services to Households Earning \$150,000 and up	<u>13.8%</u>
INDUSTRY TOTAL	100.0%

¹ 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, 2017
 SERVICES TO HOUSEHOLDS EARNING \$150,000 AND UP
 RESIDENTIAL NEXUS ANALYSIS
 HAYWARD, CA**

Occupation ³	2017 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total No. of Service Workers
<i>Page 1 of 4</i>			
<i>Management Occupations</i>			
Chief Executives	\$232,400	3.0%	0.1%
General and Operations Managers	\$147,300	35.6%	1.5%
Sales Managers	\$157,500	4.5%	0.2%
Administrative Services Managers	\$110,400	3.5%	0.1%
Financial Managers	\$162,800	8.1%	0.3%
Food Service Managers	\$50,200	4.6%	0.2%
Medical and Health Services Managers	\$134,700	5.6%	0.2%
Property, Real Estate, and Community Association Managers	\$102,400	8.0%	0.3%
Social and Community Service Managers	\$78,200	3.6%	0.2%
Managers, All Other	\$147,100	3.5%	0.2%
All other Management Occupations (Avg. All Categories)	<u>\$137,000</u>	<u>20.0%</u>	<u>0.9%</u>
Weighted Mean Annual Wage	\$137,000	100.0%	4.3%
<i>Business and Financial Operations Occupations</i>			
Claims Adjusters, Examiners, and Investigators	\$79,500	3.4%	0.2%
Human Resources Specialists	\$79,600	5.7%	0.2%
Management Analysts	\$109,400	5.9%	0.3%
Training and Development Specialists	\$86,000	4.1%	0.2%
Market Research Analysts and Marketing Specialists	\$86,600	7.7%	0.3%
Business Operations Specialists, All Other	\$88,600	9.6%	0.4%
Accountants and Auditors	\$89,600	17.5%	0.8%
Financial Analysts	\$105,500	7.2%	0.3%
Personal Financial Advisors	\$182,600	9.6%	0.4%
Loan Officers	\$100,900	4.4%	0.2%
All Other Business and Financial Operations Occupations (Avg. All Categories)	<u>\$103,300</u>	<u>24.9%</u>	<u>1.1%</u>
Weighted Mean Annual Wage	\$103,300	100.0%	4.4%
<i>Education, Training, and Library Occupations</i>			
Vocational Education Teachers, Postsecondary	\$70,700	4.6%	0.2%
Preschool Teachers, Except Special Education	\$37,500	16.0%	0.7%
Elementary School Teachers, Except Special Education	\$76,300	6.7%	0.3%
Secondary School Teachers, Except Special and Career/Technical Education	\$74,100	4.7%	0.2%
Self-Enrichment Education Teachers	\$54,300	13.1%	0.6%
Teachers and Instructors, All Other, Except Substitute Teachers	\$42,600	8.9%	0.4%
Substitute Teachers	\$43,200	3.8%	0.2%
Teacher Assistants	\$34,200	14.9%	0.6%
All Other Education, Training, and Library Occupations (Avg. All Categories)	<u>\$48,800</u>	<u>27.4%</u>	<u>1.2%</u>
Weighted Mean Annual Wage	\$48,800	100.0%	4.3%

RESIDENTIAL NEXUS APPENDIX B TABLE 4
 AVERAGE ANNUAL WORKER COMPENSATION, 2017
 SERVICES TO HOUSEHOLDS EARNING \$150,000 AND UP
 RESIDENTIAL NEXUS ANALYSIS
 HAYWARD, CA

Occupation ³	2017 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total No. of Service Workers
<i>Healthcare Practitioners and Technical Occupations</i>			
Pharmacists	\$139,600	3.9%	0.3%
Physicians and Surgeons, All Other	\$225,500	3.8%	0.3%
Physical Therapists	\$95,400	3.3%	0.2%
Registered Nurses	\$119,400	28.9%	1.9%
Dental Hygienists	\$104,200	4.1%	0.3%
Pharmacy Technicians	\$46,200	5.3%	0.4%
Licensed Practical and Licensed Vocational Nurses	\$57,900	8.6%	0.6%
All Other Healthcare Practitioners and Technical Occupations (Avg. All Categories)	<u>\$109,500</u>	<u>42.0%</u>	<u>2.8%</u>
	\$109,500	100.0%	6.7%
<i>Healthcare Support Occupations</i>			
Home Health Aides	\$30,300	23.7%	1.0%
Nursing Assistants	\$35,800	29.4%	1.2%
Massage Therapists	\$53,500	4.4%	0.2%
Dental Assistants	\$43,100	10.6%	0.4%
Medical Assistants	\$43,000	14.9%	0.6%
Veterinary Assistants and Laboratory Animal Caretakers	\$34,900	3.0%	0.1%
All Other Healthcare Support Occupations (Avg. All Categories)	<u>\$37,300</u>	<u>14.1%</u>	<u>0.6%</u>
	\$37,300	100.0%	4.1%
<i>Food Preparation and Serving Related Occupations</i>			
First-Line Supervisors of Food Preparation and Serving Workers	\$42,400	6.8%	0.9%
Cooks, Fast Food	\$23,900	3.8%	0.5%
Cooks, Restaurant	\$28,300	8.8%	1.2%
Food Preparation Workers	\$26,700	6.5%	0.9%
Bartenders	\$33,800	6.8%	0.9%
Combined Food Preparation and Serving Workers, Including Fast Food	\$25,500	25.8%	3.4%
Counter Attendants, Cafeteria, Food Concession, and Coffee Shop	\$25,800	3.6%	0.5%
Waiters and Waitresses	\$34,200	19.2%	2.5%
Dishwashers	\$25,700	3.9%	0.5%
All Other Food Preparation and Serving Related Occupations (Avg. All Categories)	<u>\$29,800</u>	<u>14.7%</u>	<u>1.9%</u>
	\$29,800	100.0%	13.2%

**RESIDENTIAL NEXUS APPENDIX B TABLE 4
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 RESIDENTIAL NEXUS ANALYSIS
 HAYWARD, CA**

Occupation ³	2017 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total No. of Service Workers
<i>Building and Grounds Cleaning and Maintenance Occupations</i>			
First-Line Supervisors of Landscaping, Lawn Service, and Groundskeepir	\$57,600	3.7%	0.2%
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	\$36,200	45.0%	2.3%
Maids and Housekeeping Cleaners	\$34,300	10.0%	0.5%
Landscaping and Groundskeeping Workers	\$34,800	32.6%	1.7%
All Other Building and Grounds Cleaning and Maintenance Occupations (<u>\$36,400</u>	<u>8.8%</u>	<u>0.4%</u>
Weighted Mean Annual Wage	\$36,400	100.0%	5.1%
<i>Personal Care and Service Occupations</i>			
First-Line Supervisors of Personal Service Workers	\$51,300	4.0%	0.3%
Nonfarm Animal Caretakers	\$26,800	7.1%	0.5%
Hairdressers, Hairstylists, and Cosmetologists	\$33,700	13.2%	0.9%
Manicurists and Pedicurists	\$25,000	3.5%	0.2%
Childcare Workers	\$29,800	13.1%	0.9%
Personal Care Aides	\$28,700	34.2%	2.3%
Fitness Trainers and Aerobics Instructors	\$47,500	6.7%	0.5%
Recreation Workers	\$33,000	4.3%	0.3%
All Other Personal Care and Service Occupations (Avg. All Categories)	<u>\$32,000</u>	<u>14.0%</u>	<u>1.0%</u>
Weighted Mean Annual Wage	\$32,000	100.0%	6.8%
<i>Sales and Related Occupations</i>			
First-Line Supervisors of Retail Sales Workers	\$49,600	8.9%	1.1%
Cashiers	\$26,700	25.8%	3.2%
Counter and Rental Clerks	\$38,300	4.8%	0.6%
Retail Salespersons	\$30,800	34.9%	4.3%
Sales Representatives, Services, All Other	\$65,800	5.2%	0.6%
Sales Representatives, Wholesale and Manufacturing, Except Technical &	\$71,000	5.3%	0.7%
All Other Sales and Related Occupations (Avg. All Categories)	<u>\$36,600</u>	<u>15.2%</u>	<u>1.9%</u>
Weighted Mean Annual Wage	\$36,600	100.0%	12.2%
<i>Office and Administrative Support Occupations</i>			
First-Line Supervisors of Office and Administrative Support Workers	\$67,100	6.6%	1.0%
Bookkeeping, Accounting, and Auditing Clerks	\$51,600	7.3%	1.1%
Customer Service Representatives	\$45,300	11.5%	1.8%
Receptionists and Information Clerks	\$36,100	7.7%	1.2%
Stock Clerks and Order Fillers	\$30,000	10.6%	1.6%
Medical Secretaries	\$46,000	3.6%	0.6%
Secretaries and Administrative Assistants, Except Legal, Medical, and Ex	\$45,600	11.4%	1.7%
Office Clerks, General	\$39,000	14.5%	2.2%
All Other Office and Administrative Support Occupations (Avg. All Catego	<u>\$43,500</u>	<u>26.8%</u>	<u>4.1%</u>
Weighted Mean Annual Wage	\$43,500	100.0%	15.2%

RESIDENTIAL NEXUS APPENDIX B TABLE 4
 AVERAGE ANNUAL WORKER COMPENSATION, 2017
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 RESIDENTIAL NEXUS ANALYSIS
 HAYWARD, CA

Occupation ³	2017 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total No. of Service Workers
<i>Installation, Maintenance, and Repair Occupations</i>			
First-Line Supervisors of Mechanics, Installers, and Repairers	\$83,400	7.8%	0.3%
Automotive Body and Related Repairers	\$51,000	6.5%	0.2%
Automotive Service Technicians and Mechanics	\$53,800	19.6%	0.7%
Bus and Truck Mechanics and Diesel Engine Specialists	\$56,100	4.5%	0.2%
Maintenance and Repair Workers, General	\$48,200	30.5%	1.1%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Cat)	<u>\$54,600</u>	<u>31.2%</u>	<u>1.1%</u>
Weighted Mean Annual Wage	\$54,600	100.0%	3.7%
<i>Transportation and Material Moving Occupations</i>			
Bus Drivers, School or Special Client	\$38,300	5.7%	0.3%
Driver/Sales Workers	\$41,000	5.9%	0.4%
Heavy and Tractor-Trailer Truck Drivers	\$49,900	15.1%	0.9%
Light Truck or Delivery Services Drivers	\$41,400	9.8%	0.6%
Taxi Drivers and Chauffeurs	\$32,100	3.3%	0.2%
Parking Lot Attendants	\$31,200	7.3%	0.4%
Industrial Truck and Tractor Operators	\$41,500	3.2%	0.2%
Cleaners of Vehicles and Equipment	\$28,000	6.9%	0.4%
Laborers and Freight, Stock, and Material Movers, Hand	\$35,000	19.8%	1.2%
Packers and Packagers, Hand	\$27,400	5.9%	0.4%
All Other Transportation and Material Moving Occupations (Avg. All Categ)	<u>\$37,800</u>	<u>17.2%</u>	<u>1.1%</u>
Weighted Mean Annual Wage	\$37,800	100.0%	6.2%
			86.2%

¹ 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.

² Occupation percentages are based on the 2016 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2016 Occupational Employment Survey data applicable to Alameda County updated by the California Employment Development Department to 2017 wage levels.

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

HOUSING PROJECTS IN PIPELINE AND STATUS AS OF 11/2/2017

PROJECT	# UNITS	TYPE OF UNITS	HABITABLE SQFT	IMPACT FEES	DATE SUBMITTED	APPLICATION STATUS AS OF 11/28
CLAY STREET	2	SFR	7,654	\$ 153,080	12/2/2016	INCOMPLETE
MUIR STREET	4	SFR	8,410	\$ 168,200	2/21/2017	INCOMPLETE
4TH AND B STREET	41	SFR	73,264	\$ 732,640	7/12/2017	COMPLETE
MISSION SENIORS	200	MFR CONDOS	231,312	\$ 895,177	2/15/2017	COMPLETE
MISSION SENIORS	3	SFR	12,858	\$ 59,275	2/15/2017	COMPLETE
MISSION BLVD.	25	MFR APARTMENT	35,524	\$ 355,240	2/1/2016	COMPLETE
JACKSON STREET CONDOS*	40	MFR CONDOS	64,461	\$ -	12/5/2016	COMPLETE
HESPERIAN	13	SFR	26,090	\$ 521,800	10/19/2016	INCOMPLETE
C STREET	3	MFR	4,657	\$ 46,570	3/24/2016	COMPLETE
SOHAY*	447	MFR CONDOS			7/17/2017	INCOMPLETE
CAVALLO HIGHLANDS	20	SFR	78,000	\$ 1,560,000	7/28/2016	INCOMPLETE
VAGABOND	8	SFR	20,000	\$ 92,200	1/21/2016	COMPLETE
FILBERT	3	MFR	5968	\$ 59,680	5/18/2017	COMPLETE
SMALLEY	8	MFR CONDOS	12,564	\$ 251,280	7/20/2017	INCOMPLETE
CAMPWAYS	97	MFR APARTMENTS	84,352	\$ 306,198	6/1/2016	COMPLETE
HAYMONT*	35	MFR CONDOS	66,703		2/3/2016	COMPLETE
HAYMONT*	39	MFR APARTMENTS	34,137		3/1/2016	COMPLETE
ERSTED PROPERTY	59	SFR	112,367	\$ 1,123,670	10/10/2017	COMPLETE
MISSION PARADISE REDUX	76	MFR CONDOS	92,501	\$ 1,850,020	10/24/2016	INCOMPLETE

TOTAL	1,123
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*	PROVIDING AFFORDABLE UNITS ON-SITE
\$ 2,317,800	PROJECTS THAT HAVE BEEN DEEMED COMPLETE by 11/28 BUT WILL NOT BE ENTITLED BEFORE EFFECTIVE DATE OF AHO, SO RECOMMENDING THE FEES BE HALF (\$10/SQ. FT.)
\$ 1,352,851	PROJECTS THAT HAVE BEEN DEEMED COMPLETE AND WILL BE ENTITLED PRIOR TO EFFECTIVE DATE OF NEW AHO
\$ 4,504,380	PROJECTS THAT HAVE BEEN SUBMITTED BUT HAVE NOT YET BEEN DEEMED COMPLETE NOR WILL BE ENTITLED PRIOR TO THE EFFECTIVE DATE OF THE NEW ORDINANCE SO WILL BE SUBJECT TO THE NEW AHO



CITY OF HAYWARD

Hayward City Hall
777 B Street
Hayward, CA 94541
www.Hayward-CA.gov

File #: PH 17-088

DATE: November 7, 2017

TO: Mayor and City Council

FROM: Director of Human Resources

SUBJECT

Adoption of an Ordinance to Approve an Amendment to the City of Hayward Contract with the California Public Employees Retirement System (CalPERS) for Miscellaneous Members in Unrepresented Executive and Council Appointed Officer Groups

RECOMMENDATION

That the City Council adopts the Ordinance to approve an amendment to the City of Hayward's contract with CalPERS and authorizes staff to execute the contract.

ATTACHMENTS

Attachment I	Staff Report
Attachment II	Ordinance Authorizing an Amendment to the Contract between the City and CalPERS
Attachment III	Exhibit to the Ordinance - Sample Amendment to CalPERS Contract
Attachment IV	Summary of Ordinance Published on October 27, 2017



DATE: November 7, 2017

TO: Mayor and City Council

FROM: Director of Human Resources

SUBJECT Adoption of an Ordinance to Approve an Amendment to the City of Hayward Contract with the California Public Employees Retirement System (CalPERS) for Miscellaneous Members in Unrepresented Executive and Council Appointed Officer Groups

RECOMMENDATION

That the City Council adopts the Ordinance to approve an amendment to the City of Hayward's contract with CalPERS and authorizes staff to execute the contract.

BACKGROUND

On May 27, 2017, the City Council adopted Ordinance 17-05 approving the amendment to the City of Hayward's CalPERS miscellaneous contract for Classic and Public Employees' Pension Reform Act ("PEPRA") members, which authorized a 3% employee cost-share in accordance with Government Code Section 20516.

On September 19, 2017, the City Council adopted Resolution 17-140 which introduced the ordinance approving an amendment to the City of Hayward's CalPERS miscellaneous contract for miscellaneous members in Unrepresented Executive and Council Appointed Officer groups for Classic and PEPRA members, which proposed an additional 2% employee cost-share in accordance with Government Code Section 20516 for FY 2018, for a total of 5%.

Under the terms of the current Unrepresented Salary and Benefits Resolution and the employment contracts for Council Appointed Officers, the executives will continue to pay the current employee contribution of 8% for classic members and 6.25% for PEPRA members in addition to a total of 3% of the employer's share, which has been phased in by one percent per year beginning in FY 2016. In addition to the 3% contribution of the employer's share, beginning on June 26, 2017, these employees will contribute an additional 2%, for a total of 13% for classic members and a total of 11.25% for PEPRA members.

DISCUSSION

The City contracts with CalPERS for retirement benefits. The existing CalPERS contract for Miscellaneous members (non-safety) requires Classic members (hired prior to January 1, 2013) to pay 8% of their salaries for the employees' share of retirement costs. PEPRAs (hired on or after January 1, 2013 and receiving overall lower retirement benefits than Classic members) are required to contribute at least 50% of the normal cost of PERS benefits, which is currently 12.50%. Therefore, PEPRAs contribute 6.25% of their salaries for the employees' share of retirement costs. The City currently contributes 27.4% for each miscellaneous member's retirement for FY 2018.

Under the terms of the current CalPERS contract, Unrepresented Executives and Council Appointed Officers are contributing 3% towards the employer share. The proposed contract amendment will increase that amount an additional 2%, for a total of 5% in FY 2018. This employee contribution toward the employer rate shall be credited to each member's account as a normal contribution effective the first pay period 30 days after the adoption of the final Ordinance. This action by the Council to amend the CalPERS agreement to reflect the negotiated contributions will allow the FY 2018 contributions to be properly credited to the individual employee accounts.

STRATEGIC INITIATIVES

This agenda item is a routine operational item and does not relate to one of the Council's Strategic Priorities.

FISCAL IMPACT

As CalPERS rates continue to increase, it is noteworthy that all the City's bargaining groups cost share and contribute to the employer's share of the PERS rate. The City of Hayward successfully negotiated contracts that are consistent with the City's philosophy that the cost of employee benefits must be shared to preserve the benefit levels and manage the City's expenses, allowing the City to preserve critical services to the community. This includes employee contributions toward the cost of their retirement benefits. The table below shows the rate that each bargaining unit is contributing, including the proposed contract amendments:

Table 1: Percentage of CalPERS employer share paid by employee.

Bargaining Group	CalPERS Contract	Total CalPERS Cost Share Contribution (FY18)
HAME	Miscellaneous	3.0%
Local 21	Miscellaneous	3.0%
Unrepresented	Miscellaneous	3.0%
Unrep Exec/Council Appointed	Miscellaneous	5.0%
SEIU	Miscellaneous	4.5%
HPOA Classic	Safety	6.0%
HPOA PEPR	Safety	3.0%
Local 1909 Classic	Safety	6.0%
Local 1909 PEPR	Safety	5.25%

The approximate additional annual cost savings associated with the additional 2% contribution by the Unrepresented Executive and Council Appointed Officer Groups in fiscal year 2018 is \$31,935.32.

NEXT STEPS

If approved, staff will complete the contract amendment process. Once approved, the Ordinance will take effect on December 7, 2017. The contract amendment will be effective December 11, 2017.

Prepared by: Ali Adams, Human Resources Analyst II

Recommended by: Nina S. Collins, Director of Human Resources

Approved by:



Kelly McAdoo, City Manager

ORDINANCE NO. 17-

AN ORDINANCE AUTHORIZING THE AMENDMENT OF THE CONTRACT BETWEEN THE CITY OF HAYWARD AND THE BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM.

THE CITY COUNCIL OF THE CITY OF HAYWARD DOES ORDAIN AS FOLLOWS:

Section 1. Provisions.

1. That an amendment between the City Council of the City of Hayward and the Board of Administration, California Public Employees' Retirement System is hereby authorized, a copy of said amendment being attached hereto, marked Exhibit, and by such reference made a part hereof as though herein set out in full.
2. The City Manager of the City of Hayward is hereby authorized, empowered, and directed to execute said amendment for and on behalf of the City of Hayward.

Section 2. Severance. Should any part of this ordinance be declared by a final decision of a court or tribunal of competent jurisdiction to be unconstitutional, invalid, or beyond the authority of the City, such decision shall not affect the validity of the remainder of this ordinance, which shall continue in full force and effect, provided that the remainder of the ordinance, absent the unexcised portion, can be reasonably interpreted to give effect to the intentions of the City Council.

Section 3. Effective Date. In accordance with the provisions of Section 620 of the City Charter, this ordinance shall become effective 30 days from and after the date of its adoption.

INTRODUCED at a regular meeting of the City Council of the City of Hayward, held the ____ day of ____, 2017, by Council Member _____.

ADOPTED at a regular meeting of the City Council of the City of Hayward,
held the ____ day of ____, 2017, by the following votes of members of said City Council.

AYES: COUNCIL MEMBERS:

MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

APPROVED: _____
Mayor of the City of Hayward

DATE: _____

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward

**EXHIBIT**

California
Public Employees' Retirement System

AMENDMENT TO CONTRACT

Between the
Board of Administration
California Public Employees' Retirement System
and the
City Council
City of Hayward

The Board of Administration, California Public Employees' Retirement System, hereinafter referred to as Board, and the governing body of the above public agency, hereinafter referred to as Public Agency, having entered into a contract effective October 1, 1950, and witnessed August 7, 1950, and as amended effective January 16, 1952, January 1, 1956, April 1, 1959, January 1, 1960, November 1, 1962, April 1, 1965, December 1, 1969, July 1, 1973, July 16, 1973, June 1, 1978, April 23, 1979, January 12, 1981, March 9, 1981, July 11, 1986, October 10, 1988, June 21, 1991, June 19, 1992, March 8, 1996, January 1, 2001, April 1, 2001, July 1, 2001, August 26, 2002, May 23, 2008, July 4, 2011, February 24, 2014, July 27, 2015, June 27, 2016 and February 20, 2017 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

- A. Paragraphs 1 through 16 are hereby stricken from said contract as executed effective February 20, 2017, and hereby replaced by the following paragraphs numbered 1 through 16 inclusive:
1. All words and terms used herein which are defined in the Public Employees' Retirement Law shall have the meaning as defined therein unless otherwise specifically provided. "Normal retirement age" shall mean age 55 for classic local miscellaneous members, age 62 for new local miscellaneous members, age 50 for classic local safety members and age 57 for new local safety members.

PLEASE DO NOT SIGN "EXHIBIT ONLY"

2. Public Agency shall participate in the Public Employees' Retirement System from and after October 1, 1950 making its employees as hereinafter provided, members of said System subject to all provisions of the Public Employees' Retirement Law except such as apply only on election of a contracting agency and are not provided for herein and to all amendments to said Law hereafter enacted except those, which by express provisions thereof, apply only on the election of a contracting agency.
3. Public Agency agrees to indemnify, defend and hold harmless the California Public Employees' Retirement System (CalPERS) and its trustees, agents and employees, the CalPERS Board of Administration, and the California Public Employees' Retirement Fund from any claims, demands, actions, losses, liabilities, damages, judgments, expenses and costs, including but not limited to interest, penalties and attorney fees that may arise as a result of any of the following:
 - (a) Public Agency's election to provide retirement benefits, provisions or formulas under this Contract that are different than the retirement benefits, provisions or formulas provided under the Public Agency's prior non-CalPERS retirement program.
 - (b) Any dispute, disagreement, claim, or proceeding (including without limitation arbitration, administrative hearing, or litigation) between Public Agency and its employees (or their representatives) which relates to Public Agency's election to amend this Contract to provide retirement benefits, provisions or formulas that are different than such employees' existing retirement benefits, provisions or formulas.
 - (c) Public Agency's agreement with a third party other than CalPERS to provide retirement benefits, provisions, or formulas that are different than the retirement benefits, provisions or formulas provided under this Contract and provided for under the California Public Employees' Retirement Law.
4. Employees of Public Agency in the following classes shall become members of said Retirement System except such in each such class as are excluded by law or this agreement:
 - a. Local Fire Fighters (herein referred to as local safety members);
 - b. Local Police Officers (herein referred to as local safety members);
 - c. Employees other than local safety members (herein referred to as local miscellaneous members).

PLEASE DO NOT SIGN "EXHIBIT ONLY"

5. In addition to the classes of employees excluded from membership by said Retirement Law, the following classes of employees shall not become members of said Retirement System:
 - a. **PERSONS EMPLOYED AFTER JANUARY 16, 1952 AS CROSSING GUARDS; AND**
 - b. **PERSONS EMPLOYED AFTER JANUARY 30, 1959 AS PART-TIME LIFEGUARDS AND PART-TIME LIBRARY AIDES.**
6. The percentage of final compensation to be provided for each year of credited prior and current service for classic local miscellaneous members in employment before and not on or after August 26, 2002 shall be determined in accordance with Section 21354 of said Retirement Law, subject to the reduction provided therein for service on and after January 1, 1956, the effective date of Social Security coverage, and prior to December 30, 1980, termination of Social Security, for members whose service has been included in Federal Social Security (2% at age 55 Full and Modified).
7. The percentage of final compensation to be provided for each year of credited prior and current service for classic local miscellaneous members in employment on or after August 26, 2002 shall be determined in accordance with Section 21354.4 of said Retirement Law, subject to the reduction provided therein for service on and after January 1, 1956, the effective date of Social Security coverage, and prior to December 30, 1980, termination of Social Security, for members whose service has been included in Federal Social Security (2.5% at age 55 Full and Modified).
8. The percentage of final compensation to be provided for each year of credited prior and current service as a new local miscellaneous member shall be determined in accordance with Section 7522.20 of said Retirement Law (2% at age 62 Full).
9. The percentage of final compensation to be provided for each year of credited prior and current service as a classic local safety member shall be determined in accordance with Section 21362.2 of said Retirement Law (3% at age 50 Full).
10. The percentage of final compensation to be provided for each year of credited prior and current service as a new local safety member shall be determined in accordance with Section 7522.25(d) of said Retirement Law (2.7% at age 57 Full).
11. Public Agency elected and elects to be subject to the following optional provisions:
 - a. Section 21573 (Third Level of 1959 Survivor Benefits) for local safety members only.

- b. Sections 21624 and 21626 (Post-Retirement Survivor Allowance) for local safety members only.
- c. Section 20042 (One-Year Final Compensation) for classic members only.
- d. Section 21635 (Post-Retirement Survivor Allowance to Continue After Remarriage) for local safety members only.
- e. Section 21024 (Military Service Credit as Public Service).
- f. Section 21027 (Military Service Credit for Retired Persons).
- g. Section 21551 (Continuation of Pre-Retirement Death Benefits After Remarriage of Survivor).
- h. Section 21022 (Public Service Credit for Periods of Lay-Off) for local miscellaneous members only.
- i. Section 21547.7 (Alternate Death Benefit for Local Fire Members Credited with 20 or More Years of Service) for local miscellaneous members only.
- j. Section 20903 (Two Years Additional Service Credit).
- k. Section 20965 (Credit for Unused Sick Leave) for local fire members only.
- l. Section 21547.7 (Alternate Death Benefit for Local Fire Members Credited with 20 or More Years of Service).
- m. Section 20516 (Employees Sharing Cost of Additional Benefits):

Section 21362.2 (3% @ 50) effective January 1, 2001 and Section 20042 (One-Year Final Compensation) effective January 12, 1981 for classic local fire members. The employee cost sharing contribution is not to exceed 15.607%. The maximum employee cost sharing contribution is the normal cost plus the increase in the accrued liability due to the benefit improvement amortized over 20 years. In no event shall the employee cost sharing contribution attributable to the unfunded liability remain in effect beyond June 30 preceding the 20th anniversary of the effective date of the additional benefits. Therefore, after June 30, 2020, in any given contribution year, the maximum employee cost sharing contribution cannot exceed 5.986%.

Section 21362.2 (3% @ 50) effective July 1, 2001 and Section 20042 (One-Year Final Compensation) effective April 23, 1979 for classic local police members. The employee cost sharing contribution is not to exceed 13.882%. The maximum employee cost sharing contribution is the normal cost plus the increase in the accrued liability due to the benefit improvement amortized over 20 years. In no event shall the employee cost sharing contribution attributable to the unfunded liability remain in effect beyond June 30 preceding the 20th anniversary of the effective date of the additional benefits. Therefore, after June 30, 2021, in any given contribution year, the maximum employee cost sharing contribution cannot exceed 5.505%.

n. Section 20516 (Employees Sharing Additional Cost):

From and after February 24, 2014, 3.75% for new local fire members.

From and after July 27, 2015, 2.25% for new local police members.

From and after February 20, 2017, 5.25% for new local fire members in the International Association of Firefighters Local 1909.

From and after February 20, 2017, 3% for new local police members in the Hayward Police Officers' Association.

From and after the effective date of this amendment to contract, 3% for local miscellaneous members in the Hayward Association of Management Employees Group, International Federation of Professional and Technical Engineers Local 21, Unrepresented Executives, Management, Human Resources, City Attorneys and City Managers Group and Council Appointed Employees Group.

The portion of the employer's contribution that the member agrees to contribute from his or her compensation, over and above the member's normal contribution ("Cost Sharing Percentage"), shall not exceed the Employer Normal Cost Rate, as that rate is defined in the CalPERS Actuarial Valuation for the relevant fiscal year. If the Cost Sharing Percentage will exceed the relevant Employer Normal Cost Rate, the Cost Sharing Percentage shall automatically be reduced to an amount equal to, and not to exceed, the Employer Normal Cost Rate for the relevant fiscal year.

12. Public Agency, in accordance with Government Code Section 20790, ceased to be an "employer" for purposes of Section 20834 effective on June 1, 1978. Accumulated contributions of Public Agency shall be fixed and determined as provided in Government Code Section 20834, and accumulated contributions thereafter shall be held by the Board as provided in Government Code Section 20834.
13. Public Agency shall contribute to said Retirement System the contributions determined by actuarial valuations of prior and future service liability with respect to local miscellaneous members and local safety members of said Retirement System.
14. Public Agency shall also contribute to said Retirement System as follows:
 - a. Contributions required per covered member on account of the 1959 Survivor Benefits provided under Section 21573 of said Retirement Law. (Subject to annual change.) In addition, all assets and liabilities of Public Agency and its employees shall be pooled in a single account, based on term insurance rates, for survivors of all local safety members.
 - b. Contributions required per covered member on account of the 1959 Survivor Benefits provided under Section 21574 of said Retirement Law. (Subject to annual change.) In addition, all assets and liabilities of Public Agency and its employees shall be pooled in a single account, based on term insurance rates, for survivors of all local miscellaneous members.
 - c. A reasonable amount, as fixed by the Board, payable in one installment within 60 days of date of contract to cover the costs of administering said System as it affects the employees of Public Agency, not including the costs of special valuations or of the periodic investigation and valuations required by law.
 - d. A reasonable amount, as fixed by the Board, payable in one installment as the occasions arise, to cover the costs of special valuations on account of employees of Public Agency, and costs of the periodic investigation and valuations required by law.
15. Contributions required of Public Agency and its employees shall be subject to adjustment by Board on account of amendments to the Public Employees' Retirement Law, and on account of the experience under the Retirement System as determined by the periodic investigation and valuation required by said Retirement Law.

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- 16. Contributions required of Public Agency and its employees shall be paid by Public Agency to the Retirement System within fifteen days after the end of the period to which said contributions refer or as may be prescribed by Board regulation. If more or less than the correct amount of contributions is paid for any period, proper adjustment shall be made in connection with subsequent remittances. Adjustments on account of errors in contributions required of any employee may be made by direct payments between the employee and the Board.

B. This amendment shall be effective on the _____ day of _____, _____.

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

CITY COUNCIL
CITY OF HAYWARD

BY _____
ARNITA PAIGE, CHIEF
PENSION CONTRACTS AND PREFUNDING
PROGRAMS DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY _____
PRESIDING OFFICER

Witness Date

Attest:

Clerk

PLEASE DO NOT SIGN "EXHIBIT ONLY"

PUBLIC NOTICE OF AN INTRODUCTION OF ORDINANCE
BY THE CITY COUNCIL OF THE CITY OF HAYWARD

AN ORDINANCE AUTHORIZING THE AMENDMENT OF THE CONTRACT
BETWEEN THE CITY OF HAYWARD AND THE BOARD OF ADMINISTRATION
OF THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

THE CITY COUNCIL OF THE CITY OF HAYWARD DOES ORDAIN AS FOLLOWS:

Section 1. Provisions.

1. That an amendment between the City Council of the City of Hayward and the Board of Administration, California Public Employees' Retirement System is hereby authorized, a copy of said amendment being attached hereto, marked Exhibit, and by such reference made a part hereof as though herein set out in full.
2. The City Manager of the City of Hayward is hereby authorized, empowered, and directed to execute said amendment for and on behalf of the City of Hayward.

Section 2. Severance. Should any part of this ordinance be declared by a final decision of a court or tribunal of competent jurisdiction to be unconstitutional, invalid, or beyond the authority of the City, such decision shall not affect the validity of the remainder of this ordinance, which shall continue in full force and effect, provided that the remainder of the ordinance, absent the unexcised portion, can be reasonably interpreted to give effect to the intentions of the City Council.

Section 3. Effective Date. In accordance with the provisions of Section 620 of the City Charter, this ordinance shall become effective 30 days from and after the date of its adoption.

Introduced at the meeting of the Hayward City Council held September 19, 2017, the above-entitled Ordinance was introduced by Council Member Peixoto.

This Ordinance will be considered for adoption at the meeting of the Hayward City Council, to be held on November 7, 2017, at 7:00 p.m., in the Council Chambers, 777 B Street, Hayward, California. The full text of this Ordinance is available for examination by the public in the Office of the City Clerk.

Dated: October 27, 2017
Miriam Lens, City Clerk
City of Hayward