glendale
california

CITY OF GLENDALE, CALIFORNIA
REPORT TO THE:

Joint ☒ City Council ☒ Housing Authority ☒ Successor Agency ☐ Oversight Board ☐

November 13, 2018

AGENDA ITEM

Report: Request to Initiate Preparation of an Inclusionary Zoning Ordinance and / or a Development Impact Fee for the Benefit of Providing Affordable Housing.

1. City Council Motion Initiating Preparation of Amendments to the Zoning Code to Adopt a Citywide Inclusionary Zoning Ordinance and In-Lieu Fee Resolution;
2. City Council Motion Initiating Preparation of Amendments to the Municipal Code to Adopt a Commercial Development Impact Fee;
3. City Council Motion Initiating Preparation of Amendments to the Municipal Code to Adopt an Ordinance Revising the Affordable Housing Exemption for the Parks and Library Impact Fee;
4. City Council Motion Approving An Amendment to the Professional Services Agreement C106766 with Keyser Marston and Associates to increase the contract by $7,500 for a new total amount of $64,500 and to extend the term through January 30, 2019; and
5. Housing Authority Resolution of Appropriation in the amount of $7,500.

COUNCIL ACTION

Public Hearing ☐ Ordinance ☐ Consent Calendar ☐ Action Item ☒ Report Only ☐

Approved for 11/13/18 calendar

ADMINISTRATIVE ACTION

	Signature
Submitted by: Philip Lanzafame, Director of Community Development	
Prepared by: Michael Fortney, Principal Housing Project Manager	Peter Zovak for Mike Fortney
Peter Zovak, Assistant Director of Community Development	
Sipan Zadoryan, Housing Associate	
Approved by: Yasmin K. Beers, City Manager and Executive Director	for YB
Reviewed by: Michael J. Garcia, City Attorney	
Robert P. Elliot, Director, Finance	Robert Elliot

RECOMMENDATION

Community Development staff recommends that the City Council initiate the preparation of Code amendments in order to implement a City-Wide Inclusionary Zoning Ordinance and a Commercial Development Impact Fee to benefit the development of affordable housing and amend the existing Professional Services Agreement with Keyser Marston and Associates (KMA).

BACKGROUND/ANALYSIS

At the August 14, 2018 City Council meeting, staff presented the Council with policy options for adoption of an Inclusionary Zoning Ordinance (IZO) and a Commercial Development Impact Fee (DIF) which would support development of more affordable housing in Glendale. A copy of the report is attached as Exhibit 1. The City Council provided staff with direction to begin developing an IZO and DIF for inclusionary housing.

Inclusionary zoning is a legal requirement for the inclusion of affordable housing units in new development projects. Recent studies indicate that inclusionary housing programs are an increasingly prevalent tool for producing affordable housing. A Development Impact Fee, or DIF, is a one-time fee(s) charged to new developments through the entitlement process that is used to defray the cost of providing additional public amenities such as schools, roads, and sewer lines, that will serve the new development. Numerous cities within the State have implemented such a fee. Some cities (mainly in Northern California) have required the fee for both new residential development and new commercial developments, linking it to a jobs/housing imbalance.

At the September 18, 2018, City Council meeting staff and the City's outside financial consulting firm, KMA, presented analysis and reports, and based on the City Council's prior direction, submitted recommendations regarding preparation of an IZO and DIF program. City Council requested additional time to review the information and requested more discussion on the pros and cons and/or alternatives as appropriate to each of the policy considerations.

Inclusionary Zoning

The following is a list of policy considerations and KMA's and staff's recommendations, as well as further discussion as appropriate on pros and cons of alternatives:

Geographic Coverage – City Wide

Staff recommends adoption of a citywide IZO to promote the development of affordable housing units throughout the city because access to affordable housing is a city-wide issue. Staff further recommends the newly adopted IZO replace the IZO already in effect in the San Fernando Road Corridor. As stated in previous staff reports, the San Fernando Road Redevelopment Project Area has an inclusionary housing requirement tied to former Redevelopment Law. Implementing a city wide ordinance will improve administration of the IZO should the Council chose to adopt it. Concerns regarding developers taking advantage of density bonuses in areas of the City zoned lower density have been addressed in other policy recommendations.

Alternative: The City Council could elect to focus the application of the IZO to specific areas of the City such as the Downtown Specific Plan area, the former San Fernando Redevelopment Project Area, all areas of the city south of Glenoaks Boulevard, or any other geographic area. Limiting the geographic area subject to the IZO will reduce the number of affordable housing

units produced and limit revenue generated from an In-Lieu Fee (as discussed in the August staff report and later in this report) but would also likely reduce the incentive for developers to seek a density bonus in those areas.

Type of Development – Both Ownership and Rental

KMA and staff recommend adopting an IZO for both ownership as well as rental housing projects with variations to each of the two programs. Recommended differences in the programs are discussed further in the remaining policy considerations. There are significant challenges to an IZO for ownership projects but those challenges, like the concerns with density, are addressed in other policy considerations.

Although staff's recommendations do address some of the concerns with IZO for ownership projects, City Council could decide to exempt for-sale projects entirely. This would reduce the In-Lieu fee revenue generated from the program as well as reduce the number of for-sale affordable units produced; however, it would also make developing market-rate, for-sale ownership projects more financially feasible.

Project Threshold Size – Projects with 5 or More Units

KMA and staff recommend the City set the threshold project size at five or more units for both ownership and rental projects. This represents the minimum project size that qualifies for the use of a Government Code Section 65915 density bonus and incentives. KMA and staff believe projects of four or fewer units would be unduly burdened with an inclusionary requirement.

Staff's recommendation of project threshold size of five or more units will help alleviate concerns that a city-wide IZO program would incentivize developers in lower density areas to seek density bonuses. The City Council could increase the project threshold size to further alleviate those concerns but that would come at the expense of fewer projects being subject to the IZO, therefore fewer affordable units and less revenue generated by the proposed In-Lieu fee.

Percentage of Units to be Reserved as Affordable - 11% Ownership and 15% Rental

KMA and staff recommend that the Inclusionary Housing requirement be set at 11% of the units allowed by the base zoning for ownership projects and 15% of the units allowed by the base zoning for rental projects. This is based on the KMA analysis showing financial feasibility of projects with this level of inclusionary requirements. Council could consider adopting more or less stringent requirements. Less stringent requirements would reduce the number of affordable units built and would likely reduce the amount of In-Lieu fee revenue generated. Stricter requirements may serve as a deterrent to development as it could prove financially infeasible. Stricter requirements increase the chances of State Housing and Community development (HCD) review because a stricter requirement creates a higher hurdle for affordable housing development. If the Council were to direct staff to explore stricter requirements staff and KMA will need to undertake some additional analysis and report back to Council. This would delay adoption and implementation of an IZO program.

Affordability Level

KMA and staff recommend targeting Low Income (up to 80% AMI) for rental projects and Moderate Income (up to 120% AMI) for ownership projects using Los Angeles County AMI

figures. The idea is to make the affordable rents and sales prices consistent with Density Bonus Law, and make implementation and monitoring of the program more manageable. However, Council could consider other income targets for rental and ownership projects other than what staff and KMA recommend. Higher income targeting would result in serving a higher income population that may be able to afford current market rents. Targeting income lower than 80% AMI could trigger review by the HCD and result in fewer units developed (a lower income population would result in lower cash flow for developers).

Duration of Affordability – 45 Years for Ownership and 55 Years for Rental

KMA and staff recommend the affordability covenants remain for 45 years for ownership projects and 55 years for rental projects. These are the standards that are commonly used for inclusionary housing ordinances, and the rental covenant period is consistent with Density Bonus Law. Implementation and monitoring using these typical standards will be more efficient. For these reasons staff recommends maintaining covenants consistent with existing programs, however, the Council could decide to set the duration of affordability to other reasonable lengths of time such as 30 or 40 years.

Design Standards – Equal Standards

KMA recommends the exterior and interior design standards applied to affordable units be comparable to the standards applied to the market rate units, in terms of square feet and bedroom count, and that affordable units not be concentrated in a particular portion of a project but be dispersed throughout a project. This approach is consistent with the City's interpretation of Density Bonus Law. Additionally, occupants of the affordable units should be allowed equal access to the project's community spaces and amenities. However, Council could decide to adopt a policy that permits developers to modify the level/quality of interior improvements compared to the market rate units. This would provide savings to the project developer in the short term, but in the long term property owners may have issues with units built and finished out to different standards.

KMA and staff recommend that developers be allowed the option of providing smaller affordable units (lower bedroom count and smaller square footage), but in exchange be obligated to restrict the sale of 15% (versus just 11%) of the units in an ownership project and restrict the rents of 20% (versus just 15%) of the units in a rental project. Council could reject this option, or decide to adopt more stringent requirements should the developer opt to build smaller units. Without this option, developers would not have incentive to build additional affordable housing beyond the minimum required by the IZO program and the City would receive less affordable units. With more stringent requirements, such as a higher percentage of units to be reserved as affordable, the City could see an additional number of affordable units or the developer may elect not to choose this option.

Off-Site Production Option – Allow within Parameters

Rental developers must be given the option of providing the affordable units off-site. KMA and staff recommend the off-site units must be:

- Within ½ mile of the market rate project;

- Comparable in size (square feet and bedroom count) and interior and exterior improvements; and

- Be limited to rental units subject to the 15% inclusionary requirement (or 20% if smaller units) and reserved for low-income households.

Council may elect to increase or decrease the distance requirement, or eliminate it all together; however, this could result in the clustering of affordable units into lower development cost neighborhoods within the City if the distance requirement is too lenient.

KMA and staff further recommend that acquisition and rehabilitation of existing residential buildings be allowed to fulfill the inclusionary requirement, but only in the following circumstances:

- The existing building subject to acquisition and rehabilitation has been cited for substantial building code violations;

- All of the units have been vacant for 90 days or longer; and

- The rehabilitation of the building is substantial, meaning the after-rehab value must be at least 25% greater than the pre-rehab value of the building.

Council may elect not to allow acquisition / rehabilitation as an option for developers to fulfill their IZO requirements or specify any other parameters if acquisition / rehabilitation will be allowed. Not allowing acquisition / rehabilitation to fulfil a developer's obligation may result in an increase of newly constructed affordable units versus some mix of new construction and rehabilitated units.

Phase In Option – Exempt only Projects with Secured Building Permit

There is consensus among City Councilmembers that no project should be exempt from an IZO if it has not already secured building permits. Staff defers to Council's consensus without concern.

In-Lieu Fee – Range Depending on Project Size and Type

Part of KMA's scope of work was to analyze both the maximum legally defensible and economically feasible limit of an In-Lieu Fee. The ***maximum legally defensible*** fee is the difference between market rate rent/sales price and affordable rent/sales price whereas the ***maximum economically feasible*** fee is the highest fee a project could support before the project is no longer financially feasible to build.

KMA and staff recommend that In-Lieu fee payment be encouraged for ownership projects, and allowed as an option for rental projects. To achieve these goals, KMA recommends that the fee be set at $26.30 per square foot of gross buildable area ("GBA") for ownership projects and $55.00 per square foot of GBA for rental projects. Recognizing that small projects experience a greater financial impact than larger projects, KMA and staff recommend establishing the following in-lieu fee schedule:

- Ownership and Rental projects between 5 and 20 units per the following chart:

	Ownership Housing	Rental Apartments
	In-Lieu Fee Per Square Foot of GBA	
Number of Units		
5	$10.57	$22.11
6	$11.52	$24.09
7	$12.63	$26.40
8	$13.73	$28.71
9	$14.68	$30.69
10	$15.78	$33.00
11 thru 15	$21.04	$44.00
16 thru 20	$23.67	$49.50
21+	$26.30	$55.00

- Rental projects of 21 units or greater - $55/sq. ft. GBA;
- Ownership projects of 21 units or greater - $26.30/sq. ft. GBA;
- Ownership and Rental projects with less than 5 units would be exempt from an Inclusionary Housing requirement, including payment of an In-Lieu Fee.

A simpler In-Lieu fee schedule could also be adopted. For example, all projects between 5 and 20 units could be charged a single In-Lieu fee rather than one based on the recommended fee schedule. Council could consider any other In-Lieu fee schedule other than the schedule recommended by KMA and staff provided the fees are *at or below* the legally defensible level. Staff and KMA will need additional time to analyze the impact of a suggested significant deviation from the recommended schedule.

KMA and staff recommend developers be allowed to pay the In-Lieu fee for ownership projects as opposed to requiring developers to build the units because the required on-going affordability monitoring adds an administrative burden whereas collecting the In-Lieu fees will give the city more flexibility to develop the type, location and amount of affordable housing of its choosing. KMA and staff further recommend that rental projects of 20 or fewer units be allowed to pay the In-Lieu fee so as not to encourage building the units and taking advantage of Density Bonus Law in lower density neighborhoods within the City. KMA and staff recommend that rental projects in excess of 20 units be required to build the affordable units; an in-lieu fee payment should only be allowed with City Council approval. The recommended In-Lieu fees incentivize developers to pay the fee for ownership projects and small rental projects, and to build the affordable units in rental projects of 21 or more units.

The Council could decide to exempt ownership projects entirely, in which case the above discussion regarding ownership projects is moot.

Conclusion (IZO)

KMA and staff recommend the City Council adopt a city-wide inclusionary housing ordinance that incentivizes developers to build rental units in projects of more than 20 units and pay an in-lieu fee for ownership projects. KMA and staff recognize that developers will likely seek a density bonus with an inclusionary requirement in place requiring affordable units to be built. For this reason, and because economies of scale result in a greater economic impact on smaller projects, KMA and staff further recommend smaller projects (5-20 units) be subject to a lower In-Lieu fee and projects with less than 5 units be exempt from the inclusionary requirement all together.

KMA and staff further recommend:

- All projects (Rental and Ownership) of 5 or more units that are not previously vested, be subject to an IZO city-wide;
- Rental projects should provide affordable units for up to 80% AMI while ownership projects should target up to 120% AMI. AMI should be based on the standards imposed by California Health and Safety Code Sections 50053 and 50052.5;
- Units in ownership projects should be subject to a recorded covenant to remain affordable for 45 years while covenants on affordable rental units should require affordability for 55 years;
- In-Lieu Fees should be based on project size and type;
- Affordable Units should be comparable to market rate units, except when smaller units are proposed, which triggers a requirement for additional affordable units; and
- Off-site production with parameters as described in this report.

Council may adopt KMA's and staff's recommendations or, as described above, the Council may choose other options, some of which would not require additional analysis. Others options, such as significant changes to income targeting, affordability requirements (percent of units to be reserved as affordable), or changes to the In-Lieu fee schedule could trigger review by the State HCD and will require additional analysis by KMA and staff.

Impact on the Public Use Facilities Development Impact Fees (Parks & Libraries DIF) (GMC Chapter 4.10)

The Inclusionary Zoning Ordinance will affect the City's Park and Library Fee Development Impact Fee revenue because, pursuant to that fee ordinance, residential projects that reserve 15% or more units as affordable are subject to a 75% reduction in the Parks and Libraries DIF. Staff therefore recommends the Council initiate the preparation of an amended Parks and Libraries DIF Ordinance concurrently with the Inclusionary Zoning Ordinance so that these impacts can be addressed.

Commercial Development Impact Fee:

Should the City Council decide to adopt a DIF for the benefit of affordable housing development, staff recommends the DIF be similar to the current Parks and Libraries DIF. That fee is:

- City-wide;
- Applies to office and general commercial uses but exempts auto dealerships and hotels; and
- Applies to commercial projects greater than 1,250 square feet GBA.

Like the IZO, Council could choose to target areas of the City versus adopting a city-wide DIF. This could reduce the fee revenue generated by the program but could also encourage commercial development in areas exempt from the fee.

KMA's analysis determined that the legally defensible limit to a commercial DIF varies depending on the type of commercial development. KMA has determined the economically feasible fee limit falls within the range of $3 to $19/square foot.

The City of Los Angeles recently adopted such a fee that includes a range from $3 to $5/square foot. The City of West Hollywood applies an $8/square foot fee while Santa Monica applies a range of $3 to $11/square foot.

The City's Parks and Libraries DIF applies as follows:

- Auto Dealership – Exempt
- Hotel – Exempt
- Office - $7.92 / square foot
- General Commercial - $6.50 / square foot
- Industrial - $3.24 / square foot

If the City Council elects to adopt a Commercial DIF for affordable housing, KMA and staff recommend setting the Commercial DIF in the $3 - $5 per square foot GBA range, which is at the low end of the economically feasible range and is within range of other local DIFs and the City's Parks and Library Impact Fee.

Council could adopt a fee at or below the level KMA has determined justified by the nexus study The higher fee (as supported by the nexus study) means more fee revenue, but high fees could discourage commercial development. Staff believes that an inverse relationship between the fee and the revenue generated is likely between $10 and $20 per square foot of GBA.

Similar to the IZO, staff recommends only exempting commercial projects that have obtained a validly issued building permit.

Using data from Glendale's Building and Safety Division over the past 5.5 years, KMA was able to project upwards of $910k annually that could be generated with a $5/sq. ft. fee on all commercial projects greater than 1,250 sq. ft. This is likely a high estimate given the number of hotels proposed during this time frame (8). Staff believes that is not a sustainable figure and is not reliable for reasonable projections. Instead, KMA's estimated projection of approximately

$250k annually based on $5/sq. ft. and not including hotel developments is likely a more reasonable estimate.

The adoption of a commercial DIF to benefit the development of affordable housing is entirely at the discretion of the Council. Parameters of a Commercial DIF for affordable housing are largely at the Council's discretion so long as the fee is at or below the fee level justified by the nexus study performed by KMA.

Conclusion (DIF)

Staff recommends the City Council adopt a city-wide commercial DIF for all office and general commercial and projects over 1,250 square feet, unless City Council priorities have changed in terms of development types desired/needed in the City. Staff further recommends this fee be in the $3 to $5 sq. ft. range, which is below the amount justified by the nexus study, but which will be roughly proportionate to fees charged by nearby cities.

If the City Council directs staff to initiate preparation of amendments to the Zoning/Municipal Code for an Inclusionary Zoning Ordinance and/or a Commercial Development Impact Fee, staff will prepare and submit the draft legislation to the Planning Commission for their review and recommendation to the City Council.

FISCAL IMPACT

KMA's original Professional Services Agreement (PSA) of $57,000 expired September 30th 2018. Staff recommends amending the PSA to add $7,500 for a total maximum contract amount of $64,500 in order to retain KMA through the IZO / DIF consideration and adoption process until January 30, 2019. Funding for this increase will come from the Low Moderate Income Housing Asset Fund (LMIHAF).

From:		
24214-213	Unallocated Fund Balance, LMIHAF 213	$7,500
To:		
43110-213-714	Contractual Services, LMIHAF Fund - Admin	$7,500

Also, adoption of an IZO and/or Commercial DIF would necessitate the creation of a new, full-time equivalent position at the Housing Analyst level. The new position would be tasked with administering the program(s). Responsibilities would include coordination with Building and Safety, City Attorney and Planning staff, ensuring the appropriate fees are collected, that developers are following the program rules and requirements, and to oversee the marketing and tenant selection process of the newly created affordable units.

This fiscal impact is estimated to be between $75,473 and $109,793 annually. This would not come from the City's General Fund but rather the Affordable Housing Asset Fund. Expected revenue from the adoption of an IZO and/or DIF would be deposited into the same account, and is expected to exceed this amount.

ALTERNATIVES

Alternative 1: The City Council may initiate the preparation of code amendments for adoption of an Inclusionary Zoning Ordinance and In-Lieu Fee Resolution;

Alternative 2: The City Council may initiate the preparation of code amendments for adoption of a Commercial Development Impact Fee and/or changes to the Affordable Housing Exemption for the Parks and Library Impact Fee;

Alternative 3: The City Council may direct staff to return with additional information; or

Alternate 4: The City Council may consider any other alternative not currently proposed by staff.

EXHIBITS

Exhibit 1	August 14, 2018 Joint City Council and Housing Authority Staff Report
Exhibit 2	August 27, 2018 Inclusionary Housing Study Prepared by KMA
Exhibit 3	August 22, 2018 Commercial Impact Fee Analysis Memo Prepared by KMA
Exhibit 4	November 1, 2018 Jobs-Housing Nexus Study (Commercial Development Impact Study) Prepared by KMA

MOTION

Moved by Council Member _____, seconded by Council Member _____, that the Council hereby initiates preparation of amendments to the Zoning Code to adopt a Citywide Inclusionary Housing Ordinance and the preparation of an In-Lieu Fee Resolution, as set forth in the Joint Reports to Council and Housing Authority dated August 14, 2018, September 18, 2018, and November 13, 2018, and per additional or further direction provided by Council at the joint meetings of the same date. Staff is further directed to submit the Ordinance and Resolution to the Planning Commission for review and recommendation and then to the Council for its consideration.

Vote as Follows:

Ayes:

Noes:

Absent:

Abstain:

APPROVED AS TO FORM

Senior Assistant City Attorney

DATE 11/8/18

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MOTION

Moved by Council Member _____, seconded by Council Member _____, that the Council hereby initiates preparation of amendments to the Glendale Municipal Code to adopt a commercial development impact/linkage fee for affordable housing, as set forth in the Joint Reports to the Council and Housing Authority dated August 14, 2018, September 18, 2018, and November 13, 2018, and per additional direction provided by the Council at the joint meetings of the same date.

Vote as Follows:

Ayes:

Noes:

Absent:

Abstain:

APPROVED AS TO FORM

Yvette Neal

Senior Assistant City Attorney

DATE 11/8/18

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MOTION

Moved by Council Member _____, seconded by Council Member _____, that the Council hereby initiates preparation of amendments to the Glendale Municipal Code to adopt an ordinance revising the affordable housing exemption for the Parks and Library Impact Fee, as set forth in the Joint Reports to the Council and Housing Authority dated August 14, 2018, September 18, 2018, and November 13, 2018, and per additional direction provided by the Council at the joint meetings of the same date.

Vote as Follows:

Ayes:

Noes:

Absent:

Abstain:

APPROVED AS TO FORM

Senior Assistant City Attorney

DATE 11/8/18

MOTION

Moved by Council Member _____, seconded by Council Member _____, that the Council hereby authorizes the City Manager or her designee to execute an amendment to the professional services agreement with Keyser Marston Associates, a California corporation, contract number C106766, to increase the agreement in the amount of $7,500, for a new not-to-exceed maximum contract cost of $64,500, and to extend the term of the agreement to January 30, 2019. Said professional services contract amendment is subject to the review and approval as to form by the City Attorney.

Vote as follows:

Ayes:

Noes:

Absent:

Abstain:

APPROVED AS TO FORM

Senior Assistant City Attorney

DATE 11/8/18

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RESOLUTION NO. _____

RESOLUTION OF THE COUNCIL OF THE CITY OF GLENDALE
MAKING AN APPROPRIATION

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF GLENDALE:

SECTION 1: That the sum of $7,500 is hereby appropriated and/or transferred from the following accounts to the following accounts:

ACCOUNTS	DESCRIPTION	FROM	TO
24214-213	Unallocated, Fund Balance, LMIHAF 213	$7,500	
43110-213-714	Contractual Services, LMIOHAF Fund - Admin		$7,500

To appropriate additional funding for the amendment to the professional services agreement with Keyser Marston and Associates.

SECTION 2: The Director of Finance is authorized to make such other revisions, individual appropriation line-items, changes in summaries, fund totals, grand totals, and other portions of the budget document as necessary to reflect and implement the changes specified in this resolution.

SECTION 3: The City Clerk shall certify to the adoption of this Resolution.

Adopted this_____day of _____, 2018.

_____
Mayor

ATTEST:

_____
City Clerk

CITY OF GLENDALE
DATE 11/7/18
APPROVED AS TO FINANCIAL
PROVISION FOR $ 7,500

Over: _____
Director of Finance

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) SS
CITY OF GLENDALE)

I, Ardashes Kassakhian, City Clerk of the City of Glendale, do hereby certify that the foregoing Resolution No._____was adopted by the Council of the City of Glendale, California, at a regular meeting held on the_____ day of _____, 2018, and that the same was adopted by the following vote:

Ayes:
Noes:
Absent:
Abstain:

_____
City Clerk

APPROVED AS TO FORM

_____
Senior Assistant City Attorney

DATE 11/8/18

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EXHIBIT 1

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CITY OF GLENDALE, CALIFORNIA
REPORT TO THE:

Joint ☒ City Council ☒ Housing Authority ☒ Successor Agency ☐ Oversight Board ☐

August 14, 2018

AGENDA ITEM

Report: Request for Direction on Preparation of an Inclusionary Zoning Ordinance and / or a Development Impact Fee for the Benefit of Providing Affordable Housing.

1. City Council Motion Directing Staff to Prepare an Inclusionary Zoning Ordinance and In-Lieu Fee Resolution.
2. City Council Motion Directing Staff to Prepare Legislation Adopting a Commercial Development Impact Fee.
3. City Council Motion Directing Staff to Prepare a Draft Ordinance Revising the Affordable Housing Exemption for the Parks and Library Impact Fee.

COUNCIL ACTION

Public Hearing ☐ Ordinance ☐ Consent Calendar ☐ Action Item ☒ Report Only ☐

Approved for Aug. 14, 2018 calendar

ADMINISTRATIVE ACTION

	Signature
Submitted by: Philip Lanzafame, Director of Community Development	
Prepared by: Michael Fortney, Principal Housing Project Manager	
Peter Zovak, Assistant Director of Community Development	
Sipan Zadoryan, Housing Associate	
Approved by: Yasmin K. Beers, City Manager and Executive Director	by
Reviewed by: Michael J. Garcia, City Attorney	
Onnig Bulanikian, Director of CSP Interim Director of Library, Arts & Culture	

RECOMMENDATION

Community Development staff recommends that the City Council Provide Direction on the Preparation of a City-Wide Inclusionary Zoning Ordinance and a Commercial Linkage Fee to benefit the development of affordable housing.

BACKGROUND/ANALYSIS

At its December 5, 2017 meeting and as part of the approval of the City's Affordable Housing Strategy, the City Council directed staff to enter into a Professional Services Agreement with Keyser Marston and Associates (KMA) to study the possible implementation of two new housing programs to assist with development of affordable housing: Inclusionary Zoning and Commercial Development Impact Fees.

Inclusionary Zoning is a strategy that falls under the category of "Land Use Tools" in the City's adopted Affordable Housing Strategy. Inclusionary Zoning is a legal standard requiring the inclusion of affordable housing units in new residential development projects. Recent studies support that inclusionary zoning is an increasingly prevalent tool for producing affordable housing. Additionally, local inclusionary housing programs are: (1) prioritizing on-site affordable housing development, which may be an effective strategy to place affordable housing in neighborhoods of opportunity; and (2) ensuring long-term affordability, which is an effective way to maintain community assets and the affordable housing stock. Inclusionary Zoning Ordinances must allow for an In-Lieu fee as an option for the developer, rather than building the affordable units.

A Development Impact Fee (DIF) is a strategy identified in the "Dedicated Revenue" category in the City's Affordable Housing Strategy. DIFs are a one-time fee(s) charged to new developments that is used to defray the costs of mitigating development's impact on public facilities such as schools, roads, sewer lines, etc. Numerous cities within the State have implemented such a fee(s) for mitigating development's impact on affordable housing. Some cities (mainly in Northern California) have required the fee for both new residential development and new commercial developments, linking it to a jobs/housing imbalance. A commercial fee application is less frequently applied by cities because of concerns with business attraction and retention issues.

In 2007, Glendale adopted a DIF for park and library facilities for all new residential developments in Glendale which, to date, has generated over $16 million in revenue. Considering that such DIF revenue for housing would be generated locally, the allocation, priorities, and use of it would be governed locally by the City Council and Housing Authority. Exhibit 1 to this report is a memo generated by KMA which discusses in further detail both Inclusionary Zoning and Commercial Linkage or Impact Fee Programs.

If the City Council directs staff to prepare an Inclusionary Zoning Ordinance and/or Commercial Development Impact Fee legislation, staff will prepare and submit draft legislation to the Planning Commission for review and recommendation, since the proposals will require amendments to the Zoning Code. The legislation would then be submitted to Council for its consideration

Inclusionary Zoning:

When considering the adoption of an Inclusionary Zoning Ordinance (IZO), it is important to understand the interplay between inclusionary zoning and the State Density Bonus Law (Density Bonus Law). Under current law, applicants required to provide affordable units in a new development will likely have the opportunity to utilize the Density Bonus Law for additional density and incentives and concessions.

The Density Bonus Law allows property owners to build more residential units on their property than the local zoning code normally allows in exchange for reserving a percentage of the units as affordable units at rents or sales prices that are below market. In addition, a density bonus applicant is entitled to "incentives or concessions" – deviations from the zoning code or site development standards. Examples include maximum height and stories, minimum set-backs from the street and minimum open space requirements. Density bonus applicants are also entitled to certain parking concessions by right. Further, applicants may be entitled to waivers or modifications of development standards that physically preclude an applicant from building at the density and with the concessions authorized by the Density Bonus Law.

The amount of the density bonus and the number of incentives/concession vary based on the number of affordable units and level of affordability. The maximum required density bonus is 35% and the maximum number of required concessions is three. A density bonus request meeting the statutory requirements cannot be denied. Also, a request for incentives or concessions cannot be denied unless there is an identifiable, objective health or safety concern associated with the application. A California court has held that the affordable units required to be constructed by an IZO can be applied to meet the affordability thresholds necessary to trigger the Density Bonus Law. Thus, depending on the requirements of the IZO, some applicants who comply with the IZO by building affordable units will also be able to utilize the Density Bonus Law for additional density and zoning incentives.

An IZO must provide developers with the option of paying an In-Lieu Fee. This fee could be paid in-lieu of building the required units. One strategy to reduce the number of projects seeking a density bonus in combination with Inclusionary Zoning is to adjust the In-Lieu fee so that the developer will opt to pay it versus building additional units beyond what code allows. Discussion of the In-Lieu fee can be found further in this report.

In order to develop an IZO, a number of policy decisions will need to be made. The attached worksheet (Exhibit 2) and the following section of the report discuss these policy considerations and in some cases provide staff recommendations.

- Geographic Coverage
    - Does the City Council wish to implement a city-wide IZO?; or
    - Is the preference to target portions of the City?

Staff recommends, for consistency of implementation, adoption of a citywide IZO. Whichever direction the City Council prefers, however, staff recommendation is that a new IZO replace the IZO already in effect in the San Fernando Road Corridor. As stated in previous staff reports, the San Fernando Road Redevelopment Project Area has an inclusionary housing requirement tied to old Redevelopment Law.

- Type of Development
    - Does the City Council wish to apply an IZO strictly on rental projects; strictly on ownership projects, or on both?

- Project Threshold Size
  - Does the City Council wish to implement an IZO on all residential developments regardless of size or is there a minimum size project, such as 5, 10, or more units that would be exempt from an IZO?
  - The City Council may also adopt an IZO that has a tiered effect, meaning more restrictive the larger the project size.
- Percentage of units to be reserved as affordable
  - Most IZOs throughout the state require between 10% and 20% of the units to be reserved as affordable with 15% commonly being used.
    - Note: An IZO requiring greater than 15% of the units to be reserved as affordable housing might trigger review by the State if the City has not satisfied 75% of its housing needs for above-moderate income households for the applicable reporting period as set forth in the Regional Housing Needs Assessment (RHNA); however, Glendale has satisfied its RHNA need for above-moderate income households.
  - The percentage of units to be reserved as affordable could differ between ownership projects and rental projects should the City Council wish to adopt an IZO on both types of residential projects.
- Affordability Level
  - For rental projects, the new State law identifies low income households earning up to 80% AMI as a threshold. Many cities that have adopted an IZO provide an incentive to owners to provide the reserved units to very low income households, up to 50% AMI.
    - Deeper income targeting than 80% AMI can trigger state review of the an IZO but, as noted above, the City has satisfied its above-moderate income housing need.
  - For ownership projects, targeting very-low and low-income households is not recommended. The unit would have to be sold at almost no cost for low-income and no cost or even with a subsidy for very low-income households. Additionally, households of lower income often don't have the financial capacity to deal with the inevitable costs (maintenance and capital replacement) associated with home ownership.
  - For ownership, moderate-income households (up to 120% AMI) are most commonly targeted in IZOs which is consistent with Density Bonus Law.
  - Additionally for ownership, higher incomes known as workforce housing which is generally accepted to be up to 150% AMI can also be targeted.

Staff's recommendation is to target very low and low-income households for rental projects and moderate-income households for ownership projects to be consistent with Density Bonus Law.

- Duration of Affordability
    - Commonly used covenant periods are 45 years as the minimum length of affordability for ownership projects and 55 years for rental projects. These timeframes are based on Redevelopment Law and also the Density Bonus Law for rental projects is also fifty-five years. However, the City Council could adopt any length of affordability it chooses and ownership and rental could be the same duration.

- Design Standards
    - In many jurisdictions the design standard for the units to be reserved for lower income households is an exact comparison of the market rate units to be built.
    - The City Council could elect a different standard for the lower income units such as smaller size, less expensive finishes, etc.
    - The City Council could also elect to have different design standards based on the affordability level, or for ownership versus rental units.

Staff's recommendation is to apply the same design standards to all the units so that all the restricted units, regardless of the income range they target, are of the same standard as the market rate units. This is the standard imposed on affordable units built under the City's density bonus requirements and it is also staff's opinion that this type of requirement will be more administratively efficient.

- Phase In Option – City Council will need to decide when the IZO will affect future residential development projects. Options include:
    - Projects that have submitted discretionary entitlement applications that have been deemed complete could be exempted; or
    - Projects that have approved discretionary entitlements could be exempted; or
    - Only projects with an issued Building Permit could be exempted; or
    - Only projects that have obtained a vested right to build would be exempted; or
    - The IZO could take effect in three months, six months, or some other timeframe.

Part of KMA's scope of work was to analyze both the maximum legally defensible and economically feasible limit of an In-Lieu Fee. The *maximum legally defensible* fee is the difference between market rate rent and affordable rent whereby the *maximum economically feasible* fee is the highest fee a project could support before the project is no longer financially feasible to build.

KMA analyzed three rental development scenarios, a low density 35 unit / acre project, a 35 unit / acre project with a 35% Density Bonus, and a high density 100 unit / acre project. KMA evaluated a 15% Inclusionary Housing requirement, and an economically feasible percentage, at low income for each of the scenarios. KMA's analysis concludes that an In-Lieu fee of between $55.00 / square foot to $59.10 / square foot on residential rental development is legally defensible. However, KMA concluded that an economically feasible In-Lieu Fee falls within the range of $39 / square foot.

For residential ownership projects, KMA studied a low density scenario with a financially feasible Inclusionary Zoning requirement at moderate income and determined that a legally defensible fee of $42.20 and an economically feasible fee of $26.30 could be charged.

- In-Lieu Fee
    - Does the City Council wish to adopt an In-Lieu Fee at the maximum legally defensible amount of $59.10 / square foot for residential rental projects or a lower amount?
    - Does the City Council wish to adopt an In-Lieu Fee at the maximum economically feasible amount of $39 / square foot for residential rental projects or a lower amount?
    - Does the City Council wish to adopt an In-Lieu Fee at the maximum economically feasible amount of $42.20 / square foot for residential ownership projects or a lower amount?
    - Does the City Council wish to adopt an In-Lieu Fee at the maximum economically feasible fee of $26.30 / square foot for residential ownership projects or a lower amount?

Development Impact Fee:

KMA conducted a nexus study to establish the maximum allowable linkage fee amounts for commercial uses identified by the City for evaluation. Although many cities in California have adopted a commercial DIF, most of those cities are located in Northern California. Only four cities, Los Angeles, San Diego, Santa Monica and West Hollywood, have adopted commercial DIFs in Southern California. The scarcity of this type of fee in neighboring cities such as Pasadena and Burbank and its implementation in Glendale could reduce the competitiveness of Glendale to attract commercial development. The less the fee is, the more competitive Glendale remains. The higher the fee, the less competitive. Too high of a fee and the city risks impeding commercial development all together. More discussion on the fee itself is provided following policy considerations:

Similar to an IZO, the City Council would have to consider several policy options when considering adopting a commercial DIF. The first is if the City Council would even like to adopt a Commercial DIF. Others include:

- Geographic Coverage
    - Will the Commercial DIF be in effect city-wide or would the City Council prefer to target certain areas of the City?

- Type of Development
  - The fee could be applied evenly to all commercial developments; or
  - Certain types of commercial developments could be subject to differing fees or be exempt all together.
    - Hotel (exempt from Glendale's Park and Library Fee)
    - Office
    - Retail
    - Auto dealerships (exempt from Glendale's Park and Library Fee)
- Project Threshold size
  - Is there a minimum size of development the City Council would like to exempt from the fee? Los Angeles exempts projects 15,000 square feet and less while West Hollywood exempts projects smaller than 10,000 square feet. The City of Glendale's Park and Library Fee exempts projects of 1,250 square feet or less.
- Fee
  - KMA has determined that the legally defensible limit to a commercial DIF varies depending on the type of commercial development. These limits are as high as $379.40/square foot for ground floor retail, to as low as $131.60/sq. ft. on hotel uses.
  - KMA has determined the economically feasible fee limit falls within the range of $5 to $15/square foot.
  - The recently adopted fee in the City of Los Angeles includes a range from $3 to $5/square foot. West Hollywood applies an $8/square foot fee and Santa Monica applies a range of $3 to $11/square foot.
  - Glendale's Parks and Library Fee are as following:
    - Auto Dealership – Exempt
    - Hotel – Exempt
    - Office - $7.92 / square foot
    - General Commercial - $6.50 / square foot
    - Industrial - $3.24 / square foot

Neither KMA nor staff recommends implementing a Commercial DIF at anywhere near the legal limit. Instead, a fee of approximately $3 - $5/square foot, which is at the low end of the economically feasible range, would be more appropriate. Any type of commercial development the City Council would like to promote in terms of development may be exempted from any fee.

- Phase In Option – City Council will need to decide when the Commercial DIF will affect future commercial development projects. Options include:

- Projects that have submitted a complete discretionary entitlements application could be exempted;
- Projects that have approved discretionary entitlements could be exempted;
- Only projects with a pulled Building Permit are exempted; or
- The Commercial DIF could take effect in three months, six months, or some other timeframe.

Park and Library Impact Fee:

Adoption of an IZO will have an immediate impact on the Park and Library Impact Fee for residential projects. The Park and Library Impact Fee for multi-family residential projects ranges between $17,006 to $18,751 per unit. But this fee is reduced for projects providing some level of affordability. The reduction in fee is as follows:

- 5% of units reserved as affordable is granted a 25% Park and Library Impact Fee reduction;
- 10% affordability gets a 50% reduction;
- 15% affordability gets a 75% reduction; and
- 20% of the units are reserved for affordable housing, the Park and Library Impact Fee is waived.

Therefore, if the City Council were to adopt an IZO, all multi-family residential projects would have to provide some percentage of affordable units. Should the City Council elect to require 15% of all units to be reserved as affordable units, these same projects would have a 75% reduction in the otherwise applicable Park and Library Fee.

Staff recommends the City Council re-visit the Park and Library Impact Fee, and in particular the level of affordability that needs to be provided in multi-family residential projects to exempt a project from paying all or part of the Fee. The Park and Library Fee exemption of 25% would need to start at a higher percentage of affordability than what the City Council ultimately selects for its IZO in order for there to be little or no impact on the Parks and Library Fee.

FISCAL IMPACT

There is no fiscal impact associated with this report.

ALTERNATIVES

Alternative 1: The City Council may direct staff to draft language for am Inclusionary Zoning Ordinance;

Alternative 2: The City Council may direct staff to draft language for the possible adoption of a Commercial Development Impact Fee;

Alternative 3: The City Council may direct staff to return with additional information; or

Alternate 4: The City Council may consider any other alternative not currently proposed by staff.

EXHIBITS

Exhibit 1	April 23, 2018 KMA Memo – Inclusionary Housing and Linkage Fee Programs
Exhibit 2	Inclusionary Zoning Ordinance and Commercial Development Impact Fee Worksheet.

EXHIBIT 1

KEYSER MARSTON ASSOCIATES.
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

To: Peter Zovak, Deputy Director of Housing
City of Glendale

From: Kathleen Head

Date: April 23, 2018

Subject: Inclusionary Housing & Linkage Fee Programs

At your request, Keyser Marston Associates, Inc. (KMA) prepared a summary of affordable housing programs that could potentially be adopted by the City of Glendale (City). This summary focuses on the characteristics of the following program types:

1. Inclusionary Housing programs;[1]
2. Residential Linkage Fee programs; and
3. Commercial Linkage Fee programs.

The following memorandum is organized as follows:

1. A description is provided of the affordable housing program that are currently available for use in Glendale.
2. The characteristics of Inclusionary Housing program and Residential Linkage Fee program characteristics are compared and contrasted. This comparative analysis includes:

[1] The City has an existing Inclusionary Housing program that is currently not in force. This analysis discusses the potential for updating the existing program.

a. The analyses that must be undertaken in support of the creation of both program types are identified;

b. The potential for fee revenue generation is described; and

c. Based on the characteristics of each type of program a recommendation is made on which course to pursue.

3. The basic parameters of an Inclusionary Housing program are described:

a. Structuring issues are identified.

b. The options for fulfilling the defined affordable housing requirements are identified.

c. The issues associated with the potential for affordable housing to be produced are discussed. This discussion includes:

i. A description of the potential development constraints; and

ii. The potential impacts of the density bonus provided by California Government Code Sections 65915 – 65918 (Section 65915).

iii. Inclusionary Housing program design recommendations are provided.

4. A Commercial Linkage Fee program summary is presented, and is organized as follows:

a. An overview of the Commercial Linkage Fee concept is provided.

b. The analytical methodology that must be used to establish Commercial Linkage Fees is described.

c. An order-of-magnitude estimate of the potential Commercial Linkage Fee revenue is provided.

d. Commercial Linkage Fee program design recommendations are provided.

TOOLS FOR ATTRACTING AFFORDABLE HOUSING UNITS

The 2012 termination of redevelopment in California eliminated the most significant financial resource used by local jurisdictions to assist in the production of affordable housing. In addition, over the past several years the amount of Federal funding for affordable housing has steadily decreased. The primary tools that are currently available to assist in the production of affordable housing are:

1. The HOME and Community Development Block Grant (CDBG) programs offered by the United States Department of Housing and Urban Development (HUD). These funding sources are appropriated to the City by HUD annually on a formulaic basis.

2. The Low-Income Housing Tax Program (Tax Credits) offered under Internal Revenue Code Section 42.

3. State funding sources such as the Affordable Housing and Sustainable Communities (AHSC) Program.

4. Affordable housing programs offered by the Community Development Commission of the County of Los Angeles, which are primarily focused on permanent supportive housing and homeless populations.

5. State and local bond issues targeted to the production of affordable housing and the provision of supportive services.

As Federal and State affordable housing program resources continue to decline, it has become increasingly important to identify alternative methods for providing affordable housing. Inclusionary Housing programs and Linkage Fee programs are tools that are commonly used by communities to add to the supply of affordable housing. Inclusionary Housing programs are directly tied to new residential development. Linkage Fee programs can be imposed on both new residential and commercial development.

INCLUSIONARY HOUSING PROGRAMS VS RESIDENTIAL LINKAGE FEE PROGRAMS

Both Inclusionary Housing programs and Residential Linkage Fee programs impose requirements on market rate residential development, and both have the fundamental objective of adding to the supply of affordable housing. However, the two types of programs approach the affordable housing issue in the following different ways:

1. Inclusionary Housing Programs:

    a. Inclusionary Housing programs are focused on requiring the developers of new residential projects to fulfill affordable housing production requirements.

    b. An Inclusionary Housing program's affordable housing requirements can be imposed in a variety of different ways, including on-site production within the market rate project, off-site production, payment of a fee in lieu of producing affordable housing, land donation, and the acquisition and rehabilitation of existing market rate units.

    c. Inclusionary Housing programs can be used to fulfill a community's existing and future need for affordable housing.

2. Residential Linkage Fee Programs:

    a. A Residential Linkage Fee must comply with the requirements imposed by the "Mitigation Fee Act".[2] This means that the Fee must be directly tied to the increased need for affordable housing created by new market rate residential development.

    b. The affordable housing need created by market rate housing is directly tied to the demand for goods and services created by the residents in the new residential development projects. The concept is as follows:

        i. As the needs for goods and services increases, the demand for low and moderate income workers increases.

[2] The Mitigation Fee Act is codified in California Government Code §66000 et seq.

ii. The increased number of low and moderate income households creates demand for housing that is affordable to those households.

c. Residential Linkage Fees are revenue based. They do not include an affordable housing production option.

d. Residential Linkage Fees cannot be used to fulfill existing affordable housing needs within a community.

It is not advisable to adopt both an Inclusionary Housing program and a Residential Linkage Fee program, because that would likely impose an untenable financial burden on residential development. It is KMA's opinion that it would be more advantageous to create an Inclusionary Housing program than a Residential Linkage Fee program for the following reasons:

1. Inclusionary Housing programs have the flexibility to be focused on the development of affordable housing units and/or the collection of in-lieu fee revenues. Residential Linkage Fee programs must focus on revenue production.

2. In-lieu fee requirements can be structured to generate equal to or greater revenues than Residential Linkage Fee revenues, for the following reasons:

   a. Because Inclusionary Housing programs can be used to meet existing and future affordable housing needs, there is more flexibility in setting the in-lieu fee amount than is available to Residential Linkage Fee programs.

   b. In both Inclusionary Housing programs and Residential Linkage Fee programs, it is important to set the fee amount at a level that does not constrain development. As a practical matter, the financially feasible fee level does not vary between Inclusionary Housing programs and Residential Linkage Fee programs.

   c. The fee amount that is ultimately applied will need to be set at the lesser of the legally supportable amount and the financially feasible amount. Given the additional flexibility accorded to Inclusionary Housing programs, it is extremely likely that the in-lieu fee supported in Glendale will be equal to or higher than the supportable Residential Linkage Fee.

INCLUSIONARY HOUSING PROGRAMS

Over 170 jurisdictions in California currently include an Inclusionary Housing program as a component in their overall affordable housing strategy. While the unifying foundation of these programs is the objective to attract affordable housing development, the characteristics of these programs vary widely from jurisdiction-to-jurisdiction. The following sections of this analysis describe typical characteristics of Inclusionary Housing programs.

Basic Inclusionary Housing Program Parameters

1. The vast majority of the California Inclusionary Housing programs impose affordable housing requirements on a mandatory basis. However, some programs limit the requirements to projects that are requesting a General Plan modification, a zone change, a density bonus, and/or other variances from the jurisdiction's zoning code requirements.

2. Recognizing that Inclusionary Housing programs are intended to reduce the unmet need for affordable housing, it is useful to base the requirements on the need for affordable housing identified by tools such as the RHNA.

3. As a result of the following court rulings and recent State legislation, Inclusionary Housing requirements can be imposed on both ownership housing and rental housing:

    a. In 2015, the California Supreme Court ruled that Inclusionary Housing obligations that are imposed on ownership housing developments are land use restrictions that are a valid exercise of a jurisdiction's zoning powers.[3]

    b. Rental Housing Development:

        i. In 2009, the California Court of Appeal ruled that affordable housing requirements being imposed by the City of Los Angeles on rental housing development violated the Costa-Hawkins Rental

[3] *California Building Industry Association v. City of San Jose*, 61 Cal 4th 435 (*San Jose*).

Housing Act.[4] That ruling effectively acted to prohibit the imposition of Inclusionary Housing requirements on rental housing developments.

ii. Assembly Bill (AB) 1505, which is otherwise known as the "Palmer Fix", was signed into law in September 2017.[5] This new legislation provides jurisdictions with the ability to adopt ordinances that impose Inclusionary Housing requirements on rental projects.

4. Historically, the courts have determined that the affordable housing requirements imposed by an Inclusionary Housing program cannot deprive property owners of "all economically beneficial use" of their property. However, since the courts have not defined all economically beneficial use, it is advisable to apply standards that are similar to those applied by other California jurisdictions that have implemented Inclusionary Housing programs.

Inclusionary Housing Program Structuring Issues

1. In California, the majority of Inclusionary Housing programs include a threshold project size below which projects are not subject to the affordable housing production requirements. Common thresholds fall between three and 10 units.

2. It can be advantageous to establish different affordable housing requirements for ownership and rental development:

   a. The income and affordability restrictions for ownership housing projects are generally set at the moderate income level. This is done as a reflection of the fact that moderate income households are likely to have more discretionary income to devote to the ongoing costs associated with home ownership than that of lower income households.

   b. Rental housing developments are well suited for affordable housing requirements that are set at the very-low and low income levels.

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[4] *Palmer/Sixth Street Properties L.P. v. City of Los Angeles,* 175 Cal. App. 4th 1396 (*Palmer*).
[5] AB 1505 amends California Government Code Section 65850 and adds Section 65850.01.

3. The affordability standards imposed by Inclusionary Housing programs vary widely throughout California. The majority of programs have established standards in the range of 10% to 20% of the units in projects that will be subject to the requirements. However, the following policy issues must be considered:

   a. For rental projects, AB 1505 provides the California Housing and Community Development Department (HCD) with a review right if the program imposes requirements that exceeds 15% percent of the units in the project, and/or the income level is set at a more stringent standard than 80% of the area median income.

   b. An Inclusionary Housing program's income and affordability standards should be set at levels that do not constrain residential development. As a best practice, a financial feasibility analysis should be prepared as part of the Inclusionary Housing program's adoption process.

   c. Inclusionary Housing requirements have a disproportionate impact on smaller projects, because there are fewer market rate units available to spread the impact created by the income and affordability standards. A sliding scale requirement can mitigate these impacts.

4. The length of the covenant period imposed on Inclusionary Housing units varies from jurisdiction-to-jurisdiction. The California Health and Safety Code Section 33413 standard of 45 years for ownership housing units and 55 years for rental units is commonly used. However, both shorter and longer covenant periods are imposed on Inclusionary Housing programs throughout California.

Inclusionary Housing Program Options

Inclusionary Housing programs focus on the production of affordable housing units by imposing specific requirements on new development. To comply with the findings in the *San Jose* case, and the requirements imposed by AB 1505, Inclusionary Housing programs must offer developers a range of options for fulfilling the affordable housing requirements. The following options are commonly provided:

1. For the on-site production of Inclusionary Housing units, the following wide range of requirements are imposed by jurisdictions throughout the State:

a. On-site affordable housing units are sometimes required to be indistinguishable from the market rate units.

b. In some programs, the comparability is limited to the exterior improvements and the number of bedrooms included in the unit.

2. AB 1505 requires Inclusionary Housing requirements imposed on rental units to include an option to fulfill the affordable housing requirement in an off -site location. This option may be difficult to use in Glendale due to the built-out nature of the city. However, it is useful to understand the requirements commonly imposed under this option:

   a. The site for the affordable housing units are required to be located within a defined distance from the market rate project.

   b. Specific scope, design, building quality and maintenance standards are imposed on all off-site affordable housing development. The off-site development is required to reflect the housing needs of the local low and moderate income population.

   c. Recognizing that the affordable housing product type will likely vary significantly from the market rate housing development, the required percentage of affordable housing units is sometime increased by a defined amount for projects that exercise an off-site option.

3. A fee can be paid in lieu of producing any affordable housing units. In some communities the in-lieu fee option is provided by right, while other communities require the developer to prove that producing the affordable housing units would create an untenable financial burden.

4. A land donation option is sometimes provided. For this to be successful, the land should be required to be located in an area that is conducive to residential development, and that does not already have an over concentration of affordable housing units.

5. Some Inclusionary Housing programs allow developers to fulfill the affordable housing requirements by acquiring an existing apartment project, rehabilitating

the units, and then imposing income and affordability covenants. This option should only be allowed under the following circumstances.

a. The existing units in the project should be subject to substantial building code violations;

b. All of the units should be required to have been vacant for a defined time period;

c. The direct rehabilitation costs should be required to exceed 25% of the market value of the units after the rehabilitation is completed;[6] and

d. The rents charged for the designated affordable units in the project should be a defined percentage less the achievable market rents for the units.

Inclusionary Housing Production Potential

Development Constraints

There is a commonly held theory that the adoption of an Inclusionary Housing program will have a negative impact on the production of residential units. To test this theory KMA compiled building permit data from Pasadena, Santa Monica, West Hollywood and San Diego for the 10 years preceding and following the adoption of an Inclusionary Housing program.

The result of that analysis was that there is no evidence that the adoption of an Inclusionary Housing program had any impact on development activity. Housing production increased and decreased before and after Inclusionary Housing requirements were adopted. These swings are clearly attributable to factors unrelated to the imposition of affordable housing requirements.

[6] Based on the California Health and Safety Code Section 33413(2)(A)(iv) definition of substantial rehabilitation.

Section 65915 Density Bonus

General Requirements

Section 65915 provides density bonuses based on the percentage of income-restricted units proposed to be included in a project. The affordability percentage is calculated against the number of units permitted under the property's base zoning standards.

The density bonuses and affordability requirements are shown in the following table:

	Income Standard		
	Very-Low	Low	Moderate [7]
Minimum Density Bonus	20%	20%	5%
Affordable Housing %	5%	10%	10%
Maximum Density Bonus	35%	35%	35%
Affordable Housing %	11%	20%	40%

Section 65915 requires the affordable rents and sales prices to be set using the calculation methodologies defined in California Health and Safety Code Sections 50053 and 50052.5, respectively. The net affordable rents and sales prices that are currently applicable to Section 65915 density bonus projects are as follows:

	Income Standard		
	Very-Low	Low	Moderate
Rental Units			
Two-Bedroom Units	$680	$826	N/A
Three-Bedroom Units	$750	$912	N/A
Ownership Units			
Two-Bedroom Units	$67,400	$118,100	$266,300
Three-Bedroom Units	$73,200	$129,600	$294,200

[7] Section 65915 only allows moderate income units to be used to obtain a density bonus for ownership housing projects.

Section 65915 Density Bonus Coupled with an Inclusionary Housing Requirement

The City of Glendale Housing Element 2014 – 2021 identifies the potential for between 3,219 and 3,352 units to be constructed. For illustrative purposes, based on the 3,285 unit average, and a 15% Inclusionary Housing requirement, 493 affordable units could be generated. However, it is important to take the following issues into account:

1. If an Inclusionary Housing program is enacted, it is very likely that some developers will use the Section 65915 density bonus to mitigate the impact created by the program's requirements. If the 35% maximum bonus is applied to the 3,285 unit potential growth estimate, residential development would total 4,435 units.

2. An Inclusionary Housing production requirement must be calculated against the number of units permitted under the property's base zoning standards. The affordable housing requirement cannot be applied to density bonus units.[8] Thus, under the production scenario being discussed, residential production would include 3,942 new market rate units and 493 affordable housing units.

It is important to note that even if the City does not enact an Inclusionary Housing program, it is possible that some developers may apply for Section 65915 density bonuses. For analysis purposes, if it is assumed that the developers of all 3,285 units being evaluated apply for the 35% maximum Section 65915 density bonus, the following production of residential units would occur:

1. A total of 4,435 residential units would be developed.

2. To meet the affordability standards imposed by Section 65915, the following number of affordable units would need to be provided within the 4,435 unit total:

    a. 362 very-low income rental or ownership units; or

    b. 657 low income rental or ownership units; or

    c. 1,314 moderate income ownership units.

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[8] *Latinos Unidos del Valle de Napa y Solano v. County of Napa*, 217 Cal. App. 4th 1160 (*Napa*).

Inclusionary Housing Program Recommendations

The following concepts should be considered in designing an Inclusionary Housing program:

1. The public good created by the provision of affordable housing should be balanced against the economic impact that will be experienced by property owners.

2. Any alternatives offered to the provision of on-site affordable housing units should be economically comparable to the net cost associated with providing the Inclusionary Housing units on site within proposed market rate projects.

3. A phase-in period should be provided to mitigate the impacts experienced by developers that purchased properties before the Inclusionary Housing program was adopted. For example:

    a. The City of Pasadena phased in the Inclusionary Housing Ordinance under the following terms:

        i. Projects that had received discretionary approvals prior to the adoption of the Inclusionary Housing Ordinance were exempted from the affordable housing requirements if the project was completed within the timeline identified in the discretionary approval.

        ii. For the 12 months following the effective date of the Inclusionary Housing Ordinance, the affordable housing requirement was reduced from 15% to 6%.

    b. The Linkage Fees recently adopted in the City of Los Angeles provided the following phase-in provisions:

        i. All projects that had filed a complete entitlement application when the program was adopted were exempted from the Fee payment requirement.

ii. The requirement is being phased in over a six-month period. This provides developers with lead time to negotiate land prices with full knowledge of the program requirements.

The key components that should be included in an Inclusionary Housing program are:

1. The minimum project size that will trigger the Inclusionary Housing requirements should be identified. As mentioned previously, minimum project size requirements commonly fall within the range of three to 10 units.

2. The income and affordability covenants that will be imposed on ownership and rental housing projects should be identified.

3. The length of the covenant periods that will be imposed on ownership and rental units should be established.

4. The options to the on-site production of the Inclusionary Housing units should be defined, and parameters for use of the options should be identified.

5. The most successful Inclusionary Housing programs are based on a clear set of administrative procedures. Consistent application of clear guidelines allows developers to factor in the programs' impacts as part of the due diligence process related to property acquisition:

   a. An administrative procedures manual should be created and updated periodically to reflect changes in economic and demographic characteristics that occur over time.

   b. Economic and demographic conditions will change over time. The parameters imposed by an Inclusionary Housing program should be reviewed and updated periodically. It may be advisable to time the updates to coincide with each Housing Element update.

6. A staffing plan should be created for managing the development process and the ongoing monitoring of the Inclusionary Housing units once they are built.

COMMERCIAL LINKAGE FEE PROGRAMS

A Commercial Linkage Fee is an Impact Fee that is subject to the requirements imposed by the Mitigation Fee Act. To that end, it is necessary to identify the impact that the development of new commercial uses in a community has on the demand for additional affordable housing. The fundamental concept is that the development of new commercial uses will generate new employment, and that a percentage of the new employees will create an increased demand for affordable housing units.

The purpose of a Commercial Linkage Fee is to apportion the financial responsibility for a part of the increased need for affordable housing to the commercial uses that create that additional demand. Commercial Linkage Fee revenue can only be used to meet the community's future needs for affordable housing. It is therefore necessary to identify the nexus between new commercial development and the increased need for affordable housing.

It is important to note that Commercial Linkage Fee programs are primarily found in Northern California jurisdictions. Currently, only four Southern California jurisdictions have enacted Commercial Linkage Fee programs.[9]

Overview

To adopt and implement a Commercial Linkage Fee program, it is necessary to document the linkages among:

1. The construction of new commercial uses;
2. The employees that work in the new commercial uses; and
3. The increased demand for affordable housing.

Since the jobs in commercial projects cover a range in compensation levels, and the workers' households range in size, housing needs are generated at all affordability levels. To fulfill the Mitigation Fee Act requirements, a nexus analysis must be prepared that quantifies the need for affordable housing created by each type of commercial use.

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[9] The City of Los Angeles recently adopted a Commercial Linkage Fee program. The cities of Santa Monica, West Hollywood and San Diego have existing programs.

Nexus Analysis Methodology

A nexus analysis must be prepared to determine the maximum Commercial Linkage Fee amount that can be assessed to each commercial building type. Some other key concepts that must be considered in a nexus analysis prepared in support of a Commercial Linkage Fee are:

1. An Impact Fee can only address the housing needs of a new population. It cannot be used to mitigate existing needs for affordable housing.

2. Commuting patterns influence the locations where the new employees will choose to live.

3. The development of new commercial uses can generate indirect employment growth, which in turn generates the need for additional affordable housing units.

4. Labor force participation can change over time. This impacts the number of persons per household that are members of the workforce.

5. Economic cycles influence the amount and type of commercial growth that will occur in an area over time.

A nexus analysis prepared in support of a Commercial Linkage Fee to be imposed by the City would be based on prototype retail and office developments of types that are anticipated to be developed in Glendale. The analysis methodology can be described as follows:

1. An estimate of the total number of employees working in each prototype project is made based on data pertaining to average employment densities.

2. Occupation and income information is compiled for the typical job types in the retail and office uses being studied, and then the information is used to calculate how many of those jobs pay compensation at the Extremely Low to Moderate Income levels.[10]

[10] The data is provided for Los Angeles County by the California Employment Development Department and the United States Bureau of Labor Statistics.

3. Many workers are members of households where more than one person is employed, and household sizes vary. To account for this, factors are derived from the United States Census to translate the number of workers into households of various sizes in each income category.

4. The number of Extremely Low, Very-low, Low and Moderate income households associated with the project is estimated. These numbers are divided by the prototype project's size to arrive at coefficients of housing units per square foot of building area.

5. In the last step, the identified number of households is multiplied times the net cost per square foot associated with producing housing units affordable to these income groups. This represents the maximum Commercial Linkage Fee amounts that can be charged for retail and office uses.

Potential Commercial Linkage Fee Revenue Generation

For reference purposes, KMA prepared an order-of-magnitude estimate of the Commercial Linkage Fee revenue that could potentially be generated in Glendale annually. The fee estimate is based on the following assumptions:

1. Between 2013 and 2017, 1,358,911 square feet of commercial space was developed in Glendale. This equates to an average of 271,782 square feet per year.

2. For analysis purposes, KMA applied the $5.00 per square foot of building area Commercial Linkage Fee that was recently adopted by the City of Los Angeles.

3. When a $5.00 per square foot fee is applied against 271,782 square feet of commercial development, the Commercial Linkage Fee revenue would total approximately $1.36 million per year.

It is important to understand that the amount of commercial development in Glendale varies widely from year-to-year. For example, between 2013 and 2017, commercial development ranged from 530,704 square feet to 1,765,512 per square feet per year. Therefore, it should be assumed that Commercial Linkage Fee revenue will increase and decrease annually based on economic and market conditions.

It is also important to note that a Commercial Linkage Fee can only be assessed on net new development. As such, the Commercial Linkage Fee revenue will be reduced for any project that involves the demolition of existing commercial space.

Commercial Linkage Fee Recommendations

If the City decides to adopt a Commercial Linkage Fee, the following structuring issues should be considered:

1. The Commercial Linkage Fee amounts for retail and office projects should be set at the lesser of the following amounts:

    a. The amounts supported by a nexus analysis prepared under the applicable requirements of the Mitigation Fee Act; or

    b. Amounts that are deemed financially feasible based on analyses prepared as an adjunct to the nexus analysis; or

    c. Amounts that do not constrain the competitiveness of Glendale to attract desired development types. In evaluating this factor, it is important to remember that only four Southern California jurisdictions currently impose Commercial Linkage Fee requirements.

2. The allowable uses of the Commercial Linkage Fee revenues should be identified when the program is adopted. One potential use of the funds is to provide financial assistance to the housing developed under the requirements imposed by an Inclusionary Housing program.

3. As a practical matter, the amount of Commercial Linkage Fee revenue that will be collected is completely dependent on the timing of commercial development. It may take an extended time period to collect sufficient revenue to be able to assist in the production of affordable housing units. However, it should be noted that the Mitigation Fee Act does not impose a specific deadline on the expenditure of Impact Fees that are collected.

4. A phase-in period should be provided to mitigate the impacts experienced by developers that purchased property before the obligations were adopted. The phase-in should mirror the period used in an Inclusionary Housing program.

5. The Commercial Linkage Fee amounts should be adjusted annually to keep pace with upward and downward changes in economic conditions. Commonly used adjustment indexes are:

   a. The Building Cost Index published by the Engineering News Record;

   b. The Construction Cost Index published by the Engineering News Record; and

   c. The Consumer Price Index published by the United States Bureau of Labor Statistics.

EXHIBIT 2

Inclusionary Housing Program Design Worksheet

This worksheet gives you the tools to design the basic structure of an inclusionary zoning ordinance (IZO). The worksheet helps you define need, outline a basic program structure, plan policy choices, describe incentives, and decide alternatives.

RESIDENTIAL

Part 1: Program Structure

1. Geographic Coverage

☐ City Wide
☐ Targeted Areas

Most ordinances apply to the entire jurisdiction. Some places with specific market conditions and needs target parts of the jurisdiction using planning area designations or economic and market metrics.

2. Type of Development

☐ Ownership
☐ Rental
☐ Both

Depending on the market conditions of a given community, Inclusionary Housing policies sometimes only apply to rental or homeownership types of projects. In most communities, both types are included in the ordinance.

3. Project Threshold Size

☐ All Projects
☐ 5-10 Units
☐ 10+ Units
☐ Tiered*
☐ Other_____

Also known as the "trigger," this is the minimum size of project that is covered by the policy. 10 units is the most common trigger size, but it can vary widely and is sometimes different for rental and ownership types of projects.

4. Percentage of Rental Units Which Must be Affordable (Pick One)**

☐ 5%
☐ 10%
☐ 15%
☐ 20%
☐ 25%
☐ 30%
☐ Other_____

This is the overall percentage of units within an otherwise market-rate development that must be affordable to households earning below some defined income level. Most policies require between 10 and 20 percent of all units to be affordable.

**A Tiered threshold would trigger different IZO requirements based on project size. For example, under a tiered trigger, projects that have 5-10 units must have 5% affordable units with affordability levels at 30% AMI. 10-20 Units must have 15% affordable units with affordability levels at 45% AMI etc. A Tiered threshold would allow greater customization of the program.*

***For rental projects, AB 1505 provides the California Housing and Community Development Department (HCD) with a review right if the program imposes requirements that exceed 15% occupation by households earning 80% or less of AMI and failed to do either of the following: meet at least 75% of its share of above moderate income RHNA or submit a general plan annual report.*

Inclusionary Housing Program Design Worksheet

Part 2: Detailed Policy Choices

5. Percentage of Ownership Units Which Must be Affordable (Pick One)

☐ 5%
☐ 10%
☐ 15%
☐ 20%
☐ 25%
☐ 30%
☐ Other_____

6. Rental Unit Affordability Level (Pick One)**

☐ 0-30% AMI
☐ 31-50% AMI
☐ 51-80% AMI
☐ Combination of multiple affordability levels

7. Ownership Unit Affordability Level (Pick One)

☐ 51-80% AMI
☐ 81-100% AMI
☐ 101-120% AMI
☐ 121-140% AMI
☐ Combination of multiple affordability levels

This is the income level that households must earn in order to be eligible to live in inclusionary units. Affordability is most commonly defined as a percentage of Area Median Income (AMI) as defined by HUD. For rental units, affordability levels below 60% AMI are typical and for ownership units affordability levels between 80% to 100% of AMI are typical. AMI in excess of 100% can also be targeted.

8. Duration of Affordability Requirements (Rental) (Pick One)

☐ Less than 30 years
☐ 55 Years
☐ 99 Years or In-Perpetuity

9. Duration of Affordability Requirements (Owner) (Pick One)

☐ Less than 30 years
☐ 45 Years
☐ 99 Years or In-Perpetuity

This is the period during which inclusionary units must be maintained as affordable through deed restrictions or affordability covenants. In order to stretch scarce public resources, many jurisdictions are opting for longer affordability periods. Industry standard is 55 years for rental and 45 years for owner.

10. Design Standards (Pick One)***

☐ Exact Comparability
☐ Flexibility
☐ Based on affordability level
☐ Multiple Combinations
☐ Different Standards for Rental and Ownership?

Many places require exact comparability between market-rate units and inclusionary units to ensure equity for lower-income renters and homeowners. Other places have found it practical to allow some flexibility, particularly in case where luxury unit finishes would result in extraordinary spending on inclusionary units that could be better leveraged in other ways.

**** Density Bonus requires comparability.*

Inclusionary Housing Program Design Worksheet

Part 3: Compliance Alternatives (Yes or No)

In- Lieu Fees

Off-Site Performance:

Partnerships with Nonprofits: ☐ Yes ☐ No

Land Dedication: ☐ Yes ☐ No

For practical and legal reasons, many places allow developers to pay fees in-lieu of building inclusionary units on-site. These in-lieu fees can be leveraged by local jurisdictions and nonprofit developers to build affordable housing. Off-site performance is another alternative where developers arrange for the units to be built off-site, typically by either partnering with another developer or by dedicating or donating land.

Part 4: Phase-In Options to Consider

A phase-in period should be provided to mitigate the impacts experienced by developers that purchased properties before the Inclusionary Housing program is adopted.

- ☐ All projects that file a complete entitlement application when the program is adopted are exempt.
- ☐ Projects that have received discretionary approvals prior to the adoption of the Inclusionary Housing Ordinance are exempt from the affordable housing requirements if the project is completed within the timeline identified in the discretionary approval.
- ☐ Phase in over a six-month period. This provides developers with lead time.
- ☐ Projects that have pulled a building permit are exempt.
- ☐ Other: _____

Part 5: Inclusionary Housing Interaction with Density Bonus

Density Bonus allows developers to build additional market- rate units to offset the reduced revenues from inclusionary units. Density bonuses are typically given as an increase in allowed dwelling units per acre (DU/A) or floor area ratio (FAR). Adoption of an Inclusionary Housing Program would incentives density bonus.

Commercial Linkage Fee Design Worksheet

A commercial linkage fee is a type of impact fee that can be charged based on an assessment of the extent to which new commercial development generates additional demand for affordable housing.

COMMERCIAL

Part 1:Program Structure

1. Geographic Coverage (Choose One)

☐ City Wide

☐ Targeted Areas

Most ordinances apply to the entire jurisdiction. Some places with specific market conditions and needs target parts of the jurisdiction using planning area designations or economic and market metrics.

2. Type of Development

☐ Hotel

☐ Office

☐ Retail

☐ Auto Dealership

☐ All Commercial

Depending on the market conditions of a given community, linkage fee can apply to specific or all commercial development.

3. Project Threshold Size

☐ Above _____Sq ft

Projects below desired threshold would not pay linkage fee.

4. Commercial Linkage Fee (Choose One)

☐ Below $5

☐ $5

☐ Above $5

The financially feasible Linkage Fee for Glendale is roughly $5.

Commercial Linkage Fee Design Worksheet

Part 2: Phase-In Options to Consider

A phase-in period should be provided to mitigate the impacts experienced by developers that purchased properties before the Inclusionary Housing program is adopted.

- ☐ All projects that file a complete entitlement application when the program is adopted are exempt.
- ☐ Projects that have received discretionary approvals prior to the adoption of the Inclusionary Housing Ordinance are exempt from the affordable housing requirements if the project is completed within the timeline identified in the discretionary approval.
- ☐ Phase in over a six-month period. This provides developers with lead time.
- ☐ Projects that have pulled a building permit are exempt.
- ☐ Other: _____

Design Worksheet

NOTES

EXHIBIT 2

KEYSER MARSTON ASSOCIATES™

INCLUSIONARY HOUSING STUDY

Prepared for:

City of Glendale

Prepared by:

Keyser Marston Associates, Inc.

August 20, 2018

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I. OVERVIEW

Keyser Marston Associates, Inc. (KMA) was engaged by the City of Glendale (City) to prepare the following studies:

1. An Inclusionary Housing Study that includes evaluations of both production and in-lieu fee payment options; and

2. A Jobs-Housing Nexus Study that can be used to support the adoption of a Commercial Impact Fee.

The following report presents the results of the Inclusionary Housing Study, which is focused on the following:

1. The impacts created by the imposition of affordable housing requirements; and

2. Estimates of the fee amounts that can be supported for projects that are permitted to pay a fee in lieu of producing affordable housing.

This Overview section describes the basic parameters that guide Inclusionary Housing programs throughout California.

A. Context

Over 170 jurisdictions in California currently include an Inclusionary Housing program as a component in their overall affordable housing strategy. While the unifying foundation of these programs is the objective to attract affordable housing development, the characteristics of these programs vary widely from jurisdiction-to-jurisdiction.

The City has an existing Inclusionary Housing Ordinance that imposes affordable housing requirements on residential development in the San Fernando Road Redevelopment Project Area (Project Area). This requirement was imposed to assist the Glendale Redevelopment Agency in fulfilling the affordable housing production requirements imposed by California

Health and Safety Code Section 33413 (Section 33413). Following the 2012 termination of redevelopment in California, Section 33413 production requirements were no longer imposed on new development in the Project Area.

Over the past several years the region has rebounded from the global real estate recession, and as a result, rents and sales prices in Glendale have been escalating rapidly. This continues to intensify the demand for market rate residential development, which has in turn assisted the City in meeting the Regional Housing Needs Assessment (RHNA) goals for above-moderate income housing in Glendale. However, as rents and sales prices increase, it becomes exponentially more difficult to achieve the RHNA goals for very low, low and moderate income units.

The termination of redevelopment eliminated the most significant financial resource available to the City to assist in the production of affordable housing. In addition, over the past several years the amount of Federal funding for affordable housing has steadily decreased. As these outside affordable housing program resources continue to decline, and as rents and sales prices continue to escalate, the City has begun exploring the options for modifying the existing Inclusionary Housing Ordinance to impose the affordable housing requirements on new residential development throughout Glendale.

B. Key Court Cases and Statutes

It is important to review the key legal cases and State legislation that guide the creation and implementation of Inclusionary Housing programs. A chronological summary of the relevant issues follows.

Palmer Case

In 2009, the California Court of Appeal ruled in *Palmer/Sixth Street Properties L.P. v. City of Los Angeles,* 175 Cal. App. 4th 1396 (*Palmer*), that the local affordable housing requirements being imposed by the City of Los Angeles violated the Costa-Hawkins Rental Housing Act (Costa-

Hawkins). Specifically, Costa-Hawkins allows landlords to set the initial monthly rent for a new unit, and then to increase the monthly rent to the market level each time a unit is vacated. The Court found that the imposition of long-term income and affordability restrictions on rental housing units is a violation of this provision.

It is commonly believed that the *Palmer* ruling prohibits jurisdictions from requiring developers to construct affordable rental housing units as a part of their Inclusionary Housing program. In an effort to comply with *Palmer*, many jurisdictions eliminated the requirement that market rate rental housing projects provide affordable rental housing units. Instead, some jurisdictions replaced affordable housing production models with a linkage or impact fee methodology.

San Jose Case

In 2015, the California Supreme Court ruled in the *California Building Industry Association v. City of San Jose,* 61 Cal 4th 435 (*San Jose*) upheld Inclusionary Housing requirements as reasonably related to the public health, safety, and welfare if the requirements meet the following criteria:

1. The requirements are not "Confiscatory"; and

2. The requirements do not deprive a property owner of a fair and reasonable return.

The *San Jose* ruling only applies to ownership residential development. The parameters of the *San Jose* case did not include Inclusionary Housing restrictions on rental development.

AB 1505

Assembly Bill (AB) 1505, which is otherwise known as the "*Palmer* Fix", was signed into law in September 2017. AB 1505 amends Section 65850 of the California Government Code, and adds Section 65850.01. This new legislation provides jurisdictions with the ability to adopt ordinances that require rental residential projects to include a defined percentage of affordable housing units.

Section 65850.01 does not place a cap on the percentage of units that can be subject to income and affordability restrictions. However, Section 65850.01 (a) gives the California Department of Housing and Community Development (HCD) the authority to review a rental Inclusionary Housing ordinance if it requires that more than 15% of the units be restricted to households earning less than 80% of the area median income (AMI) if one of the following conditions applies:

1. The jurisdiction has failed to meet at least 75% of its RHNA allocation for above-moderate income units. This test is measured on a pro-rated basis over the planning period, which is set at a minimum of five years; or

2. HCD finds that the jurisdiction has not submitted their housing element report for at least two consecutive years.

Section 65850.01 (b) allows HCD to require a jurisdiction to submit an economic feasibility study that proves that the inclusionary housing ordinance does not unduly constrain the production of housing. In all likelihood this Inclusionary Housing Study meets the economic feasibility study standards defined in Section 65850.01 (b). However, if the City chooses to impose a greater than 15% affordability requirement and/or deeper affordability standards, HCD can potentially intervene in the Inclusionary Housing Ordinance adoption process. This could extend and complicate the approval process.

Section 65850 (g) requires jurisdictions to provide options for alternative means of fulfilling the affordable housing requirement imposed by a rental Inclusionary Housing ordinance. The options that must be provided to developers include, but are not limited to, off-site construction of affordable units, payment of a fee in-lieu of producing affordable housing units, land dedication, and the acquisition and rehabilitation of existing units.

C. Inclusionary Housing Program Characteristics

Key components of Inclusionary Housing programs are as follows:

1. The vast majority of the California Inclusionary Housing programs impose affordable housing requirements on a mandatory basis. However, some programs limit the requirements to projects that are requesting a General Plan modification, a zone change, a density bonus, and/or other variances from the jurisdiction's building code requirements.

2. In California, the majority of Inclusionary Housing programs include a threshold project size below which projects are not subject to the affordable housing production requirements. Common thresholds are five and 10 or fewer units.

3. The income and affordability standards imposed by Inclusionary Housing programs vary widely throughout California. The majority of programs have established standards in the range of 10% to 20% of the units in projects that will be subject to the requirements. However, the following policy variations are commonly found:

    a. The threshold standards are varied as a reflection of the depth of the affordability being provided. For example, some programs allow developers to select between a 15% moderate income requirement and a 10% low income requirement.

    b. Inclusionary Housing requirements have a disproportionate impact on smaller projects, because there are fewer market rate units available to spread the impact created by the income and affordability standards. A sliding scale requirement can mitigate these impacts.

c. In jurisdictions with disparate real estate and demographic conditions it is common to impose varying requirements based on defined subareas.

4. The length of the covenant period imposed on Inclusionary Housing units varies from jurisdiction-to-jurisdiction. The California Redevelopment Law standard of 45 years for ownership housing units and 55 years for rental units is commonly used. However, both shorter and longer covenant periods are imposed throughout Inclusionary Housing programs in California.

Inclusionary Housing programs focus on the production of affordable housing units by imposing specific affordable housing requirements on new development. To comply with the findings in the *San Jose* case, and the requirements imposed by Sections 65850 and 65850.01, Inclusionary Housing programs must offer developers a range of options for fulfilling the affordable housing requirements. The most common options offered to developers are:

1. Construction of a defined percentage of income restricted units within new market rate residential projects;

2. Construction of a defined percentage of income restricted units in a project located in an off-site location;

3. Payment of a fee in lieu of producing affordable housing units that will subsequently be used by the jurisdiction to assist in the development of affordable housing units within the community;

4. The dedication of land to the jurisdiction that is appropriate for the development of affordable housing; and

5. The acquisition and rehabilitation of existing units.

The key advantages associated with providing off-site and in-lieu fee options is that the affordable housing requirements can be transferred to developers that have experience in constructing affordable housing projects. This is advantageous for the following reasons:

1. Affordable housing developers have specific expertise in the development and operation of affordable housing projects.

2. Dedicated affordable housing projects have access to public funding sources that provide a more cost-efficient way to achieve deeper affordability than can be supported by an Inclusionary Housing requirement. A representative sample of programs that are targeted to dedicated affordable housing projects are:

    a. The federal and state Low-Income Housing Tax Credits (Tax Credits) offered under Internal Revenue Code Section 42;

    b. State funding sources such as the Affordable Housing and Sustainable Communities (AHSC) Program; and

    c. Funding provided by the Community Development Commission of the County of Los Angeles.

II. SUPPORTABLE INCLUSIONARY HOUSING REQUIREMENTS

As discussed previously in this study, the *San Jose* court case provides validation for the imposition of Inclusionary Housing requirements on ownership housing projects, and Section 65850 and 65850.01 amended the California Government Code to expressly allow Inclusionary Housing requirements to be imposed on rental housing projects.

It is important to remember that Inclusionary Housing requirements cannot be confiscatory or deprive an owner of a fair and reasonable return. However, recognizing that the courts have not defined these terms, the City has some discretion in establishing evaluation parameters.

It has been KMA's experience that the following sequence of events occurs when an Inclusionary Housing program is adopted:

1. Immediately following approval of an Inclusionary Housing program, the financial impacts created by the imposition of affordable housing requirements are largely borne by developers that had purchased property prior to the imposition of the requirements.

2. After an Inclusionary Housing program is adopted, developers that have not purchased land will attempt to bargain for a lower land price that reflects the impacts created by the Inclusionary Housing requirements.

3. During the initial implementation period for an Inclusionary Housing program, some property owners are reluctant to accept the fact that the value of their land has decreased. In turn, they defer selling their property until market demand causes prices to increase.

4. As is the case with all development requirements, over time land prices will adjust to reflect the value supported by the market given the restrictions imposed on the property.

It is likely that the imposition of an Inclusionary Housing program will impact the values supported by properties that are subject to the requirements. However, the courts have found that this is permissible as long as the requirement is not confiscatory and the property owner is not deprived of a fair and reasonable return.

III. METHODOLOGY

The purpose of this study is to evaluate the financial feasibility of imposing Inclusionary Housing requirements on residential development in Glendale. The financial feasibility analysis is comprised of the following steps:

A. Program Foundation

The courts have held that affordable housing is a "public benefit," and that locally imposed Inclusionary Housing ordinances are a legitimate means of providing this public benefit. The courts have tempered this with the requirement that the Inclusionary Housing obligations cannot be confiscatory, and they cannot deprive an owner of a fair and reasonable return.

A significant number of California Inclusionary Housing programs have been based on a projected land cost reduction in the 30% range. This KMA study is focused on identifying income and affordability standards that would fall within that parameter.

B. Financial Impacts

In general terms, the financial impact associated with fulfilling Inclusionary Housing requirements within market rate projects is equal to the difference between the achievable market rate sales prices or rents and the allowable sales prices or rents for the Inclusionary Housing units. This is known as the "Affordability Gap."

KMA prepared financial analyses to assist in creating recommended Inclusionary Housing requirements that balance the interests of property owners and developers against the public benefit created by the production of income restricted units. The financial analyses identify the following:

1. The range of Inclusionary Housing production requirements that can be supported; and

2. The range of in-lieu fees that can be supported.

C. Financial Feasibility Analysis Organization

The financial feasibility analyses are organized as follows:

Step	Study
1.	Creation of residential prototypes that are representative of new market rate development in Glendale.
2.	A survey of representative projects to estimate the achievable market rate sales prices and rents for the prototype units.
3.	Estimation of the Affordable Sales Prices and Affordable Rents.
4.	Projections of the percentage of units that could be designated as Inclusionary Housing units on a financially feasible basis.
5.	Projection of the in-lieu fees per square foot of gross building area (GBA) that could be supported under the following methodologies:

a. Pro forma analyses are used to estimate the in-lieu fee amounts that could be supported if the financial impact is limited to amounts that result in a reduction in the land cost that would not be confiscatory or deprive the property owner of a fair and reasonable return.

b. Affordability gap analyses are used to estimate the in-lieu fee amounts that would be required to be imposed to generate sufficient revenue to attract the defined percentage of Inclusionary Housing units.

The financial feasibility analyses are supported by the following Attachments and Appendices:

Attachment 1	Ownership Development
Appendix A	Condominium Analyses
Appendix B	Backup Tables

Attachment 2	Rental Development
Appendix A	Pro Forma Analyses: Low Density Base Case
Appendix B	Pro Forma Analyses: Low Density: 35% Density Bonus
Appendix C	Pro Forma Analyses: High Density: 100 Units Per Acre
Appendix D	Backup Tables

IV. OWNERSHIP HOUSING ANALYSES (ATTACHMENT 1)

A. Condominium Prototype

The key characteristics of the condominium prototype used in the financial feasibility analyses are summarized in the following table:

Table I-1: Condominium Prototype	
Site Area (Square Feet)	43,560
Total Number of Units	35
Density (Units Per Acre)	35
Unit Mix	
One-Bedroom Units	20%
Two-Bedroom Units	54%
Three-Bedroom Units	26%
Average Unit Sizes (Sq Ft)	
One-Bedroom Units	829
Two-Bedroom Units	1,165
Three-Bedroom Units	1,580
Parking	
Parking Spaces Per Unit	2.4
Parking Type	Above-Ground Podium

B. Projected Market Rate Sales Prices

It is important to note that the prototype analysis is intended to reflect average or typical ownership residential projects rather than any specific project. It should be expected that specific projects would vary to some degree from the prototype.

To assist in projecting the achievable market rate sales prices, KMA compiled data for condominiums sold in Glendale between March and June 2018 (Attachment 1 – Appendix B – Exhibit I). Based on the results of the survey, and the inclusion of a premium for new construction, the market rate sales prices used in the KMA analysis are presented in the following table:

Table I-2: Projected Market Rate Sales Prices – Ownership Housing	
Average Price Per Unit	
One-Bedroom Units	$617,600
Two-Bedroom Units	$679,200
Three-Bedroom Units	$828,800
Average Price Per Square Foot of GBA	$586

C. Affordable Sales Price Calculations

The Affordable Sales Prices calculations are presented in Attachment 1 – Appendix B – Exhibit II. The calculations are based on the following assumptions:

1. The household income information used in the calculations is based on 2018 income statistics for Los Angeles County as a whole:

    a. The household incomes for low income households are produced annually by HUD. This information is distributed by HCD.

b. The household incomes for moderate income households are produced and distributed annually by HCD.

2. The Affordable Sales Price estimates are based on the calculation methodology imposed by California Health and Safety Code Section 50052.5 (H&SC Section 50052.5). The calculations include the elements described in the following sections of this report.

Household Size

The household incomes applied in the Affordable Sales Price calculations are set at the number of bedrooms in the home plus one. For example, the imputed household size for a three-bedroom home is four persons. H&SC Section 50052.5 refers to this as "the household size appropriate for the unit." However, this is not meant to be an occupancy cap; it is simply a benchmark used to create a consistent methodology for calculating the Affordable Sales Price.

Household Income

H&SC Section 50052.5 uses the following household income levels to calculate the Affordable Sales Prices:

1. Moderate Income: 110% of AMI for a household size equal to the number of bedrooms in the home plus one.

2. Low Income: 70% of AMI for a household size equal to the number of bedrooms in the home plus one.

Income Allocated to Housing-Related Expenses

H&SC Section 50052.5 allocates the following amount of the applicable household income to housing-related expenses:

1. Moderate Income: The standard is set at 35% of the benchmark household income.

2. Low Income: The standard is set at 30% of the benchmark household income.

Housing-Related Expenses

Based on research undertaken by KMA, the variable housing related expenses are estimated using the following assumptions:

Table I-3: Housing Related Expenses – Ownership Housing			
	Monthly Utilities Allowances [1]	Monthly HOA, Insurance & Maintenance	Property Taxes as a % of ASP [2]
One-Bedroom Units	$82	$285	1.1%
Two-Bedroom Units	$106	$350	1.1%
Three-Bedroom Units	$179	$380	1.1%

Supportable Mortgage Amount

The mortgage amounts used in the Affordable Sales Price calculations are estimated using the income available after the other housing-related expenses are paid. The mortgage terms used in this study were based on a 30-year fully amortizing loan at a 4.93% interest rate. This reflects a 15-year average of published mortgage interest rates. [3]

Benchmark Down Payment

KMA set the benchmark down payment at 5% of the Affordable Sales Price. A down payment of this magnitude is commonly allowed by affordable housing programs.

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[1]The utilities allowances are based on the assumption that the home owners utilities costs are comprised of gas heating, cooking and water heating; basic electric; air conditioning; water; and trash services. The allowances are based on the Glendale PHA schedule effective March 1, 2018.

[2] ASP = Affordable Sales Price.

[3] Based on the Freddie Mac Primary Mortgage Market Survey weekly average rates for 30-year fixed rate mortgages during the period from 2003 through 2017.

Affordable Sales Prices

The Affordable Sales Price estimates are presented in the following table:

Table I-4: Affordable Sales Price Estimates – Ownership Housing		
	Moderate Income	Low Income
One-Bedroom Units	$236,400	$101,100
Two-Bedroom Units	$258,600	$106,400
Three-Bedroom Units	$278,600	$109,500

D. Inclusionary Housing Production Analyses: Ownership Housing

To assist in establishing the Inclusionary Housing production requirements that can be supported, KMA prepared the following pro forma analyses for the prototype project:

1. A 100% market rate alternative;

2. An alternative that includes a moderate income component; and

3. An alternative that includes a low income component.

E. Pro Forma Analyses

Market Rate Development Alternatives – Ownership Housing

The 100% market rate alternative provides a baseline against which to measure the impacts associated with affordable housing requirements. The pro forma analysis for the 100% market rate alternative is presented in Attachment 1 – Appendix A – Exhibit I, and the tables are organized as follows:

Base Case: 100% Market Rate Alternative Ownership Housing	
Table 1:	Estimated Development Costs
Table 2:	Projected Net Sales Revenue
Table 3:	Projected Developer Profit

The analysis of the 100% market rate alternative results in an estimated developer profit of 11.8%. This profit percentage is used as the threshold profit in the analyses of the moderate and low income alternatives. The financial gaps generated by these alternatives represent the impact created by the Inclusionary Housing requirements.

Supportable Inclusionary Housing Production Requirements – Ownership Housing

As discussed previously, the KMA study is calibrated to establish Inclusionary Housing requirements that generate a financial impact equal to a +/- 30% reduction in land cost. The moderate and low income pro forma analyses are organized as follows:

Moderate and Low Income Alternatives Ownership Housing	
Table 1:	Estimated Development Costs
Table 2:	Projected Net Sales Revenue
Table 3:	Supportable Inclusionary Housing Production Requirements

The results of the KMA land cost reduction analyses are presented in Attachment 1 – Appendix A – Exhibits II and III. Based on the results of the land cost reduction analyses, KMA estimated the supportable percentage of Inclusionary Housing units in ownership housing projects as follows:

Table I-5: Supportable Inclusionary Housing Percentages – Ownership Housing	
Moderate Income	11.4%
Low Income	8.6%

F. In-Lieu Fee Analyses: Ownership Housing

KMA estimated the supportable in-lieu fee amounts for ownership housing projects under the two different methodologies. These analyses effectively establish the range of in-lieu fees that could be assessed:

1. The first approach is based on establishing in-lieu fee amounts that generate a financial impact equal to a +/- 30% reduction in land cost. In this approach the in-lieu fee is treated as a development cost, and no Inclusionary Housing production requirement is imposed on the project.

2. The second approach is based on the Affordability Gaps associated with the on-site development of Inclusionary Housing units within market rate ownership housing projects.

Land Cost Reduction Approach – Ownership Housing

Pro forma analyses were prepared to test the land cost reduction created by the imposition of in-lieu fee payment requirements (Attachment 1 – Appendix A – Exhibit IV). Based on this analysis, KMA estimates the supportable in-lieu fees for ownership housing projects at $26.30 per square foot of GBA.

Affordability Gap Approach – Ownership Housing

The financial impact associated with fulfilling the Inclusionary Housing requirements within market rate ownership housing projects is equal to the Affordability Gaps associated with the income restricted units. The financial feasibility analysis presented in the preceding section

identified supportable Inclusionary Housing set asides of 11.4% if a moderate income requirement is imposed and 8.6% with a low income requirement. KMA prepared Affordability Gap analyses for both the moderate and low income alternatives.

As shown in Attachment 1 – Appendix A – Exhibit V, the weighted average Affordability Gaps, and resulting in-lieu fees are as follows:

Table I-6: In-Lieu Fee Analysis – Affordability Gap Approach Ownership Housing		
Affordability Gaps	Moderate Income	Low Income
Per Income Restricted Unit	$446,000	$599,200
Per Square Foot of GBA	$42.20	$56.70

V. RENTAL APARTMENT ANALYSES

A. Rental Apartment Prototypes

A variety of tools are available to reduce the financial impact associated with the imposition of income and affordability restrictions on rental apartment projects. For 100% affordable housing projects, Tax Credit financing is commonly used to fill the financial gap. For mixed-income projects, the California Government Code Sections 65915 - 65918 (Section 65915) density bonus is often used.

In July 2013, the First District Court of Appeal held that jurisdictions must agree to apply Inclusionary Housing units toward the fulfillment of the affordable unit requirements imposed by the Section 65915 density bonus.[4] A developer can request a Section 65915 density bonus for a project as long as the affordable units meet the more restrictive of the jurisdiction's Inclusionary Housing requirements and the requirements imposed by Section 65915.

[4] *Latinos Unidos del Valle de Napa y Solano v. County of Napa,* 217 Cal. App. 4th 1160 (*Napa*).

The Section 65915 density bonus can act to materially reduce the financial impacts created by Inclusionary Housing requirements. For that reason, jurisdictions that impose Inclusionary Housing requirements should recognize the likelihood that many developers will request Section 65915 density bonuses.

The rental apartment prototypes used in this analysis were created based on the results of the KMA market surveys, and a review of projects that have recently been constructed in Glendale. The KMA market surveys were also used to estimate the achievable market rate rents for the prototype units in the two subareas.

The KMA market survey indicated that the typical densities of rental apartment projects being constructed in downtown Glendale are significantly higher than the typical rental apartment densities in other parts of the city. In recognition of this difference, KMA prepared pro forma analyses for the following prototype projects:

Table II-1: Rental Apartment Prototypes

	Low Density Alternatives		
	Base Case	35% Density Bonus	High Density Alternative
Site Area (Square Feet)	43,560	43,560	43,560
Total Number of Units	35	48	100
Density (Units Per Acre)	35	48	100
Unit Mix			
Studio Units	6	9	18
One-Bedroom Units	15	21	43
Two-Bedroom Units	11	14	30
Three-Bedroom Units	3	4	9

Table II-1: Rental Apartment Prototypes			
	Low Density Alternatives		
	Base Case	35% Density Bonus	High Density Alternative
Average Unit Sizes (Sq Ft)			
Studio Units	693	693	693
One-Bedroom Units	818	818	818
Two-Bedroom Units	1,178	1,178	1,178
Three-Bedroom Units	1,363	1,363	1,363
Parking			
Parking Spaces Per Unit	2.3	1.4	1.4 [5]
Parking Type	Podium	Podium	Podium

B. Projected Market Rents

In the June 2018, KMA surveyed rental apartment projects in Glendale that received four or more stars in the CoStar quality ranking system (Attachment 2 – Appendix D – Exhibit I). The purpose of this survey was to derive estimates of the currently achievable market rents for the types of projects likely to be constructed in Glendale. However, the characteristics of actual projects will vary to some degree from the prototypes.

The market rate monthly rent estimates that are used in this study are presented in the following table.

[5] In general, the rental apartment development in downtown Glendale appears to be at financially efficient densities. The primary reasons a developer would request a Section 65915 density bonus is to receive the reduced parking standards and the incentives/concessions offered by Section 65915.

Table II-2: Projected Monthly Market Rate Rents – Rental Apartments		
	Low Density Alternatives	High Density Alternative
Average Monthly Rent Per Unit		
Studio Units	$2,460	$2,938
One-Bedroom Units	$2,622	$3,014
Two-Bedroom Units	$3,377	$3,851
Three-Bedroom Units	$3,957	$4.319
Average Monthly Rent Per Square Foot of GBA	$3.08	$3.54

C. Affordable Rent Calculations

For the purposes of this study, the maximum Affordable Rents for the income restricted units were calculated based on the standards imposed by California Health and Safety Code Section 50053 (H&SC 50053). The calculations are presented in Attachment 2 – Appendix D – Exhibit II – Table 1, and the assumptions and results can be summarized as follows:

1. The household income information used in the calculations is based on 2018 income statistics for Los Angeles County as a whole. The household incomes are published annually by HUD, and are distributed by HCD.

2. The household size appropriate for the unit is based on the H&SC Section 50052.5 standard of the number of bedrooms in the home plus one. As was the case in the Affordable Sales Price calculations, this is a benchmark, not an occupancy cap.

3. The household income is set at 60% of AMI for low income households and 50% of AMI for very low income households.

4. Thirty percent (30%) of defined household income is allocated to housing-related expenses.

5. KMA's calculations are based on the assumption that the tenants will be required to pay for gas heating, cooking and water heating; and basic electric services. The March 1, 2018 Glendale PHA utilities allowances were applied to this analysis.

The resulting Affordable Rents are presented in the following table:

Table II-3: Affordable Rent Calculations – Rental Apartments		
	Low Income	Very Low Income
Studio Units		
Maximum Monthly Housing Cost	$728	$606
(Less) Monthly Utility Allowance	(42)	(42)
Affordable Rent	$686	$564
One-Bedroom Units		
Maximum Monthly Housing Cost	$832	$693
(Less) Monthly Utility Allowance	(61)	(61)
Affordable Rent	$771	$632
Two-Bedroom Units		
Maximum Monthly Housing Cost	$935	$779
(Less) Monthly Utility Allowance	(84)	(84)
Affordable Rent	$851	$695
Three-Bedroom Units		
Maximum Monthly Housing Cost	$1,040	$866
(Less) Monthly Utility Allowance	(156)	(156)
Affordable Rent	$884	$710

D. Inclusionary Housing Production Analyses: Rental Apartments

To assist in establishing the Inclusionary Housing production requirements that can be supported, KMA prepared the following pro forma analyses for the prototype projects:

Low Density Alternatives

Base Zoning Alternatives:

1. A 100% market rate alternative is evaluated to provide an estimate of the developer return to be used in the various affordable housing alternatives.

2. An alternative is analyzed that includes a 15% Inclusionary Housing requirement targeted to low income households.

3. An alternative is analyzed that includes an Inclusionary Housing requirement that meets the financial feasibility thresholds identified previously in this analysis.

Section 65915 Density Bonus Alternatives:

1. The development costs are estimated for the density bonus alternative assuming no affordable units are provided. This is provided to allow for a cost comparison between the Base Zoning Alternative and a project that maximizes the use of the Section 65915 density bonus.

2. An alternative is analyzed in which 15% of the total units, which equates to 20% of the units allowed by the base zoning, are subject to income and affordability requirements. The affordability mix is as follows:

    a. 11% of the units allowed by the base zoning are set aside for very low income households in order to achieve the maximize 35% density bonus provided by Section 65915; and

b. 9% of the units allowed by the base zoning are set aside for low income households.

3. An alternative is analyzed that includes an Inclusionary Housing requirement that meets the financial feasibility thresholds identified previously in this analysis. In this alternative the affordability mix is:

   a. 11% of the units allowed by the base zoning are set aside for very low income households in order to achieve a 35% density bonus; and

   b. Using the financial feasibility test described in this analysis, the supportable percentage of low income units is determined.

High Density Alternative [6]

1. A 100% market rate alternative is evaluated to provide an estimate of the developer return to be used in the various affordable housing alternatives.

2. An alternative is analyzed that includes a 15% Inclusionary Housing requirement targeted to low income households.

3. An alternative is analyzed that includes an Inclusionary Housing requirement that meets the financial feasibility standards identified previously in this analysis.

E. Pro Forma Analyses

Market Rate Development Alternatives – Rental Apartments

The 100% market rate alternatives provide a baseline against which to measure the impacts associated with affordable housing requirements. The purpose of the 100% market rate

[6] The High Density Alternative is based on the assumption that a density bonus application is submitted in order to use the parking relief provided by Section 65915.

alternatives are to estimate the developer's stabilized return on total investment for a project that is not encumbered by income and affordability restrictions.

The market rate development alternatives are presented in the following Appendices:

1. The Low Density Alternative is presented in Attachment 2 – Appendix A – Exhibit I.

2. The High Density Alternative is presented in Attachment 2 – Appendix C – Exhibit I.

The pro forma analyses for the 100% market rate alternatives are organized as follows:

Base Case: 100% Market Rate Alternatives Rental Apartments	
Table 1:	Estimated Development Costs
Table 2:	Estimated Stabilized Net Operating Income
Table 3:	Estimated Developer Return

The estimated stabilized developer returns on total investment derived from the 100% market rate alternatives are presented in the following table:

Table II-4: Stabilized Developer Return Market Rate Alternatives	
Low Density Alternative	4.9%
High Density Alternative	5.9%

Supportable Inclusionary Housing Production Requirements

The pro forma analyses for the Inclusionary Housing Production analyses are organized as follows:

Inclusionary Housing Production Alternatives Rental Apartments	
Table 1:	Estimated Development Costs
Table 2:	Stabilized Net Operating Income
Table 3:	Inclusionary Housing Impacts

Base Zoning Alternatives

The results of the KMA pro forma analyses for the Base Zoning Alternatives are detailed in the following Appendices:

1. The Low Density Alternatives are presented in Attachment 2 – Appendix A – Exhibits II and III.

2. The High Density Alternatives are presented in Attachment 2 – Appendix C – Exhibits II and III.

The results of the analyses are summarized in the following table:

Table II-5: Base Zoning Inclusionary Housing Production Analysis Rental Apartments		
	Low Density Alternative	High Density Alternative
15% Inclusionary Housing Alternative		
Affordable Units as a % of Base & Total Units	15.0%	15.0%
Percentage Decrease in Supportable Land Cost	34%	47%
Feasible Inclusionary Housing % Alternative [7]		
Affordable Units as a % of Base & Total Units	11.4%	10.0%
Percentage Decrease in Supportable Land Cost	26%	31%

[7] As discussed previously, the KMA financial feasibility analyses target a financial impact equal to a +/- 30% reduction in land cost.

Density Bonus Alternative

For the Low Density Alternative, KMA evaluated the supportable Inclusionary Housing requirements based on the assumption that a developer could use the Section 65915 density bonus to mitigate the financial impact created by Inclusionary Housing requirements.[8] The Section 65915 density bonus allows developers to receive up to a 35% density bonus in return for including units subject to long-term income and affordability controls in market rate projects.

The Section 65915 affordability restrictions are calculated based on the number of units allowed by a site's base zoning. The most financially efficient way to obtain a 35% density bonus is to set aside 11% of the base zoning units for very low income households.

Based on the findings in the *Napa* case, jurisdictions cannot impose Inclusionary Housing requirements on the additional units a developer receives by invoking the Section 65915 density bonus. Thus, the Inclusionary Housing production requirement must be calculated against the number of units permitted under the property's base zoning standards. However, a jurisdiction can impose a higher percentage requirement on the base zoning units than is applied under Section 65915.

The Density Bonus Alternatives are detailed in Attachment 2 – Appendix B – Exhibits II and III, and the results are summarized in the following table:

[8] KMA did not prepare a density bonus analysis for the High Density Alternative, because density is already maximized under the Base Zoning Alternative. However, the High Density Alternative assumes that the developer submits a density bonus application in order to use the parking standards relief provided by Section 65915.

Table II-6: Density Bonus Analysis – Inclusionary Housing Production Analysis – Rental Apartments	
	Low Density Alternative
15% Inclusionary Housing Alternative	
Affordable Units as a % of Total Units	15%
Affordable Units as a % of Base Zoning Units	20%
Percentage Decrease in Supportable Land Cost	16%
Feasible Inclusionary Housing % Alternative	
Affordable Units as a % of Total Units	18.8%
Affordable Units as a % of Base Zoning Units	25.7%
Percentage Decrease in Supportable Land Cost	26%

Based on the results of the Inclusionary Housing production analysis for rental apartments, it is KMA's conclusion that the following Inclusionary Housing set-aside requirements could be imposed on a financially feasible basis:

Table II-7: Supportable Inclusionary Percentages – As a Percentage of the Base Zoning Rental Apartments	
Low Density Alternative	25.7%
High Density Alternative	10.0%

F. In-Lieu Fee Analyses: Rental Apartments

KMA estimated the supportable in-lieu fee amounts for rental apartment projects under two methodologies. These analyses establish the range of in-lieu fees that could be assessed:

1. The first approach is based on establishing in-lieu fee amounts that generate a financial impact equal to a +/- 30% reduction in land cost. In this approach the in-lieu fee is treated as a development cost, and no Inclusionary Housing production requirement is imposed on the project.

2. The second approach is based on the Affordability Gaps associated with the on-site development of Inclusionary Housing units within market rate rental apartment projects.

Land Cost Reduction Approach – Rental Apartments

KMA prepared pro forma analyses to test the land cost reduction created by the imposition of in-lieu fee payment requirements. These analyses are detailed in the following Appendices:

1. The Low Density Alternative is presented in Attachment 2 – Appendix A – Exhibit III.

2. The High Density Alternative is presented in Attachment 2 – Appendix C – Exhibit III.

Based on these pro forma analyses, KMA estimates the supportable in-lieu fees for rental apartments as follows:

Table II-8: In-Lieu Fees Per Square Foot of GBA – Land Cost Reduction Approach Rental Apartments	
Low Density Alternative	$42.30
High Density Alternative	$38.90

Affordability Gap Approach – Rental Apartments

The Affordability Gap approach analysis is based on the assumption that 15% of the total units in a market rate ownership housing project would be subject to Inclusionary Housing requirements at the low income level. This reflects the threshold before which Section 65850.1 (b) allows HCD to intervene in the adoption process for an Inclusionary Housing program.

The Affordability Gaps for rental apartments are estimated in Attachment 2 - Appendix D – Exhibit II using the following methodology:

1. The differences between the estimated achievable market rate monthly rents and the defined Affordable Rents are calculated for studio, one-bedroom, two-bedroom and three-bedroom units.

2. KMA assumed that the property taxes for projects that include designated affordable housing units would be based on a lower assessed value due to the reduction in net operating income that would be generated by the project. KMA deducted this lower property tax expense from the estimated rent difference.

3. The estimated annual Affordability Gap is equal to the net rent difference minus the property tax savings.

4. The total Affordability Gaps are estimated by capitalizing the annual Affordability Gaps at the threshold returns derived from the pro forma analyses for the market rate alternatives. The results of these calculations are defined as the net Affordability Gaps.

5. The net Affordability Gaps are translated into the legally supportable in-lieu fees per affordable unit and per square foot of GBA.

The results of the Affordability Gap approach analysis are summarized in the following table:

Table II-9: In-Lieu Fees - Affordability Gap Approach Rental Apartments		
In-Lieu Fee	Low Density Alternative	High Density Alternative
Per Affordable Unit	$403,800	$408,800
Per Square Foot of GBA	$55.00	$59.10

The following table provides a summary of the in-lieu fees supported under the two approaches that were analyzed by KMA:

Table II-10: Supportable In-Lieu Fees Per Square Foot of GBA Rental Apartments		
In-Lieu Fee	Low Density Alternative	High Density Alternative
Land Cost Reduction Approach	$42.30	$38.90
Affordability Gap Approach	$55.00	$59.10

VI. RECOMMENDATIONS

A. Threshold Project Size

The majority of Inclusionary Housing programs in California include a threshold project size below which projects are not subject to the affordable housing production requirements. Common thresholds fall between three and 10 units.

KMA recommends that the City set the threshold project size at five units. This represents the minimum project size that qualifies for the use of the Section 65915 density bonus.

B. Income and Affordability Standards

An Inclusionary Housing program's income and affordability standards should be set at levels that do not constrain residential development. Based on the results of the feasibility evaluations included in this Inclusionary Housing Study, KMA determined that the following Inclusionary Housing requirements can be supported.

Table III-1: Supportable Inclusionary Housing Production Requirements

	Ownership Housing	Rental Apartments
Supportable Inclusionary Requirement as a Percentage of the Base Zoning Units		
Moderate Income Units	11.4%	N/A
Low Income Units	8.6%	10.0% - 18.9%

Ownership Housing

The Inclusionary Housing standards for ownership housing projects are generally set at the moderate income level. This is done as a reflection of the fact that moderate income households are likely to have more discretionary income to devote to the ongoing costs associated with home ownership than that of lower income households.

KMA recommends that the City limit the Inclusionary Housing requirement to moderate income households. Based on the feasibility evaluation, KMA recommends that the requirement be set at 11% of the ownership units being developed under a site's base zoning restrictions.

Developers of ownership housing projects that plan to use the Section 65915 density bonus may wish to use very low or low income units to fulfill both the density bonus and City Inclusionary Housing obligations. KMA recommends that developers only be allowed to exercise one of those options if the income restricted units are rented rather than sold. The sale of income restricted ownership units should be limited to moderate income households.

Rental Apartments

The City has currently fulfilled the above moderate income RHNA goal and the Housing Element annual update standards identified in Section 65850.01 (a). As such, HCD does not have the explicit authority to review the Inclusionary Housing requirements if the City chooses to set a more stringent standard than 15% of the units at 80% of AMI.

The KMA feasibility analysis identified supportable Inclusionary Housing requirements ranging from 10.0% to 18.9%. For the following reasons, KMA recommends that the Inclusionary Housing requirement be set at 15% of the units allowed by the base zoning and an income standard at 80% of AMI:

1. There is significant potential for developers to utilize the Section 65915 density bonus. This supports an Inclusionary Housing requirement at the higher end of the range.

2. Applying the standards identified in Section 65850.01 (a) limits the potential for challenges based on claims that the Inclusionary Housing requirement acts a Housing Element constraint on development.

Developers should be allowed to fulfill the defined rental Inclusionary Housing obligations at stricter income and affordability standards than those that will be applied to the City's Inclusionary Housing program. For example, developers that wish to use the Section 65915 density bonus may voluntarily choose to set units aside for very low income households. Those units should count towards the fulfillment of the City's low income Inclusionary Housing requirements.

C. Covenant Periods

KMA recommends that the covenant periods for the Inclusionary Housing units be set at 45 years for ownership housing units and 55 years for rental apartment units.

D. Options for Fulfilling Inclusionary Housing Obligations

Production of Inclusionary Housing Units

KMA recommends that the following parameters be applied to the production of the Inclusionary Housing units on site within a market rate project:

1. The comparability requirements should be limited to the exterior improvements of the homes. The market rate units should be allowed to have enhanced interior improvements.

2. The Inclusionary Housing units should be dispersed throughout the project.

3. Developers should be provided the option of fulfilling the Inclusionary Housing obligations in one of the following ways:

    a. Under the base percentage requirement, the Inclusionary Units should be allowed to be allocated across the project's unit mix on a pro rata basis; or

    b. If the developer agrees to set aside a larger percentage of Inclusionary Housing units within a project, the Inclusionary Housing units should be allowed to include fewer bedrooms than the market rate units. The increased percentage should be set at 15% for ownership projects and 20% for rental projects.

Developers should be allowed to fulfill the Inclusionary Housing obligation in an off-site location under the following conditions:

1. The off-site location should be within ½ mile of the market rate project that is subject to the Inclusionary Housing obligation.

2. Irrespective of the tenure of the market rate project, the Inclusionary Housing obligations should be set as follows:

a. The off-site project should be comprised solely of rental apartments;

b. The Inclusionary Housing requirement should be set at 15% of the units being developed in the market rate project; and

c. The developer should be required to fulfill this Inclusionary Housing obligation with low income rental units.[9]

3. Specific scope, design, building quality and maintenance standards should be imposed by the City. It is not necessary for these standards to mirror the characteristics of the market rate project. Instead, standards should be established that fulfill the needs of targeted population base.

In-Lieu Fee Payment Option

Based on the results of the financial analyses included in this Inclusionary Housing Study, KMA concluded that the following in-lieu payment amounts can be supported:

Table III-2: Supportable In-Lieu Fee Payments

In-Lieu Fee Per Square Foot of GBA	Ownership Housing	Rental Apartments
Land Cost Reduction Approach	$26.30	$38.90 - $42.30
Affordability Gap Approach	$42.20	$55.00 - $59.10

The City can allow in-lieu fees to be paid at a developer's discretion, or the City can establish objective criteria under which in-lieu fee payments are allowed. To assist the City in making these determinations, KMA offers the following recommendations:

[9] Developers that are using the Section 65915 density bonus should be allowed to count very low income rental units towards the low income rental apartments Inclusionary Housing obligation.

1. Inclusionary Housing requirements have a disproportionate impact on smaller projects, because there are fewer market rate units available to spread the impact created by the income and affordability standards. KMA recommends that an in-lieu fee payment be allowed by right for projects with between five and 20 units.

2. An in-lieu fee payment should be allowed for any fractional unit requirement.

3. For the following reasons, KMA recommends that the developers of ownership housing project be allowed to pay an in-lieu fee by right:

    a. Each Inclusionary Housing unit is individually owned. There is no centralized management to ensure that the homes are maintained appropriately over time.

    b. The resale price for an Inclusionary Housing unit is based largely on the percentage change in the AMI. This severely limits the opportunity for the home owner to receive appreciation from the resale of an Inclusionary Housing unit.

    c. The ongoing administrative and monitoring required to ensure compliance with the occupancy requirements and resale controls is labor intensive.

4. For the following reasons, KMA recommends that rental apartment projects, with more than 20 units, should be required to produce the requisite number of Inclusionary Housing units:

    a. Rental apartment projects are owned by a single entity that can be monitored relatively easily for compliance with the Inclusionary Housing requirements.

    b. A large percentage of rental apartment projects can make use of the Section 65915 density bonus. This can mitigate the financial impact of Inclusionary Housing requirements.

    c. An off-site rental apartment project can potentially make use of outside financial assistance sources such as Low Income Housing Tax Credits.

d. Tenants do not have an ownership stake in the project. When a tenant vacates an Inclusionary Housing unit, the apartment is simply re-rented to another low income tenant.

KMA recommends that the in-lieu fees be set as follows:

Table III-3: Recommended In-Lieu Fees Per Square Foot of GBA	
	In-Lieu Fee Per Square Foot of GBA
Ownership Projects	$26.30
Rental Apartment Projects	$55.00

Other Inclusionary Housing Fulfillment Options

As discussed previously, Section 65850 (g) requires the City to offer several defined options for fulfilling the Inclusionary Housing requirements for rental apartments. The production options and in-lieu fee recommendations were previously identified. The remaining options are land dedications and the acquisition and rehabilitation of existing units.

KMA recommends that the following options be provided at the discretion of the City Council for both ownership housing and rental apartment projects:

1. Land dedications should be allowed if the following requirements are met:

    a. The site has General Plan and zoning designations in place that allow for the development of the requisite number of affordable housing units; and

    b. The developer makes a cash contribution equal to the financial gap exhibited by the project after factoring in the donation of the site at no cost.

2. The acquisition and rehabilitation of existing residential projects should only be allowed under the following circumstances:

   a. The existing units in the project must have been cited for substantial building code violations;

   b. All of the units must have been vacant for at least 90 days;

   c. The direct rehabilitation costs must exceed 25% of the market value of the units after the rehabilitation is completed;[10] and

   d. The rents charged for the Inclusionary Housing units that are included in the project must be at least 10% lower than the achievable market rents for the units.

E. Recommended Program Design

The City should include the following key components in the design of an Inclusionary Housing program:

1. The most successful Inclusionary Housing programs are based on a clear set of administrative procedures. Consistent application of clear guidelines allows developers to factor in the programs' impacts as part of the due diligence process related to property acquisition:

   a. An administrative procedures manual should be created and updated periodically to reflect changes in economic and demographic characteristics that occur over time.

   b. The Inclusionary Housing program should be updated at regular intervals:

[10] Based on the California Health and Safety Code Section 33413(2)(A)(iv) definition of substantial rehabilitation.

i. The entire program should be re-evaluated at least every five years.

ii. To allow in-lieu fees to keep pace with changes in the market place during the intervening periods, the in-lieu fees should be adjusted each year based on a readily accessible and neutral third-party published source.

2. A staffing plan should be created for managing the development process and the ongoing monitoring of the Inclusionary Housing units once they are built.

EXHIBIT 3

KEYSER MARSTON ASSOCIATES

ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

To: Mike Fortney, Principal Housing Project Manager
City of Glendale

From: Kathleen Head
Tim Bretz

Date: August 22, 2018

Subject: Commercial Impact Fee Analysis: Policy Discussion

At your request, Keyser Marston Associates, Inc. (KMA) prepared a summary of the Commercial Impact Fee analysis performed to date. This summary is intended to assist the City of Glendale (City) in evaluating the policy implications for establishing a Commercial Impact Fee Program. If the City wishes to move forward with a Commercial Impact Fee Program, KMA will prepare a technical nexus analysis report that complies with the "Mitigation Fee Act".[1]

BACKGROUND

A Commercial Impact Fee is an Impact Fee that is subject to the requirements imposed by the Mitigation Fee Act. This means that the Commercial Impact Fee must be directly tied to the increased need for affordable housing that is created by the development of new commercial uses in a community. The fundamental concept is that the development of new commercial uses will generate new employment, and that a percentage of the new employees will create an increased demand for affordable housing units.

[1] The Mitigation Fee Act is codified in California Government Code §66000 et seq.

The purpose of a Commercial Impact Fee is to apportion the financial responsibility for a part of the increased need for affordable housing to the commercial uses that create that additional demand. Commercial Impact Fee revenue can only be used to meet the community's future needs for affordable housing. It is therefore necessary to identify the nexus between new commercial development and the increased need for affordable housing.

It is important to note that Commercial Impact Fee programs are primarily found in Northern California jurisdictions. Currently, only four Southern California jurisdictions have enacted Commercial Impact Fee programs. These jurisdictions are the Cities of Los Angeles, West Hollywood, Santa Monica and San Diego.

COMMERCIAL NEXUS ANALYSIS

To adopt and implement a Commercial Impact Fee program, it is necessary to document the relationships among the following:

1. The construction of new commercial uses;
2. The number and type of employees that work in the new commercial uses; and
3. The increased demand for affordable housing.

Jobs in commercial projects cover a range in compensation levels, and the workers' households range in size. As a result, housing needs are generated at all affordability levels. To fulfill the Mitigation Fee Act requirements, a nexus analysis must be prepared that quantifies the need for affordable housing created by each type of commercial use.

Nexus Analysis Methodology

A nexus analysis must be prepared to determine the maximum legally supportable Commercial Impact Fee amount that can be assessed to each commercial building type. KMA prepared a commercial nexus analysis on the following commercial land uses:

1. Office;
2. Freestanding Retail;
3. Ground Floor Retail; and

4. Hotel.

The nexus analysis methodology can be described as follows:

1. An estimate of the total number of employees working in each prototype land use is made based on data pertaining to average employment densities.

2. Occupation and income information is compiled for the typical job types in the land uses being studied, and then the information is used to calculate how many of those jobs pay compensation at the Extremely Low to Moderate Income levels.[2]

3. Many workers are members of households where more than one person is employed, and household sizes vary. To account for this, factors are derived from the United States Census to translate the number of workers into households of various sizes in each income category.

4. The number of Extremely Low, Very-low, Low and Moderate Income households associated with the prototype project is estimated. These numbers are divided by the prototype project's size to arrive at coefficients of housing units per square foot of building area.

5. In the last step, the identified number of households is multiplied times the net cost per square foot associated with producing housing units affordable to these income groups. This represents the maximum Commercial Impact Fee amounts that can be charged for the commercial uses.

Maximum Legally Supportable Commercial Impact Fees

Based on the nexus analysis, the maximum legally supportable Commercial Impact Fees for the four land uses are as follows:

[2] The data is provided for Los Angeles County by the California Employment Development Department and the United States Bureau of Labor Statistics.

Land Use	Fee Per Square Foot of Gross Building Area (GBA)
Office	$253
Freestanding Retail	$280
Ground Floor Retail	$379
Hotel	$131

DEVELOPMENT COST ANALYSIS

As indicated in the previous section, the nexus analysis establishes the maximum legally supportable Commercial Impact Fee levels. These amounts reflect the full cost associated with fulfilling the need for affordable housing created by the new commercial development. However, this does not take into account the impact the Fee will have on the financial feasibility of new development. It is important to establish a balance between the public policy objectives and the economic impact that will be experienced by property owners and developers.

A common approach to establishing fee levels is based on comparing the Commercial Impact Fee against the development costs associated with each land use. This approach facilitates an evaluation of whether the amount is likely to affect development decisions.

Based on a review of historical development project information provided by City staff, KMA prepared prototypical projects and development budgets for representative commercial product types currently being developed in Glendale. These prototypes are utilized as the basis for which to test the impact of potential impact fees on development costs.

The development prototypes utilized for this analysis are summarized as follows:

1. Office Prototype:

    a. A four-story project with 30,000 square feet of GBA; and

    b. 105 subterranean parking spaces.

2. Freestanding Retail Prototype:

   a. A one-story project with 15,000 square feet of GBA; and

   b. 53 surface parking spaces.

3. Ground Floor Retail Prototype:

   a. 10,000 square feet of retail GBA located below 116,000 square feet of residential GBA; and

   b. 30 at-grade podium parking spaces to serve the ground floor retail component.

4. Hotel Prototype:

   a. A 140-room hotel consisting of 81,000 square feet of GBA; and

   b. 140 subterranean parking spaces.

The following summarizes the results of the development cost test for establishing Commercial Impact Fees. The results are presented in terms of square feet of GBA in each type of project:

Land Use	Fee at 0.5% of Development Costs	Fee at 1.0% of Development Costs	Fee at 1.5% of Development Costs	Fee at 2.0% of Development Costs
Office	$4	$8	$11	$15
Freestanding Retail	$5	$9	$14	$19
Ground Floor Retail	$3	$5	$8	$11
Hotel	$3	$6	$9	$12

As shown in the preceding table, the development cost test results in Commercial Impact Fees ranging from a low of $3 per square foot of GBA to a high of $19 per square foot of GBA.

FEES IN OTHER JURISDICTIONS

It is important to note that Commercial Impact Fee programs are primarily found in Northern California jurisdictions. Currently, only four Southern California jurisdictions have enacted Commercial Impact Fee programs. The following summarizes the requirements of these four programs:

	Fee Amount Per Square Foot of GBA	Exemptions
Los Angeles	$3 – $5	• Non-residential developments less than 15,000 square feet • Hospitals • Grocery stores (if none within 1/3 mile)
San Diego	• Office - $2.12 • Hotel - $1.28 • Research and Development - $0.80 • Retail - $1.28	• Non-profit hospitals • Manufacturing/warehouse uses
Santa Monica	• Retail - $9.75 • Office - $11.21 • Hotel/Lodging - $3.07 • Hospital - $6.15 • Industrial - $7.53 • Institutional - $10.23 • Creative Office - $9.59 • Medical Office - $6.89	• No Exemptions
West Hollywood	$8.68	• Non-residential development less than 10,000 square feet

The commercial impact fees in the four Southern California jurisdictions range from a low of $0.80 per square foot of GBA for research and development uses in San Diego to a high of $11.21 per square foot of GBA for office development uses in Santa Monica.

It should be noted that some jurisdictions set a threshold project size below which Commercial Impact Fees are not imposed. A commonly used threshold is 10,000 square feet of GBA.

HISTORICAL COMMERCIAL DEVELOPMENT

Another important factor to discuss while evaluating the creation of a Commercial Impact Fee Program is the amount of commercial development that has historically been developed within the jurisdiction. To assist in this process, KMA reviewed the commercial development projects that are either currently in the entitlement process, are fully entitled, are under construction, or have been completed since January 2013. The following summarizes the results of this review:

Office Development

Four office projects have been proposed during the previous 5.5 years. These projects range from 9,700 square feet to 38,800 square feet in GBA, with the total GBA of all four projects estimated at 90,400 square feet.

The resulting average amount of office development proposed per year is 16,400 square feet.

Freestanding Retail Development

Three freestanding retail projects have been proposed during the previous 5.5 years. These projects range from 1,978 square feet to 13,700 square feet of GBA, with a total of 25,400 square feet of GBA.[3]

Based on historical development, an average of 4,600 square feet of freestanding retail development is proposed per year. If a 10,000 square foot threshold project size is

[3] The 131,000 square foot Expansion of the Americana at Brand was completed in 2013. However, the space was excluded from this analysis since it is unlikely to be replicated in the future.

applied, it should be anticipated that the freestanding retail development will not generate a significant amount of Commercial Impact Fee revenue.

Ground Floor Retail Development

Fifteen (15) mixed-use projects with ground floor retail have been proposed during the previous 5.5 years. The ground floor retail components of these projects range in size from 850 square feet to 23,000 square feet of GBA, with the total for all 15 projects estimated at 163,700 square feet.

It should be noted that eight of the projects consist of ground floor retail components with less than 10,000 square feet of space. If these eight projects were exempt from the Commercial Impact Fee Program, the remaining 10 projects would consist of a total of 119,500 square feet of ground floor retail space.

If all 15 projects are included, the proposed ground floor retail development averages 29,800 square feet per year. If projects with less than 10,000 square feet of GBA are excluded, the average is reduced to 21,700 square feet per year.

Hotel Development

Eight hotel projects have been proposed during the previous 5.5 years. These projects range from 37,900 square feet to 186,000 square feet of GBA, with the total for all eight projects estimated at 723,100 square feet.

The hotel development averages approximately 131,500 square feet per year.

POTENTIAL COMMERCIAL IMPACT FEE REVENUE

For analysis purposes, KMA set the Commercial Impact Fee at $5 per square foot of gross building area. Based on this assumption, the annual Commercial Impact Fee revenue generated from commercial development based on the historical development trends can be summarized as follows:

Land Use	Historical Annual Development (Square Feet)	Commercial Impact Fee Per Square Foot	Potential Annual Revenue
Office	16,400	$5	$82,000
Freestanding Retail	4,600	$5	23,000
Ground Floor Retail	29,800	$5	149,000
Hotel	131,500	$5	658,000
Total Annual Commercial Impact Fee Revenue			$912,000

As can be seen in the preceding table, if the average annual Commercial Impact Fee revenue is estimated at $912,000. However, it is important to consider the fact that 72% of the Commercial Impact Fee revenue is projected to be generated by hotel development.

As a matter of policy, the City currently exempts hotels from Park and Library Mitigation Fee payment obligations. If hotel development was similarly excluded from the Commercial Impact Fee Program, the Commercial Impact Fee revenue is projected at $254,000 per year.

It is also important to understand that the amount of commercial development in Glendale varies widely from year-to-year. Therefore, it should be assumed that Commercial Impact Fee revenue will increase and decrease annually based on economic and market conditions.

SUMMARY OF POLICY CONSIDERATIONS

The following summarizes key policy decisions for the City to consider:

1. Does the City wish to move forward with a Commercial Impact Fee Program?

2. If the City wishes to move forward with a Commercial Impact Fee Program, the following policies should be addressed:

a. Does the City wish to impose a Commercial Impact Fee on each of the proposed land uses included in this analysis?

b. Does the City wish to impose a minimum size threshold on commercial projects which would be subject to the Commercial Impact Fee?

c. What fee level does the City wish to set the Commercial Impact Fee? Does the City wish to vary the Commercial Impact Fee by land use or utilize one fee amount for all land uses?

SUMMARY OF COMMERCIAL DEVELOPMENT
COMMERCIAL DEVELOPMENT PROTOTYPES
GLENDALE, CALIFORNIA

Land Use	Address	Description	Size of Land Use Component	Status
Office	400 W. Colorado	3-story dental/general office building	9,743	Paid library/parks fees in 2018.
Office	610 W. Broadway	4-story medical/general office building. 2 levels of above-grade parking and 2 levels of subterranean parking	18,000	Paid library/parks fees in 2017.
Office	500 E. Colorado	4-story medical/general office with ground floor retail and 2 levels of subterranean parking	38,774	Paid library/parks fees in 2017. Under construction.
Office	129 W. Los Feliz	Medical office building	23,900	Plan check submitted in 2015.
		Total Office Square Feet	**90,400**	
		Average Annual Office Development	**16,400**	

SUMMARY OF COMMERCIAL DEVELOPMENT
COMMERCIAL DEVELOPMENT PROTOTYPES
GLENDALE, CALIFORNIA

Land Use	Address	Description	Size of Land Use Component	Status
Ground Floor Retail	521 W. Colorado	Mixed-use building. 5 stories above grade and 2 levels of subterranean parking.	17,737	Paid library/parks fees in 2017. Under construction.
Ground Floor Retail	515 W. Broadway	Mixed-use building. 4 stories of residential over ground floor retail and subterranean parking.	18,722	Paid library/parks fees in 2016. Under construction.
Ground Floor Retail	3901 San Fernando	Mixed-use building. 4 stories of residential over ground floor retail and 2 levels of subterranean parking.	14,014	Paid library/parks fees in 2016. Under construction.
Ground Floor Retail	275 W. Lexington	Mixed-use building. 5 stories of residential above ground floor retail and 3 levels of subterranean parking.	4,710	Paid library/parks fees in 2016. Under construction.
Ground Floor Retail	111 E. Wilson & 215 N. Maryland	Mixed-use building. Includes five-screen theatre, 42 residential lofts and subterranean parking.	16,000	Completed
Ground Floor Retail	144 N. Central	Mixed-use building.	4,900	DA approved in 2013.
Ground Floor Retail	1815-1821 S. Brand	Mixed-use building. 5 stories above 3 levels of subterranean parking.	850	Design and MND approved in 2017.
Ground Floor Retail	611 N. Brand	Mixed-use project with two 18-story buildings and a 13-story building sharing a common podium.	12,000	Stage I Design submitted in 2017.
Ground Floor Retail	319 N. Central & 304 Myrtle	Mixed-use project.	2,500	Completed November 2017.
Ground Floor Retail	313 W. California	Mixed-use project.	5,000	Completed April 2017.
Ground Floor Retail	120 W. Wilson	Mixed-use project.	9,800	Completed May 2015.
Ground Floor Retail	300 N. Central	Mixed-use project.	8,000	Completed December 2016.
Ground Floor Retail	3900 San Fernando	Mixed-use project.	18,000	Completed April 2015.
Ground Floor Retail	200 E. Broadway	Mixed-use project.	23,000	Completed May 2013.
Ground Floor Retail	546 W. Colorado & 544-552 W. Elk Ave	Mixed-use project.	8,500	Completed January 2013.
		Total Ground Floor Retail Square Feet	**163,700**	
		Average Annual Ground Floor Retail Development	**29,800**	

Prepared by: Keyser Marston Associates, Inc.
Filename: Glendale Feasibility Analysis_8 22 18; Historical Development; trb

SUMMARY OF COMMERCIAL DEVELOPMENT
COMMERCIAL DEVELOPMENT PROTOTYPES
GLENDALE, CALIFORNIA

Land Use	Address	Description	Size of Land Use Component	Status
Freestanding Retail	238 S. Brand	Addition of retail/restaurant space	9,737	Paid library/parks fees in 2016.
Freestanding Retail	707 N. Pacific	Rite Aid project	13,688	Paid library/parks fees in 2016.
Freestanding Retail	1138 N. Central	Addition of retail space	1,978	Paid library/parks fees in 2016.
		Total Freestanding Retail Square Feet	**25,400**	
		Average Annual Freestanding Retail Development	**4,600**	
Hotel	225 W. Wilson	Hyatt Place. 173 rooms. 11 stories with 1 level of subterranean parking.	186,000	Completed in June 2018.
Hotel	1100 N. Brand	Aloft Hotel. 84 rooms and 6 stories.	57,350	Under construction.
Hotel	143 N. Louise	Hotel Louise. 147 rooms.	102,000	Under construction.
Hotel	999 E. Colorado	Holiday Inn Suites. 134 rooms and 2 levels of subterranean parking.	108,750	Permit issued April 2018.
Hotel	120 W. Colorado	AC Hotel. 140 room hotel replacing existing 52-room hotel.	88,500	Design/parking variance approved May 2018.
Hotel	1633 Victory	64 room hotel with two levels of subterranean parking.	37,882	Design review Spring 2018.
Hotel	315 S. Brand	Hampton Inn & Suites. 94 room hotel.	60,010	Completed January 2017.
Hotel	241 N. Maryland	Hotel Indigo. 140 rooms.	82,592	Planned.
		Total Hotel Square Feet	**723,100**	
		Average Annual Hotel Development	**131,500**	

Prepared by: Keyser Marston Associates, Inc.
Filename: Glendale Feasibility Analysis_8 22 18; Historical Development; trb

EXHIBIT 4

KEYSER MARSTON ASSOCIATES™

JOBS-HOUSING NEXUS STUDY

Prepared for:

City of Glendale

Prepared by:

Keyser Marston Associates, Inc.

November 1, 2018

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APPENDICES

I. EXECUTIVE SUMMARY

The following report summarizes an analysis of the linkages between commercial development in Glendale and the demand for additional affordable housing. The analysis, which demonstrates support for a "Commercial Development Impact Fee", has been prepared by Keyser Marston Associates, Inc. (KMA) for the City of Glendale (City) in accordance with a contractual agreement.

A. Jobs-Housing Nexus Study

The purpose of a nexus analysis is to quantify and document the linkages among the construction of new office, retail and hotel projects, the employees that work in them, and the increased demand for affordable housing. Since the jobs in these types of projects cover a range in compensation levels, and the households of the workers range in size, housing needs are generated at all affordability levels. This analysis quantifies the need for affordable housing created by each type of workplace building.

This analysis is conducted to meet the requirements imposed by several United States Supreme Court decisions, and by California Government Code Section 66000 et seq., which is sometimes referred to as "the Mitigation Fee Act". These analyses are commonly referred to as linkage or nexus analyses.

B. Building Types and Affordability Levels

This analysis evaluates a cross section of commercial development types that have occurred in Glendale in recent years, and that are expected to be built in the near-term future. For the purposes of the analysis, the following building types were identified:

- Office
- Freestanding Retail
- Ground Floor Retail
- Hotel

The household income categories addressed in the analysis include: Extremely Low Income, Very Low Income, Low Income, and Moderate Income.

C. Maximum Nexus Costs

The following table identifies the maximum nexus costs derived from the KMA Jobs-Housing Nexus Study. These nexus costs represent the maximum allowable fee amounts, rather than the recommended fee amounts.

	Maximum Fee Per Square Foot
Office	$296.40
Freestanding Retail	$280.50
Ground Floor Retail	$379.40
Hotel	$131.60

D. Recommended Commercial Development Impact Fees

The following factors were considered in establishing recommended Commercial Development Impact Fee amounts:

1. The strength of the local real estate market for the building types that will pay the fee;
2. The total fees imposed on new development as compared to jurisdictions that are competing for the uses; and
3. The local policy objectives.

Based on the preceding factors, KMA recommends that the City set the Commercial Development Impact Fee in the $3 to $5 per square foot range. It is important to note that this recommendation does not take into account any other public fees that may be under review by the City. Any changes in other fee levels would impact this recommendation.

II. INTRODUCTION AND OVERVIEW

Over the past several years the region has rebounded from the global real estate recession, and as a result, commercial development has escalated. This commercial development supports additional jobs within Glendale, which generates a need for additional housing accessible to all income levels.

Similarly, residential rents and sales prices in Glendale have been escalating rapidly since the recession. This continues to intensify the demand for market rate residential development, which has in turn assisted the City in meeting the Regional Housing Needs Assessment (RHNA) goals for above-moderate income housing in Glendale. However, as rents and sales prices increase, it becomes exponentially more difficult to achieve the RHNA goals for very low, low and moderate income units.

The termination of redevelopment eliminated the most significant financial resource available to the City to assist in the production of affordable housing. In addition, over the past several years the amount of Federal funding for affordable housing has steadily decreased. As these outside affordable housing program resources continue to decline, and as residential rents and sales prices continue to escalate, the City has begun exploring the options for generating additional revenue to be utilized for the creation of additional affordable housing.

The purpose of this Jobs-Housing Nexus Study is to provide the City with a legal basis to levy Commercial Development Impact Fees on commercial development. Concurrent with this analysis, KMA is preparing an Inclusionary Housing Study as part of the City's discussion to implement a City-wide Inclusionary Housing Ordinance for market rate residential development.

A. Benefits of Affordable Housing to Commercial Development

The primary objective for implementing a Commercial Development Impact Fee on commercial development is to increase the amount of affordable housing within Glendale. This increase in affordable housing benefits commercial development by strengthening the local jobs-housing balance, which benefits both employers and workers. With a larger and more diverse pool of Glendale residents to draw upon, employers will have increased ability to fill job openings.

A lack of local affordable housing can result in overcrowded living conditions, or workers that must endure long commutes. Both of these conditions affect a worker's quality of life, which may ultimately force a worker to quit their job. Giving workers access to affordable housing

opportunities close to their place of employment can result in greater workplace stability, and less worker turnover for the employer. It has been estimated that it can cost between 15% and 30% of a worker's annual salary to replace that worker. As such, limiting worker turnover with the development of affordable housing can produce meaningful cost savings for employers.

B. Analysis Organization

The commercial uses that are the subject of this analysis represent a cross section of typical commercial development that has occurred in Glendale in recent years and is expected to be built in the near-term future. For purposes of the analysis, the following building types were identified:

- Office
- Freestanding Retail
- Ground Floor Retail
- Hotel

The household income categories addressed in the analysis include: Extremely Low Income, Very Low Income, Low Income and Moderate Income.

C. Data Sources and Qualifications

The analyses in this report have been prepared using the best and most recent data available. Local and current data was used whenever possible. Sources such as the 2010 United States Census (Census), the American Community Survey of the Census, and California Employment Development Department data were used extensively. Other sources and analyses are noted when used in the text and footnotes. The data sources and uses are those that provide a reasonable basis to support the nexus between jobs and housing.

While we believe all sources utilized are sufficiently accurate for the purposes of the analyses, we cannot guarantee their accuracy. KMA assumes no liability for information from these and other sources.

III. THE JOBS-HOUSING NEXUS STUDY

A. The Nexus Concept

Introduction

This section outlines the nexus concept and some of the key issues surrounding the linking of new commercial development to the demand for affordable residential units in Glendale. The nexus analysis and discussion focus on the relationships among development growth, employment, income of workers and demand for affordable housing. The analysis connects the new construction of the types of buildings in which there are workers to the need for additional affordable housing. This connection is quantified both in terms of number of units, and the amount of subsidy assistance needed to make the units affordable.

The Legal Basis and Context

The first jobs-housing linkage programs were adopted in the cities of San Francisco and Boston in the mid-1980s. To support the linkage between commercial development and the demand for affordable housing, the City of San Francisco commissioned an analysis to show the relationships, or what might now be characterized as an early version of a nexus analysis. Since that time there have been several court cases and California statutes that affect what local jurisdictions must demonstrate when imposing impact fees on development projects.

The most important United States Supreme Court cases are Nollan v. California Coastal Commission and Dolan v. City of Tigard (Oregon). The rulings on these cases, and others, help clarify what governments must find in the way of the nature of the relationship between the problem to be mitigated and the action contributing to the problem. Here, the problem is the shortage of affordable housing, and the action contributing to the problem is building workspaces that create more jobs and worker households needing affordable housing.

Following the Nollan decision in 1987, the California legislature enacted AB 1600, which requires local agencies proposing an impact fee on a development project to identify the purpose of the fee, the use of the fee, and to determine that there is a reasonable relationship between the fee's use and the development project on which the fee is imposed. The local agency must also demonstrate that there is a reasonable relationship between the fee amount and the cost of mitigating the problem that the fee addresses. Studies by local governments designed to fulfill the requirements of AB 1600 are often referred to as "AB 1600" or "Nexus" studies.

One court case that involved housing linkage fees was Commercial Builders of Northern California v. City of Sacramento. The commercial builders of Sacramento sued the City of Sacramento following the City's adoption of a housing linkage fee. Both the United States District Court and the Ninth Circuit Court of Appeals upheld the City of Sacramento, and rejected the builders' petition. The United States Supreme Court denied a petition to hear the case, letting stand the lower court's opinion.

Since the Sacramento case in 1991 there have been several additional court rulings reaffirming and clarifying the ability of California cities to adopt impact fees. Notable cases can be described as follows:

1. In 2004, in San Remo Hotel v. the City and County of San Francisco, the court upheld the impact fee levied by the City and County of San Francisco on the conversion of residence hotels to tourist hotels and other uses. The court found that a suitable nexus, or deleterious impact, had been demonstrated.

2. In 2009, in Building Industry Association of Central California v. the City of Patterson, the Court invalidated the City of Patterson's fee because a valid nexus linking the impact of the proposed project to the fee had not been demonstrated.

3. In 2010, a court ruling upheld most of the impact fees levied by the City of Lemoore, in Southern California. Of particular note is the judges' opinion that a "fee" may be "established for a broad class of projects by legislation of general applicability....the fact that specific construction plans are not in place does not render the fee unreasonable." In other words, cities do not have to identify specific affordable housing projects to be constructed at the time of adoption of an impact fee.

In summary, the case law at this time appears to be fully supportive of the imposition of jobs-housing impact fees.

The Nexus Methodology

An overview of the basic nexus concept and methodology is helpful to understand the discussion and concepts presented in this section. This overview consists of a quick "walk through" of the major steps of the analysis. The nexus analysis links new commercial buildings with new workers in the City; these workers demand additional housing in proximity to the jobs, a portion of which needs to be affordable to the workers in lower income households.

The methodology utilized in this analysis is a "micro" analysis that examines individual buildings. The micro nexus analysis readily lends itself to quantification that serves as a basis for the nexus cost, or the maximum fee amount for each building type.

To illustrate the micro nexus analysis, very simply, we can walk through the major calculations of the analysis. We begin by assuming a prototypical building of a defined size, and then we make the following calculations:

1. We estimate the total number of employees working in the building based on average employment density data.

2. We use occupation and income information for typical job types in the building to calculate how many of those jobs pay compensation at the levels addressed in the nexus analysis.

    a. Compensation data is provided by the California Employment Development Department, and is specific to Los Angeles County as of 2017.

    b. Worker occupations by building type are derived from the 2016 Occupational Employment Survey prepared by the United States Bureau of Labor Statistics.

3. We know from the Census that many workers are members of households where more than one person is employed, and there is also a range of household sizes. We use factors derived from the Census to translate the number of workers into households of various sizes represented in each income category.

4. Then, we calculate how many of the Extremely Low, Very Low, Low and Moderate Income households are associated with the building and divide by the building size to arrive at coefficients of housing units per square foot of building area.

5. In the last step, we multiply the identified number of households times cost of delivering housing units affordable to these income groups.

The Relationship Between Construction and Job Growth

Many factors underlie the reasons for employment growth in a given region; these factors are complex, interrelated, and often associated with forces at the national and international levels. The nexus argument does not make the case that the construction of new buildings is solely responsible for employment growth. However, new construction is uniquely important in the

equation, first, as one of the factors contributing to growth, and second, as a unique and essential condition precedent to growth.

As to the first, construction itself encourages growth. When the state economy is growing, the areas that experience the most rapid growth are those where new construction activity is vigorous and acts as a vital industry. In regions such as Los Angeles, where multiple forces of growth exist, the development industry frequently serves as a proactive force inducing growth to occur, or to be attracted to specific areas, by providing new work spaces, particularly those of a speculative nature.

Second, the development of workplace buildings bears a direct relationship to job growth, because job growth does not occur in modern service economies without buildings to house new workers. Unlike other growth factors, new buildings play a unique role in that employment growth cannot occur without them for a sustained period of time. Conversely, it is well established that the inability to construct new workplace buildings will constrain, or even halt, job growth.

Discount for Changing Industries

The local economy, like that of the United States as a whole, is constantly evolving. In the Los Angeles - Long Beach - Glendale Metropolitan Division (MD) (Los Angeles MD), over the past 20 years, employment in various sectors of the economy has declined. However, jobs lost over the last decade in these declining sectors were replaced by job growth in other industry sectors.

Long-term declines in employment experienced in some sectors of the economy mean that some of the jobs created in burgeoning industries are being filled by workers that have been displaced from another industry and who are presumed to already be housed locally. Recognizing that jobs added in the community are not necessarily net new jobs, this step in the analysis makes an adjustment to take these declines, changes and shifts within all sectors of the economy into account.

To assist in making the adjustment, KMA analyzed data published by the California Employment Development Department annually for the Los Angeles MD. For the previous five-year period (2012 – 2016), the Los Angeles region experienced an approximately 4% decline in industry. However, the Los Angeles region experienced an approximately 40% decline in industry over the previous 20-year period (1997 – 2016). The decline during both periods was largely focused in the manufacturing sector.

The large declines in industries over the 20-year period can be attributed to effects of the Great Recession. As demonstrated from the five-year period, the greater Southern California region is just beginning to recover from the substantial job losses that occurred during the recession. Based on the entirety of the data analyzed, 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, KMA applied a 20% downward adjustment for a decline in industries in this nexus study. This represents a mid-point between the historical data for the Los Angeles County MD for the five- and 20-year periods analyzed.

The impact of the 20% adjustment factor is the effective assumption that one in every five new jobs will be filled by an employee down-sized from a declining industry and who already lives locally. This factor can be considered conservative given that some displaced employees may exit the workforce entirely by retiring rather than seeking a new job in one of the new industries that have entered the community.

Other Factors and Assumptions

The "Addendum" to this study provides a discussion of other specific nexus concepts that must also be considered. These factors include:

1. Addressing the housing needs of a new population versus the existing population;
2. Substitution factor, indirect employment and multiplier effects;
3. Changes in labor force participation;
4. Commuting; and
5. Economic cycles.

B. Jobs-Housing Nexus Analysis

This section presents a summary of the analysis of the linkage between four types of workplace buildings, and the estimated number of worker households in the income categories that will, on average, be employed within those buildings. This section should not be read or reproduced without the narrative presented in the previous sections of this study.

Analysis Approach and Framework

The analysis establishes the jobs-housing linkages for individual building types or land use activities. In turn, this is used to quantify the connection between employment growth in Glendale and the resulting demand for affordable housing.

The analysis approach is to examine the employment associated with the development of workplace building prototypes. 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 households related to building area. In the final step, we convert the numbers of households for an entire building to the number of households per square foot of building area. For ease of understanding, KMA conducts the analysis on 100,000 square foot building modules. The building size is used solely to facilitate understanding of the analysis by being able to avoid cumbersome fractions.

The prototypes are meant to cover a wide variety of building types. Together, the four categories are designed to encompass most new commercial buildings to be constructed by the private sector in Glendale. The categories under analysis are:

1. The Office category is designed to represent the range of office tenants locating in Glendale, from small professional offices and medical offices to motion picture and video companies.

2. The Freestanding Retail category encompasses the full range of retail categories including automotive uses, restaurants, and entertainment uses.

3. The Ground Floor Retail category represents retail uses that would typically locate on the ground floor of mixed-use buildings, including restaurants and retail uses that serve nearby residents.

4. The Hotel category includes hotels, motels and extended stay hotels, if any.

Household Income Limits

When workers form households, their income, either alone or in combination with other workers, produces the household income. In addition, of course, there may be children and/or other household members who are not employed. The nexus analysis estimates demand for affordable housing focusing on the following household income categories:

- Extremely Low Income
- Very Low Income
- Low Income
- Moderate Income

Household income criteria for these affordability categories are based on the Los Angeles County median income (Median) as published by the California Department of Housing and Community Development (HCD). The income categories presented in the following table are applied for most housing programs administered by HCD and by the United States Department of Housing and Urban Development (HUD). For a four-person household, the maximum qualifying income levels for 2018 are:

Income Category	Percent of Median	Income Range (Four-Person Household)
Extremely Low Income	0% to 30% of Median	$0 to $29,050
Very Low Income	Above 30% to 50% of Median	$29,051 to $48,450
Low Income	Above 50% to 80% of Median	$48,451 to $77,500
Moderate Income	Above 80% to 120% of Median	$77,501 to $83,150

Analysis Steps

The analysis is conducted using a model that KMA has developed for application in many jurisdictions for which the firm has conducted similar analyses. The model inputs are comprised of local data to the extent possible, and are fully documented.

Tables 1 through 4 in Appendix A summarize the nexus analysis steps for the four building types. Following is a description of each step in the analysis:

<u>Step 1 – Estimate of Total New Employees</u>

Appendix A - Table 1 estimates the total number of employees who will work in the companies that occupy the building types being analyzed. This is done by dividing the building size by the

average square feet of space provided to each employee. As the amount of space allocated to each employee is reduced, the supportable nexus cost is increased. To provide conservative estimates, KMA applied the high end of the square footage range per employee for each type of use. The employment densities used in the analysis can be described as follows:

1. Office at 250 square feet per employee. This figure is in the middle of the currently typical 200 to 300 square foot per employee area range depending on the character of the office activity (corporate headquarters vs. back office, to illustrate extremes). However, with the recent trend towards shared workspaces and increased telecommuting, newer office uses are shifting to less space per employee.

2. Freestanding Retail at 500 square feet per employee. This category covers a broad range of uses from high-service restaurants, where employment densities are far greater than average, to retail uses such as furniture stores where employment densities are much lower. Retail employment densities generally range from 250 to 500 square feet per employee depending on the retail use.

3. Ground Floor Retail at 375 square feet per employee. This category covers the retail uses that would operate on the ground floor of mixed-use buildings, which will likely be geared towards food preparation and resident services. KMA calculated the weighted employment density average based on 50% general retail space at 500 square feet per employee, and 50% restaurant space at 250 square feet per employee.

4. Hotel at 1,000 square feet per employee. This estimate reflects limited-service hotel developments.

The density factors used in this analysis represent averages, and individual uses can be expected to be fairly divergent from the average from time to time. Specific projects may have more or fewer employees than the employment densities assumed in this analysis. In these instances, the City may wish to include a provision in the ordinance that provides a waiver or a custom impact fee to adjust for employment densities that vary greatly from the averages used in this analysis. That is, projects with much lower employment densities may be allowed to pay a lower impact fee, and projects with much greater employment densities may be required to pay a higher fee.

As discussed above, KMA conducted the analysis on 100,000 square foot prototype buildings. The prototypes facilitate the presentation of the nexus findings, as it allows us to count jobs and housing units in whole numbers that can be readily communicated and understood. At the

conclusion of the analysis, the findings are divided by the 100,000 square foot building size to express the linkages per square foot, which are very small fractions of housing units.

Step 2 – Adjustment for Changing Industries

This step is an adjustment to take into account any declines, changes and shifts within all sectors of the economy and to recognize that new space is not always 100% equivalent to net new employees. As discussed previously, a 20% adjustment is utilized to recognize the long-term shifts in employment occurring in the Los Angeles region and the likelihood of continuing changes to the local economy. This adjustment is presented in Appendix A - Table 1.

For demolition of existing structures, the City may wish to provide a credit or offset to the fee when demolition of existing structures occurs as part of a project. Typically, the fee would only be charged against net new space added by a project.

Step 3 – Adjustment from Employees to Employee Households

This step, as shown in Appendix A - Table 1, converts the number of employees to the number of employee households that will work at or in the building type being analyzed. This step recognizes that there is, on average, more than one worker per household, and thus the number of housing units in demand for new workers must be reduced to reflect this fact.

The workers per household characteristic provides the link between the number of employees and the number of households associated with the net new employees. Worker households are defined as those households with one or more persons with work-related income, including the self-employed, as reported in the 2011-2015 American Community Survey of the Census. In other words, worker households are distinguished from total households in that the universe of worker households does not include elderly or other households in which members are retired or do not work for other reasons. Student households and unemployed households on public assistance are also excluded from the definition of worker households.

The number of workers per household in a given geographic area is a function of household size, labor force participation rate and employment availability, as well as other factors. According to the 2011-2015 American Community Survey, the average number of workers per worker household in Los Angeles County was 1.70. Since workers employed in Glendale live all over Los Angeles County and beyond, the County average is used in the analysis.

Step 4 – Occupational Distribution of Employees

The occupational breakdown of employees is the first step to arriving at estimated income levels. Using the 2016 National Industry-Specific Occupational Estimates, which is a cross matrix of industries and occupations produced by the Bureau of Labor Statistics, we are able to estimate the occupational composition of employees in the four types of buildings. The occupations that reflect the expected mix of activities in the new buildings are presented in Appendices B - E.

1. The industry mix for office buildings has been tailored to reflect the typical industry base in Glendale. These industries represent a mix of professional service activities including business and financial operations, entertainment companies, insurance, architecture and engineering, computer and mathematical, legal, management, health care, and sales. Office and administrative support occupations comprise approximately 22% of all office-related employment.

2. Freestanding retail employment consists predominately of food preparation occupations (41%), and sales related occupations (29%). These two occupation categories together account for 70% of freestanding retail workers. The remaining 30% of freestanding retail workers are in occupations that include administrative support, transportation, installation and maintenance, and production. The freestanding retail category excludes movie theaters.

3. Ground floor retail employment is dominated by food preparation and serving occupations (47%), and sales related occupations (28%). These two occupation categories together account for 75% of ground floor retail workers. The remaining ground floor retail workers are in occupations that include administrative support, personal care, and production.

4. Hotels employ workers primarily within building and grounds cleaning and maintenance; food preparation and serving related; and administrative support. These employment categories make up 76% of hotel workers. Other hotel occupations include personal care, management, sales, production and maintenance and repair.

Step 4 estimates are presented in Appendix A - Table1 and Appendices B – E. These estimates include both the percentage of total employee households and the number of employee households in the prototype buildings.

Step 5 – Estimated Employee Household Income

In this step, occupations are translated to incomes based on recent Los Angeles County wage and salary information for the occupations associated with each building type. This step in the analysis calculates the number of employee households that fall into each income category.

The following is a summary of the worker compensation levels for the three top occupation groups by building type. The percentages refer to the share of employment within the building in the occupation group. Appendices B – E show the more detailed wage and salary information that were used as the income inputs to the model.

Los Angeles County Worker Compensation by Building Type (2016)			
Building Type	Major Occupation Group	% of Employment in Building	Average Annual Worker Compensation[1]
Office	Office and administrative support	22%	$40,900
	Arts, design, entertainment, sports, and media	13%	$95,600
	Business and financial operations	10%	$82,500
Freestanding Retail	Food preparation and serving	41%	$27,000
	Sales and related occupations	29%	$30,800
	Office and administrative support	9%	$35,200
Ground Floor Retail	Food preparation and serving	47%	$27,100
	Sales and related occupations	28%	$30,100
	Office and administrative support	9%	$34,500
Hotel	Building and grounds and cleaning and maintenance	31%	$29,300
	Food preparation and serving	25%	$29,100
	Office and administrative support	20%	$33,700
Source: California Employment Development Department, 2016 Occupational Employment Statistics Survey, Wages First Quarter 2017			

[1] Compensation is based on the full-time equivalent of 40 hours per week.

Individual employee income information was used to calculate the number of households that fall into these income categories based on the assumption that multiple earner households are, on average, formed of individuals with similar incomes. The model recognizes some households have multiple incomes while others do not.

Step 6 – Estimate of Household Size Distribution

In this step, household size distribution is input into the model in order to estimate the income and household size combinations that meet the income definitions established by HUD and HCD, as used by the City. The household size distribution utilized in the analysis is that of Los Angeles County, since workers employed in Glendale are drawn from throughout the County.

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

For this step the KMA model incorporates a matrix of household size and income to establish probability factors for the two criteria in combination. For each occupational group, a probability factor was calculated for each household income and size level. This step is performed for each occupational category, and multiplied times the number of households. These analyses are presented in Appendix A – Tables 2A – 2D, and summarized in Appendix A – Table 3.

Summary by Income Level

Appendix A - Table 3 illustrates the results of the analysis for the four income categories and the four prototypical buildings being analyzed in this study. The table presents the estimated number of households in each affordability category, the total number up to 120% of the Median, and the remaining households earning over 120% of Median.

Appendix A - Table 3 also presents the percentages of total new worker households that fall into each income category. As indicated, approximately 90% of Freestanding Retail and Ground Floor Retail worker households earn less than the 120% of the Median. By contrast, in Office buildings, approximately 42% of worker households earn less than 120% of the Median.

Summary by Square Foot Building Area

The analysis thus far has worked with prototypical buildings. In this step, the conclusions are translated to a per-square-foot level and expressed as coefficients. These coefficients state the portion of a household, or housing unit, by affordability level for which each square foot of building area is associated (see Appendix A - Table 4).

This is the summary of the affordable housing nexus analysis, or the linkage of buildings to employment growth to housing demand disaggregated by income level. We believe that our analysis provides a conservative approximation (understates at the low end) of the households by income and affordability levels associated with these building types.

C. Maximum Nexus Costs

This section takes the conclusions from the previous section on the number of households in the Extremely Low, Very Low, Low, and Moderate Income categories associated with each building type, and estimates the total cost of assistance required to make housing affordable. This section puts a cost on the units at each income level to produce the "total affordable housing nexus cost."

Affordability Gaps

A key component of the analysis is the size of the gap between what households can afford and the cost of producing additional housing in Glendale; this is known as the "affordability gap." The assumption is that the City will assist in the development of affordable units at development cost levels based on similar development projects and the City's recent experience.

KMA conducted a series of affordability gap analyses, which are presented in Appendix F. Based on these analyses, it was determined that the public assistance cost would be lower for rental units than for ownership units at each income level.

For the Extremely Low Income, Very Low Income, and Low Income tiers it is assumed that Tax-Exempt Multifamily Bonds and the automatically awarded 4% Tax Credits will be available. The Moderate Income tier is structured as an unleveraged rental project. The resulting affordability gaps per unit are presented in the following table:

Extremely Low Income (0% to 30% Median)	($398,400)
Very Low Income (Above 30% to 50% Median)	($332,100)
Low Income (Above 50% to 80% Median)	($300,000)
Moderate Income (Above 80% to 120% Median)	($293,600)

Total Affordable Housing Nexus Costs

Previous steps in the nexus analysis estimated the following:

1. The number of Extremely Low, Very Low, Low and Moderate Income households that will be employed in each of the four types of buildings; and

2. The affordability gaps associated with providing housing at the various income levels.

The final step in the nexus analysis translates these factors into the estimated cost to fulfill the affordable housing demand created by the prototype developments (Appendix A – Table 5). These results are then converted into the affordability gaps per square foot of building area for the new development of office, freestanding retail, ground floor retail and hotel uses. This is defined as the affordable housing nexus cost, which represents the maximum allowable Commercial Development Impact Fee. Based on the results of the KMA analysis, the maximum fees for the four building types are as follows:

	Maximum Fee Per Square Foot of Building Area
Office	$296.40
Freestanding Retail	$280.50
Ground Floor Retail	$379.40
Hotel	$131.60

The maximum fees identified in the preceding table reflect the low compensation levels of many jobs, coupled with the high cost of developing residential units in Glendale. It is important to note, however, that the maximum fee amounts are not the recommended fee levels. Rather, these fee amounts represent the maximum amounts that can be charged under the nexus requirements imposed by the United States Supreme Court and the California Government Code.

Conservative Assumptions

KMA employed many conservative assumptions in the estimation of the total affordable housing nexus costs. As a result, the total affordable housing nexus costs identified in this study

are significantly lower than the amounts that would have been derived if less conservative assumptions had been applied. These conservative assumptions can be summarized as follows:

1. The study only counts employees that are employed in the companies that occupy the new development. The development of new commercial space will also generate indirect jobs from the suppliers to the businesses located in the new workspace buildings, and induced jobs related to the local spending on goods and services by the direct employees.

2. The trend in the development of new office space is for open office floor plans that can accommodate more employees per square foot of building area than the historical ratios used as reference points in this analysis. These increased employee densities can yield upwards of twice as many employees in a given amount of space than the estimates applied in this study.

3. The annual incomes for workers used in this analysis reflect full-time employment based on the California Employment Development Department's convention for reporting compensation information. Of course, many workers work less than full time; therefore, the annual compensation estimates used in the analysis are overstated, especially for retail and hotel uses, which tend to have a high number of part-time employees.

4. The conservative assumptions applied to the affordability gap analysis are:

    a. The affordability gaps for Extremely Low and Very Low Income households were estimated based on rents that are affordable to households at the top of each income range. If the mid-point of the income ranges had been used, the affordability gaps would have been larger, which would increase the resulting nexus costs.

    b. The affordability gap analysis for Extremely Low, Very Low and Low Income households includes Tax-Exempt Multifamily Bonds and 4% Tax Credit financing. The inclusion of these outside leveraging sources reduces the affordability gap that would need to be filled by the city.

IV. RECOMMENDED COMMERCIAL DEVELOPMENT IMPACT FEE LEVELS

The following sections discuss the methods in which the City could set the Commercial Development Impact Fees.

A. Fee-Setting Context

The preceding study establishes the maximum fee amounts the City could charge under the nexus requirements imposed by the United States Supreme Court and the California Government Code. Recognizing that the Commercial Development Impact Fee is not the only tool the City will use to fulfill affordable housing needs, it is KMA's assumption that the City will choose to set the fee at less than the ceiling applied by the nexus test. In KMA's opinion, the fee amounts should be selected based on the following:

1. The strength of the local real estate market for the building types that will pay the fee;

2. The total fees imposed on new development as compared to jurisdictions that are competing for the uses; and

3. The local policy objectives.

The following information is provided to assist the City in selecting the fee amounts to be imposed.

B. Development Cost Analysis

A common approach to establishing fee levels is based on comparing the Commercial Development Impact Fee against the development costs associated with each land use. This approach facilitates an evaluation of whether the amount is likely to affect development decisions.

Based on a review of historical development project information provided by City staff, KMA prepared prototypical projects and development budgets for representative commercial product types currently being developed in Glendale. These prototypes are utilized as the basis for which to test the impact of potential impact fees on development costs.

The development prototypes utilized for this analysis are summarized as follows:

1. Office Prototype:

    a. A four-story project with 30,000 square feet of GBA; and

    b. 105 subterranean parking spaces.

2. Freestanding Retail Prototype:

a. A one-story project with 15,000 square feet of GBA; and

b. 53 surface parking spaces.

3. Ground Floor Retail Prototype:

a. 10,000 square feet of retail GBA located below 116,000 square feet of residential GBA; and

b. 30 at-grade podium parking spaces to serve the ground floor retail component.

4. Hotel Prototype:

a. A 140-room hotel consisting of 81,000 square feet of GBA; and

b. 140 subterranean parking spaces.

The following summarizes the results of the development cost test for establishing Commercial Impact Fees.[2] The results are presented in terms of square feet of GBA in each type of project:

Land Use	Fee at 0.5% of Development Costs	Fee at 1.0% of Development Costs	Fee at 1.5% of Development Costs	Fee at 2.0% of Development Costs
Office	$4	$8	$11	$15
Freestanding Retail	$5	$9	$14	$19
Ground Floor Retail	$3	$5	$8	$11
Hotel	$3	$6	$9	$12

As shown in the preceding table, the development cost test results in Commercial Development Impact Fees ranging from a low of $3 per square foot of GBA to a high of $19 per square foot of GBA.

C. Fees in Other Jurisdictions

It is important to note that Commercial Development Impact Fee programs are primarily found in Northern California jurisdictions. Currently, only four Southern California jurisdictions have

[2] The detailed development cost tables are located in Appendix G.

enacted Commercial Development Impact Fee programs. The following summarizes the requirements of these four programs:

	Fee Amount Per Square Foot of GBA	Exemptions
Los Angeles	$3 – $5	• Non-residential developments less than 15,000 square feet • Hospitals • Grocery stores (if none within 1/3 mile)
San Diego	• Office - $2.12 • Hotel - $1.28 • Research and Development - $0.80 • Retail - $1.28	• Non-profit hospitals • Manufacturing/warehouse uses
Santa Monica	• Retail - $9.75 • Office - $11.21 • Hotel/Lodging - $3.07 • Hospital - $6.15 • Industrial - $7.53 • Institutional - $10.23 • Creative Office - $9.59 • Medical Office - $6.89	• No Exemptions
West Hollywood	$8.68	• Non-residential development less than 10,000 square feet

The commercial impact fees in the four Southern California jurisdictions range from a low of $0.80 per square foot of GBA for research and development uses in San Diego to a high of $11.21 per square foot of GBA for office development uses in Santa Monica.

It should be noted that some jurisdictions set a threshold project size below which Commercial Impact Fees are not imposed. A commonly used threshold is 10,000 square feet of GBA.

D. Recommended Fee Levels

Based on the context of the development cost analysis, the fees survey for nearby jurisdictions, the relative strength of the Glendale real estate market, and taking into account the City's policy objectives, we recommend that the City consider a fee in the $3 to $5 per square foot range. It is important to note that this recommendation does not take into account any other fees currently under review by the City. Any changes on other fee levels would impact this recommendation.

E. Potential Indices for Annual Updates to Commercial Development Impact Fees

Administrative objectives that should be taken into consideration in selecting an appropriate index for updating the Commercial Development Impact Fees are as follows:

1. The update methodology should be simple and easily administered;

2. The terms of the update should be clear and objective, not subject to interpretation; and

3. The update should be tied to a readily accessible and neutral third-party published source.

The following table summarized common indices that could be used to adjust the Commercial Development Impact Fee amounts each year:

Index	Concept / Description	Advantages	Disadvantages
Building Cost Index (BCI)	Fees go up or down based on changes in building construction costs Published by Engineering News Record (ENR) Available as a national average for 20 cities, including Los Angeles	Very well established Consistent fee burden is imposed relative to changes in construction costs	May not trend with changes in development cost components such as land and soft costs May not trend with the cost associated with producing affordable units
Construction Cost Index (CCI)	Also published by ENR and similar to the Building Cost Index, but with different weighting toward labor costs	Very well established Consistent fee burden is imposed relative to changes in construction costs	The BCI is likely the more appropriate of the two ENR indices since it is more closely linked to commercial construction costs
Consumer Price Index (CPI)	Published by the United States Bureau of Labor Statistics. Available for major metropolitan areas	Very well established Tracks with inflation generally Produced by a neutral government agency	May not trend with commercial construction costs, or the cost to produce affordable housing units

V. ADDENDUM: FACTORS RELATING TO THE NEXUS CONCEPT

This Addendum provides a discussion of various specific factors and assumptions related to the nexus concept. This discussion supplements the overview provided in the previous sections of the report.

A. Addressing the Housing Needs of a New Population versus the Existing Population

The City, in its Housing Element, has clearly documented that the housing needs of existing lower income households are not currently being met. The Housing Element states that approximately 40% of all the households in Glendale are defined as extremely low, very low or low income households. The existing housing shortage, especially at the lowest income levels, is manifested in numerous ways such as residents paying far more than the affordable rent set forth in federal and state guidelines, overcrowding, and other factors that are extensively documented by the Census and other reports.

It is important to understand that this nexus study does not address the housing needs of the existing population. Rather, the study focuses exclusively on documenting and quantifying the housing needs of new households where an employee works in a new workplace building.

Local analyses of housing conditions indicate that new housing affordable to lower income households is not being added to the supply in sufficient quantity to meet the needs of new employee households. If significant numbers of units were being added to the supply to accommodate the Extremely Low to Moderate Income groups, or if residential units in Glendale were experiencing higher than typical long-term vacancy levels, particularly in affordable units, then the need for new units would be questionable.

B. Substitution Factor

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

C. Indirect Employment and Multiplier Effects

The multiplier effect refers to the concept that the income generated by a new job recycles through the economy and results in additional jobs. The total number of jobs generated is broken down into three categories – direct, indirect and induced. In the case of the nexus analysis, the direct jobs are those located in the new workspace buildings that would be subject

to the linkage fee. Multiplier effects encompass indirect and induced employment. Indirect jobs are generated by suppliers to the businesses located in the new workspace buildings. Finally, induced jobs are generated by local spending on goods and services by the employees in the new businesses.

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

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

In addition, the nexus analysis addresses direct "inside" employment only. In the case of an office building, for example, direct employment covers the various managerial, professional and clerical people that work in the building; it does not include the security guards, the delivery services, the landscape maintenance workers, and many others that are associated with the normal functioning of an office building. By confining the analysis to the "inside" direct employees, the demand for affordable housing created by lower income workers associated with each type of building will be understated. This provides a more conservative perspective on the demand for affordable housing created by the development of new workplaces. If these factors were included, the maximum allowable Commercial Development Impact Fee would be higher than the amount estimated in this report.

D. Changes in Labor Force Participation

In the 1960s through the 1980s, there were significant increases in labor force participation, primarily among women. As a result, some of the new workers were entering the labor force and already had local housing. This acts to reduce the demand for housing associated with job growth. In earlier nexus analyses prepared by KMA, we would adjust the analysis to account for this factor. However, increases in participation rates by women have stabilized, and even declined slightly, while labor force participation rates for men have been on a downward trajectory since 1970. As such, an adjustment for increase in labor force participation is no longer warranted in a nexus analysis.

E. Commuting

Workers in Glendale commute from locations throughout the Los Angeles region. Nexus analyses sometimes make a downward adjustment to reflect the fact that an assumed portion of housing needs will be satisfied by other jurisdictions. Such an adjustment is not required for nexus purposes; all housing demand generated by a project may be included in the nexus. No adjustment for commuting has been reflected in the study.

F. Economic Cycles

A nexus analysis of this nature is intended to support the imposition of a one-time fee that addresses the impacts generated over the 40+ year life of a project. Short-term conditions, such as a recession or a vigorous boom period, are not appropriate bases for estimating impacts over the life of a building. These cycles can produce impacts that are higher or lower on a temporary basis.

Development of new workspace buildings tends to be minimal during a recession, and generally remains minimal until conditions improve or there is confidence that improved conditions are imminent. To the limited extent that new workspace buildings are built during a recession, housing impacts from these new buildings may not be fully experienced immediately. New buildings delivered during a recession can sometimes sit vacant for a period after completion. Even if new buildings are immediately occupied, the net absorption of space can still be zero or negative if other buildings are vacated in the process. Jobs added may also be filled in part by unemployed or underemployed workers who are already housed locally.

As the economy recovers, firms will begin to expand and hire again filling unoccupied space as unemployment is reduced. New space delivered during the recession still adds to the total supply of employment space in the region. Though the jobs are not realized immediately, as the economy recovers and vacant space is filled, this new employment space absorbs or accommodates job growth. Although there may be a delay in time, the fundamental relationship between new buildings, added jobs, and housing needs remains over the long term.

In contrast, during a vigorous economic boom period, conditions exist in which elevated impacts are experienced on a temporary basis. As an example, compression of employment densities can occur as firms add employees while making do with existing space. Compressed employment densities mean more jobs are added for a given amount of building area. Boom periods also tend to go hand-in-hand with rising development costs and increasing home prices.

These factors can bring market rate housing out of reach from a larger percentage of the workforce and increase the cost of delivering affordable units.

The preceding Jobs-Housing Nexus Study is based on current conditions in the market place. These conditions include the fact that limited land is available for new development, and that as a result infill development and recycling of existing underutilized properties will dominate the workplace development in Glendale.

APPENDIX A

JOBS-HOUSING NEXUS STUDY TABLES

GLENDALE, CALIFORNIA

APPENDIX A - TABLE 1
NET NEW HOUSEHOLDS AND OCCUPATION DISTRIBUTION BY BUILDING TYPE
JOBS-HOUSING NEXUS STUDY
GLENDALE, CALIFORNIA

Per 100,000 SF of Building

	OFFICE	FREESTANDING RETAIL	GROUND FLOOR RETAIL	HOTEL
Step 1 - Estimate of Number of Employees				
Employment Density (SF/Employee)	250	500	375	1,000
Number of Employees (100,000 SF Building)	400	200	267	100
Step 2 - Number of Employees after Declining Industries Adjustment (10%)	320	160	213	80
Step 3 - Adjustment for Number of Households (1.70)	188	94	125	47
Step 4 - Percent of Jobs by Occupation [1]				
Management Occupations	6.2%	2.4%	2.1%	4.5%
Business and Financial Operations	10.2%	0.6%	0.5%	1.5%
Computer and Mathematical	6.0%	0.1%	0.1%	0.1%
Architecture and Engineering	2.5%	0.0%	0.0%	0.0%
Life, Physical, and Social Science	0.7%	0.0%	0.0%	0.0%
Community and Social Services	0.3%	0.0%	0.0%	0.0%
Legal	3.4%	0.0%	0.0%	0.0%
Education, Training, and Library	0.4%	0.0%	0.0%	0.0%
Arts, Design, Entertainment, Sports, and Media	12.7%	0.4%	0.4%	0.2%
Healthcare Practitioners and Technical	6.2%	1.8%	2.1%	0.0%
Healthcare Support	3.4%	0.3%	0.3%	0.5%
Protective Service	4.8%	0.3%	0.3%	1.6%
Food Preparation and Serving Related	0.5%	40.7%	46.8%	24.8%
Building and Grounds Cleaning and Maint.	4.6%	0.6%	0.6%	31.3%
Personal Care and Service	0.9%	3.0%	3.2%	4.1%
Sales and Related	5.2%	28.8%	27.6%	2.5%
Office and Administrative Support	22.0%	9.2%	8.7%	20.0%
Farming, Fishing, and Forestry	0.1%	0.0%	0.0%	0.0%
Construction and Extraction	1.2%	0.1%	0.1%	0.2%
Installation, Maintenance, and Repair	1.3%	3.8%	0.6%	5.4%
Production	3.2%	2.3%	2.4%	2.3%
Transportation and Material Moving	4.4%	5.5%	4.0%	1.1%
Totals	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Prepared by: Keyser Marston Associates, Inc.
Filename: Glendale_Non-Residential Nexus_10 25 18; 1 Households; 11/1/2018; trb

APPENDIX A - TABLE 1
NET NEW HOUSEHOLDS AND OCCUPATION DISTRIBUTION BY BUILDING TYPE
JOBS-HOUSING NEXUS STUDY
GLENDALE, CALIFORNIA

Per 100,000 SF of Building

Appendix A - Table 1 , Page 2

	OFFICE	FREESTANDING RETAIL	GROUND FLOOR RETAIL	HOTEL
Step 4 - Number of Jobs by Occupation[1]				
Management Occupations	11.6	2.2	2.7	2.1
Business and Financial Operations	19.2	0.5	0.6	0.7
Computer and Mathematical	11.2	0.1	0.1	0.0
Architecture and Engineering	4.7	0.0	0.0	0.0
Life, Physical, and Social Science	1.2	0.0	0.0	0.0
Community and Social Services	0.7	0.0	0.0	0.0
Legal	6.5	0.0	0.0	0.0
Education, Training, and Library	0.8	0.0	0.0	0.0
Arts, Design, Entertainment, Sports, and Media	23.8	0.4	0.5	0.1
Healthcare Practitioners and Technical	11.7	1.7	2.6	0.0
Healthcare Support	6.4	0.3	0.4	0.3
Protective Service	9.0	0.3	0.4	0.8
Food Preparation and Serving Related	0.9	38.3	58.7	11.6
Building and Grounds Cleaning and Maint.	8.6	0.6	0.7	14.7
Personal Care and Service	1.6	2.8	4.0	1.9
Sales and Related	9.7	27.1	34.6	1.2
Office and Administrative Support	41.3	8.7	10.9	9.4
Farming, Fishing, and Forestry	0.1	0.0	0.0	0.0
Construction and Extraction	2.2	0.1	0.1	0.1
Installation, Maintenance, and Repair	2.5	3.6	0.8	2.5
Production	6.0	2.2	3.1	1.1
Transportation and Material Moving	8.2	5.2	5.1	0.5
Totals	**188.0**	**94.0**	**125.4**	**47.0**

Notes:
(1) Appendix A Tables 1 through 8 contain additional information regarding worker occupation categories.

Prepared by: Keyser Marston Associates, Inc.
Filename: Glendale_Non-Residential Nexus_10 25 18; 1 Households; 11/1/2018; trb

APPENDIX A - TABLE 2A
ESTIMATE OF QUALIFYING HOUSEHOLDS - EXTREMELY LOW INCOME
JOBS-HOUSING NEXUS STUDY
GLENDALE, CALIFORNIA

Analysis for Households Earning up to 30% of Median

Per 100,000 SF Building	OFFICE	FREESTANDING RETAIL	GROUND FLOOR RETAIL	HOTEL
Households Earning up to 30% of Median (Step 4, 5, & 6) [1]				
Management	0.00	0.01	0.01	0.01
Business and Financial Operations	0.00	0.00	0.00	0.00
Computer and Mathematical	0.00	0.00	0.00	0.00
Architecture and Engineering	0.00	0.00	0.00	0.00
Life, Physical and Social Science	0.00	0.00	0.00	0.00
Community and Social Services	0.00	0.00	0.00	0.00
Legal	0.01	0.00	0.00	0.00
Education Training and Library	0.00	0.00	0.00	0.00
Arts, Design, Entertainment, Sports, and Media	0.05	0.00	0.00	0.00
Healthcare Practitioners and Technical	0.00	0.00	0.05	0.00
Healthcare Support	0.32	0.00	0.00	0.00
Protective Service	1.41	0.00	0.00	0.00
Food Preparation and Serving Related	0.00	8.65	13.26	2.26
Building Grounds and Maintenance	1.13	0.00	0.00	2.41
Personal Care and Service	0.00	0.50	0.75	0.26
Sales and Related	0.48	6.01	7.84	0.15
Office and Admin	2.16	1.12	1.52	1.16
Farm, Fishing, and Forestry	0.00	0.00	0.00	0.00
Construction and Extraction	0.00	0.00	0.00	0.00
Installation Maintenance and Repair	0.00	0.09	0.00	0.06
Production	0.96	0.38	0.55	0.25
Transportation and Material Moving	1.31	0.94	0.95	0.00
HH earning up to 30% of Median - major occupations	7.83	17.70	24.92	6.55
HH earning up to 30% of Median - all other occupations	0.67	0.80	0.78	0.36
Total Households Earning up to 30% of Median	**8.5**	**18.5**	**25.7**	**6.9**

Notes:
(1) Appendix A Tables 1 through 8 contain additional information on worker occupation categories and compensation levels.

Prepared by: Keyser Marston Associates, Inc.
Filename: Glendale_Non-Residential Nexus_10 25 18; 2A ELI; 11/1/2018; trb

APPENDIX A - TABLE 2B
ESTIMATE OF QUALIFYING HOUSEHOLDS - VERY LOW INCOME
JOBS-HOUSING NEXUS STUDY
GLENDALE, CALIFORNIA

Analysis for Households Earning 30% to 50% of Median

Per 100,000 SF Building	OFFICE	FREESTANDING RETAIL	GROUND FLOOR RETAIL	HOTEL
Households Earning 30% to 50% of Median (Step 4, 5, & 6) [1]				
Management	0.01	0.12	0.18	0.18
Business and Financial Operations	0.31	0.00	0.00	0.00
Computer and Mathematical	0.21	0.00	0.00	0.00
Architecture and Engineering	0.00	0.00	0.00	0.00
Life, Physical and Social Science	0.00	0.00	0.00	0.00
Community and Social Services	0.00	0.00	0.00	0.00
Legal	0.34	0.00	0.00	0.00
Education Training and Library	0.00	0.00	0.00	0.00
Arts, Design, Entertainment, Sports, and Media	1.70	0.00	0.00	0.00
Healthcare Practitioners and Technical	0.33	0.00	0.43	0.00
Healthcare Support	2.05	0.00	0.00	0.00
Protective Service	3.47	0.00	0.00	0.00
Food Preparation and Serving Related	0.00	14.76	22.63	4.47
Building Grounds and Maintenance	3.16	0.00	0.00	5.73
Personal Care and Service	0.00	1.08	1.57	0.71
Sales and Related	1.82	9.93	12.91	0.29
Office and Admin	11.01	2.88	3.71	3.35
Farm, Fishing, and Forestry	0.00	0.00	0.00	0.00
Construction and Extraction	0.00	0.00	0.00	0.00
Installation Maintenance and Repair	0.00	0.78	0.00	0.54
Production	2.16	0.79	1.14	0.42
Transportation and Material Moving	3.02	1.79	1.72	0.00
HH earning 30% to 50% of Median - major occupations	29.60	32.14	44.29	15.70
HH earning 30% to 50% of Median - all other occupations	2.52	1.45	1.39	0.87
Total Households Earning 30% to 50% of Median	**32.1**	**33.6**	**45.7**	**16.6**

Notes:
(1) Appendix A Tables 1 through 8 contain additional information on worker occupation categories and compensation levels.

Prepared by: Keyser Marston Associates, Inc.
Filename: Glendale_Non-Residential Nexus_10 25 18; 2B VL; 11/1/2018; trb

APPENDIX A - TABLE 2C
ESTIMATE OF QUALIFYING HOUSEHOLDS - LOW INCOME
JOBS-HOUSING NEXUS STUDY
GLENDALE, CALIFORNIA

Analysis for Households Earning 50% to 80% of Median

Per 100,000 SF Building	OFFICE	FREESTANDING RETAIL	GROUND FLOOR RETAIL	HOTEL
Households Earning 50% to 80% of Median (Step 4, 5, & 6) [1]				
Management	0.51	0.30	0.41	0.37
Business and Financial Operations	3.35	0.00	0.00	0.00
Computer and Mathematical	1.20	0.00	0.00	0.00
Architecture and Engineering	0.00	0.00	0.00	0.00
Life, Physical and Social Science	0.00	0.00	0.00	0.00
Community and Social Services	0.00	0.00	0.00	0.00
Legal	0.71	0.00	0.00	0.00
Education Training and Library	0.00	0.00	0.00	0.00
Arts, Design, Entertainment, Sports, and Media	4.32	0.00	0.00	0.00
Healthcare Practitioners and Technical	1.48	0.00	0.64	0.00
Healthcare Support	2.35	0.00	0.00	0.00
Protective Service	2.86	0.00	0.00	0.00
Food Preparation and Serving Related	0.00	12.06	18.49	3.66
Building Grounds and Maintenance	2.84	0.00	0.00	4.62
Personal Care and Service	0.00	0.87	1.24	0.62
Sales and Related	2.62	8.40	10.63	0.36
Office and Admin	14.91	2.82	3.49	3.07
Farm, Fishing, and Forestry	0.00	0.00	0.00	0.00
Construction and Extraction	0.00	0.00	0.00	0.00
Installation Maintenance and Repair	0.00	1.21	0.00	0.91
Production	1.97	0.71	0.98	0.35
Transportation and Material Moving	2.71	1.71	1.67	0.00
HH earning 50% to 80% of Median - major occupations	41.82	28.08	37.54	13.95
HH earning 50% to 80% of Median - all other occupations	3.56	1.27	1.18	0.78
Total Households Earning 50% to 80% of Median	**45.4**	**29.3**	**38.7**	**14.7**

Notes:

(1) Appendix A Tables 1 through 8 contain additional information on worker occupation categories and compensation levels.

Prepared by: Keyser Marston Associates, Inc.

Filename: Glendale_Non-Residential Nexus_10 25 18; 2C Low; 11/1/2018; trb

APPENDIX A - TABLE 2D
ESTIMATE OF QUALIFYING HOUSEHOLDS - MODERATE INCOME
JOBS-HOUSING NEXUS STUDY
GLENDALE, CALIFORNIA

Analysis for Households Earning 80% to 120% of Median

Per 100,000 SF Building	OFFICE	FREESTANDING RETAIL	GROUND FLOOR RETAIL	HOTEL
Households Earning 80% to 120% of Median (Step 4, 5, & 6) [1]				
Management	0.18	0.08	0.10	0.09
Business and Financial Operations	0.72	0.00	0.00	0.00
Computer and Mathematical	0.34	0.00	0.00	0.00
Architecture and Engineering	0.00	0.00	0.00	0.00
Life, Physical and Social Science	0.00	0.00	0.00	0.00
Community and Social Services	0.00	0.00	0.00	0.00
Legal	0.16	0.00	0.00	0.00
Education Training and Library	0.00	0.00	0.00	0.00
Arts, Design, Entertainment, Sports, and Media	0.90	0.00	0.00	0.00
Healthcare Practitioners and Technical	0.31	0.00	0.06	0.00
Healthcare Support	0.26	0.00	0.00	0.00
Protective Service	0.30	0.00	0.00	0.00
Food Preparation and Serving Related	0.00	0.80	1.22	0.32
Building Grounds and Maintenance	0.33	0.00	0.00	0.50
Personal Care and Service	0.00	0.09	0.13	0.07
Sales and Related	0.42	0.71	0.89	0.04
Office and Admin	1.83	0.32	0.39	0.38
Farm, Fishing, and Forestry	0.00	0.00	0.00	0.00
Construction and Extraction	0.00	0.00	0.00	0.00
Installation Maintenance and Repair	0.00	0.18	0.00	0.14
Production	0.18	0.06	0.09	0.02
Transportation and Material Moving	0.25	0.12	0.11	0.00
HH earning 80% to 120% of Median - major occupations	6.18	2.37	2.99	1.56
HH earning 80% to 120% of Median - all other occupations	0.53	0.11	0.09	0.09
Total Households Earning 80% to 120% of Median	**6.7**	**2.5**	**3.1**	**1.6**

Notes:

(1) Appendix A Tables 1 through 8 contain additional information on worker occupation categories and compensation levels.

Prepared by: Keyser Marston Associates, Inc.

Filename: Glendale_Non-Residential Nexus_10 25 18; 2d mod; 11/1/2018; trb

APPENDIX A - TABLE 3
WORKER HOUSEHOLDS BY AFFORDABILITY LEVEL
JOBS-HOUSING NEXUS STUDY
GLENDALE, CALIFORNIA

Per 100,000 S.F. Building

	OFFICE	FREESTANDING RETAIL	GROUND FLOOR RETAIL	HOTEL
NUMBER OF HOUSEHOLDS BY INCOME TIER [1]				
Up to 30% Median Income	8.5	18.5	25.7	6.9
30% to 50% Median Income	32.1	33.6	45.7	16.6
50% to 80% Median Income	45.4	29.3	38.7	14.7
80% to 120% Median Income	6.7	2.5	3.1	1.6
Subtotal to 120% of Median	**92.7**	**83.9**	**113.2**	**39.9**
Above 120% of Median	95.3	10.1	12.2	7.1
Total New Worker Households	**188.0**	**94.0**	**125.4**	**47.0**
PERCENTAGE OF HOUSEHOLDS BY INCOME TIER				
Up to 30% Median Income	4.5%	19.7%	20.5%	14.7%
30% to 50% Median Income	17.1%	35.7%	36.4%	35.3%
50% to 80% Median Income	24.1%	31.2%	30.9%	31.3%
80% to 120% Median Income	3.6%	2.6%	2.5%	3.5%
Subtotal to 120% of Median	**49.3%**	**89.2%**	**90.3%**	**84.8%**
Above 120% of Median	50.7%	10.8%	9.7%	15.2%
Total	**100%**	**100%**	**100%**	**100%**

Notes:
(1) See Appendix A Tables 1 through 8 for information regarding worker compensation levels.

Prepared by: Keyser Marston Associates, Inc.
Filename: Glendale_Non-Residential Nexus_10 25 18; 3 Affordability; 11/1/2018; trb

APPENDIX A - TABLE 4

HOUSING DEMAND NEXUS FACTORS PER SQ.FT. OF BUILDING AREA

JOBS-HOUSING NEXUS STUDY

GLENDALE, CALIFORNIA

	Number of Housing Units per Square Foot of Building Area[1]			
	OFFICE	FREESTANDING RETAIL	GROUND FLOOR RETAIL	HOTEL
Up to 30% Median Income	0.00008497	0.00018504	0.00025707	0.00006916
30% to 50% Median Income	0.00032123	0.00033586	0.00045685	0.00016571
50% to 80% Median Income	0.00045380	0.00029347	0.00038725	0.00014726
80% to 120% Median Income	0.00006712	0.00002474	0.00003089	0.00001647
Total	**0.00092712**	**0.00083910**	**0.00113206**	**0.00039860**

Notes:

[1]Calculated by dividing number of household in Table 3 by 100,000 square feet to convert to households per square foot of building.

Prepared by: Keyser Marston Associates, Inc.

Filename: Glendale_Non-Residential Nexus_10 25 18; 4 Demand; 11/1/2018; trb

APPENDIX A - TABLE 5
TOTAL HOUSING NEXUS COST
JOBS-HOUSING NEXUS STUDY
GLENDALE, CALIFORNIA

INCOME CATEGORY	Affordability Gap Per Unit	Nexus Cost Per Sq.Ft. of Building Area[4]			
		OFFICE	FREESTANDING RETAIL	GROUND FLOOR RETAIL	HOTEL
Up to 30% Median Income	$398,400 [1]	$33.90	$73.70	$102.40	$27.60
30% to 50% Median Income	$332,100 [1]	$106.70	$111.50	$151.70	$55.00
50% to 80% Median Income	$300,000 [2]	$136.10	$88.00	$116.20	$44.20
80% to 120% Median Income	$293,600 [3]	$19.70	$7.30	$9.10	$4.80
Total Mitigation Cost		**$296.40**	**$280.50**	**$379.40**	**$131.60**

Notes:

[1] Assumes Tax Credit rental units. Represents the remaining affordability gap after 4% Tax Credits.

[2] Affordability gap based on rental units and computed based on rents affordable to the top of the income tier at 60% AMI.

[3] Affordability gap for moderate income households based on rental units rented at 110% AMI.

[4] Calculated by multiplying housing demand factors from Table 4 by the affordability gaps in Appendix B.

Prepared by: Keyser Marston Associates, Inc.
Filename: Glendale_Non-Residential Nexus_10 25 18; 7 Model Summary; 11/1/2018; trb

APPENDIX B - TABLE 1
2016 NATIONAL OFFICE WORKER DISTRIBUTION BY OCCUPATION
JOBS-HOUSING NEXUS ANALYSIS
GLENDALE, CALIFORNIA

Major Occupations (3% or more)	2016 National Office Industry Occupation Distribution	
Management Occupations	1,635,987	*6.2%*
Business and Financial Operations Occupations	2,705,024	*10.2%*
Computer and Mathematical Occupations	1,584,286	*6.0%*
Legal Occupations	913,129	*3.4%*
Arts, Design, Entertainment, Sports, and Media Occupations	3,354,928	*12.7%*
Healthcare Practitioners and Technical Occupations	1,655,053	*6.2%*
Healthcare Support Occupations	902,586	*3.4%*
Protective Service Occupations	1,275,485	*4.8%*
Building and Grounds Cleaning and Maintenance Occupations	1,208,947	*4.6%*
Sales and Related Occupations	1,365,763	*5.2%*
Office and Administrative Support Occupations	5,819,925	*22.0%*
Production Occupations	850,609	*3.2%*
Transportation and Material Moving Occupations	1,160,478	*4.4%*
All Other Office Occupations	2,081,423	*7.9%*
INDUSTRY TOTAL	26,513,623	100.0%

Source: Bureau of Labor Statistics; California Employment Development Department
Prepared by: Keyser Marston Associates, Inc.
Filename: Office 10 25 18; Major Occupations Matrix; trb

APPENDIX B - TABLE 2
AVERAGE ANNUAL COMPENSATION, 2017
OFFICE WORKER OCCUPATIONS
JOBS-HOUSING NEXUS ANALYSIS
GLENDALE, CALIFORNIA

Occupation [1]	2017 Avg. Compensation [2]	% of Total Occupation Group [3]	% of Total Office Workers
Page 1 of 4			
Management Occupations			
General and Operations Managers	$138,700	32.9%	2.0%
Marketing Managers	$153,700	6.2%	0.4%
Sales Managers	$132,500	5.9%	0.4%
Administrative Services Managers	$106,300	4.4%	0.3%
Computer and Information Systems Managers	$159,900	8.7%	0.5%
Financial Managers	$160,700	10.6%	0.7%
Managers, All Other	$134,400	5.9%	0.4%
All Other Management Occupations (Avg. All Categories)	$130,000	25.3%	1.6%
Weighted Mean Annual Wage	***$139,500***	**100.0%**	**6.2%**
Business and Financial Operations Occupations			
Claims Adjusters, Examiners, and Investigators	$71,700	5.2%	0.5%
Human Resources Specialists	$74,900	7.8%	0.8%
Management Analysts	$99,300	12.1%	1.2%
Market Research Analysts and Marketing Specialists	$73,600	11.3%	1.2%
Business Operations Specialists, All Other	$78,600	10.6%	1.1%
Accountants and Auditors	$84,500	27.6%	2.8%
All Other Business and Financial Operations (Avg. All Categories)	$82,300	25.2%	2.6%
Weighted Mean Annual Wage	***$82,500***	**100.0%**	**10.2%**
Computer and Mathematical Occupations			
Computer Systems Analysts	$94,700	14.0%	0.8%
Computer Programmers	$90,200	6.0%	0.4%
Software Developers, Applications	$108,700	21.7%	1.3%
Software Developers, Systems Software	$118,700	8.1%	0.5%
Web Developers	$76,500	5.1%	0.3%
Network and Computer Systems Administrators	$90,800	8.5%	0.5%
Computer User Support Specialists	$57,800	13.1%	0.8%
Computer Occupations, All Other	$83,400	6.2%	0.4%
All Other Computer and Mathematical Occupations (Avg. All Categories)	$92,200	17.1%	1.0%
Weighted Mean Annual Wage	***$92,200***	**100.0%**	**6.0%**

Source: Bureau of Labor Statistics; California Employment Development Department
Prepared by: Keyser Marston Associates, Inc.
Filename: Office 10 25 18; Compensation; trb

APPENDIX B - TABLE 2
AVERAGE ANNUAL COMPENSATION, 2017
OFFICE WORKER OCCUPATIONS
JOBS-HOUSING NEXUS ANALYSIS
GLENDALE, CALIFORNIA

Occupation [1]	2017 Avg. Compensation [2]	% of Total Occupation Group [3]	% of Total Office Workers
Page 2 of 4			
Legal Occupations			
Lawyers	$168,800	59.8%	2.1%
Paralegals and Legal Assistants	$56,300	32.7%	1.1%
Title Examiners, Abstractors, and Searchers	$48,900	4.5%	0.2%
All Other Legal Occupations (Avg. All Categories)	$130,200	3.1%	0.1%
Weighted Mean Annual Wage	***$125,500***	**100.0%**	**3.4%**
Arts, Design, Entertainment, Sports, and Media Occupations			
Multimedia Artists and Animators	$82,900	4.6%	0.6%
Graphic Designers	$59,700	5.5%	0.7%
Actors	$56,100	7.8%	1.0%
Producers and Directors	$142,800	22.3%	2.8%
Audio and Video Equipment Technicians	$58,100	6.4%	0.8%
Camera Operators, Television, Video, and Motion Picture	$76,900	4.6%	0.6%
Film and Video Editors	$109,100	10.4%	1.3%
All Other Arts, Design, Entertainment, Sports, and Media Occupations (Avg. All Categories)	$87,500	38.5%	4.9%
Weighted Mean Annual Wage	***$95,600***	**100.0%**	**12.7%**
Healthcare Practitioners and Technical Occupations			
Dentists, General	$154,200	5.9%	0.4%
Physicians and Surgeons, All Other	$230,500	7.5%	0.5%
Physical Therapists	$93,300	4.2%	0.3%
Registered Nurses	$96,600	14.7%	0.9%
Dental Hygienists	$95,000	11.9%	0.7%
Licensed Practical and Licensed Vocational Nurses	$51,100	5.9%	0.4%
Medical Records and Health Information Technicians	$47,900	4.1%	0.3%
All Other Healthcare Practitioners and Technical Occupations (Avg. All Categories)	$92,000	45.9%	2.9%
Weighted Mean Annual Wage	***$102,900***	**100.0%**	**6.2%**
Healthcare Support Occupations			
Nursing Assistants	$32,500	6.3%	0.2%
Dental Assistants	$38,600	33.4%	1.1%
Medical Assistants	$37,300	35.5%	1.2%
Veterinary Assistants and Laboratory Animal Caretakers	$30,400	5.5%	0.2%
All Other Healthcare Support Occupations (Avg. All Categories)	$36,500	19.2%	0.7%
Weighted Mean Annual Wage	***$36,900***	**100.0%**	**3.4%**

Source: Bureau of Labor Statistics; California Employment Development Department
Prepared by: Keyser Marston Associates, Inc.
Filename: Office 10 25 18; Compensation; trb

APPENDIX B - TABLE 2
AVERAGE ANNUAL COMPENSATION, 2017
OFFICE WORKER OCCUPATIONS
JOBS-HOUSING NEXUS ANALYSIS
GLENDALE, CALIFORNIA

Occupation [1]	2017 Avg. Compensation [2]	% of Total Occupation Group [3]	% of Total Office Workers
Page 3 of 4			
Protective Service Occupations			
First-Line Supervisors of Protective Service Workers, All Other	$46,600	4.4%	0.2%
Security Guards	$31,800	90.2%	4.3%
All Other Protective Service Occupations (Avg. All Categories)	$58,000	5.4%	0.3%
Weighted Mean Annual Wage	***$33,900***	**100.0%**	**4.8%**
Building and Grounds Cleaning and Maintenance Occupations			
Janitors and Cleaners, Except Maids and Housekeeping Cleaners	$31,000	50.2%	2.3%
Maids and Housekeeping Cleaners	$27,900	7.4%	0.3%
Landscaping and Groundskeeping Workers	$33,500	29.4%	1.3%
All Other Building and Grounds Cleaning and Maintenance Occupations (Avg. All Categories)	$32,200	13.0%	0.6%
Weighted Mean Annual Wage	***$31,700***	**100.0%**	**4.6%**
Sales and Related Occupations			
First-Line Supervisors of Non-Retail Sales Workers	$70,300	4.2%	0.2%
Advertising Sales Agents	$73,500	12.1%	0.6%
Insurance Sales Agents	$66,500	18.6%	1.0%
Travel Agents	$38,100	5.4%	0.3%
Sales Representatives, Services, All Other	$62,600	28.3%	1.5%
Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Produ	$63,500	6.4%	0.3%
Demonstrators and Product Promoters	$32,000	4.1%	0.2%
Telemarketers	$29,700	6.8%	0.4%
All Other Sales and Related Occupations (Avg. All Categories)	$42,100	14.1%	0.7%
Weighted Mean Annual Wage	***$57,300***	**100.0%**	**5.2%**
Office and Administrative Support Occupations			
First-Line Supervisors of Office and Administrative Support Workers	$61,300	6.6%	1.4%
Billing and Posting Clerks	$41,000	4.0%	0.9%
Bookkeeping, Accounting, and Auditing Clerks	$46,200	8.4%	1.8%
Customer Service Representatives	$39,800	14.8%	3.3%
Receptionists and Information Clerks	$30,800	7.6%	1.7%
Medical Secretaries	$38,700	4.6%	1.0%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	$41,900	9.8%	2.2%
Office Clerks, General	$34,400	15.2%	3.3%
All Other Office and Administrative Support Occupations (Avg. All Categories)	$41,300	29.1%	6.4%
Weighted Mean Annual Wage	***$40,900***	**100.0%**	**22.0%**

Source: Bureau of Labor Statistics; California Employment Development Department
Prepared by: Keyser Marston Associates, Inc.
Filename: Office 10 25 18; Compensation; trb

APPENDIX B - TABLE 2
AVERAGE ANNUAL COMPENSATION, 2017
OFFICE WORKER OCCUPATIONS
JOBS-HOUSING NEXUS ANALYSIS
GLENDALE, CALIFORNIA

Occupation [1]	2017 Avg. Compensation [2]	% of Total Occupation Group [3]	% of Total Office Workers
Page 4 of 4			
Production Occupations			
Assemblers and Fabricators, All Other, Including Team Assemblers	$32,200	23.4%	0.7%
Inspectors, Testers, Sorters, Samplers, and Weighers	$43,100	9.6%	0.3%
Packaging and Filling Machine Operators and Tenders	$30,300	7.0%	0.2%
Helpers--Production Workers	$26,100	14.0%	0.4%
Production Workers, All Other	$30,200	10.5%	0.3%
All Other Production Occupations (Avg. All Categories)	$35,700	35.6%	1.1%
Weighted Mean Annual Wage	***$33,300***	**100.0%**	**3.2%**
Transportation and Material Moving Occupations			
Heavy and Tractor-Trailer Truck Drivers	$46,000	5.2%	0.2%
Light Truck or Delivery Services Drivers	$38,200	4.7%	0.2%
Industrial Truck and Tractor Operators	$38,800	5.7%	0.2%
Laborers and Freight, Stock, and Material Movers, Hand	$30,700	61.6%	2.7%
Packers and Packagers, Hand	$24,300	11.9%	0.5%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	$37,400	11.0%	0.5%
Weighted Mean Annual Wage	***$33,900***	**100.0%**	**4.4%**
Weighted Average Annual Wage - All Occupations	***$97,000***		92.1%

[1] Including occupations representing 4% or more of the major occupation group.

[2] 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.

[3] Occupation percentages are based on the 2017 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 Los Angeles updated by the California Employment Development Department to 2017 wage levels.

Source: Bureau of Labor Statistics; California Employment Development Department
Prepared by: Keyser Marston Associates, Inc.
Filename: Office 10 25 18; Compensation; trb

APPENDIX C - TABLE 1
2016 NATIONAL FREESTANDING RETAIL WORKER DISTRIBUTION BY OCCUPATION
JOBS-HOUSING NEXUS ANALYSIS
GLENDALE, CALIFORNIA

Major Occupations (2% or more)		2016 National Freestanding Retail Industry Occupation Distribution	
Management Occupations		690,617	*2.4%*
Food Preparation and Serving Related Occupations		11,952,349	*40.7%*
Personal Care and Service Occupations		869,596	*3.0%*
Sales and Related Occupations		8,451,033	*28.8%*
Office and Administrative Support Occupations		2,710,091	*9.2%*
Installation, Maintenance, and Repair Occupations		1,114,565	*3.8%*
Production Occupations		687,164	*2.3%*
Transportation and Material Moving Occupations		1,618,024	*5.5%*
All Other Freestanding Retail Occupations		1,267,660	*4.3%*
	INDUSTRY TOTAL	29,361,099	100.0%

Source: Bureau of Labor Statistics; California Employment Development Department
Prepared by: Keyser Marston Associates, Inc.
Filename: Freestanding Retail_6 14 18; Major Occupations Matrix; trb

APPENDIX C - TABLE 2
AVERAGE ANNUAL COMPENSATION, 2017
FREESTANDING RETAIL WORKER OCCUPATIONS
JOBS-HOUSING NEXUS ANALYSIS
GLENDALE, CALIFORNIA

Occupation [1]	2017 Avg. Compensation [2]	% of Total Occupation Group [3]	% of Total Freestanding Retail Workers
Page 1 of 3			
Management Occupations			
General and Operations Managers	$138,700	54.4%	1.3%
Sales Managers	$132,500	9.5%	0.2%
Food Service Managers	$50,100	26.7%	0.6%
All Other Management Occupations (Avg. All Categories)	$130,000	9.5%	0.2%
Weighted Mean Annual Wage	***$113,700***	**100.0%**	**2.4%**
Food Preparation and Serving Related Occupations			
First-Line Supervisors of Food Preparation and Serving Workers	$35,700	7.2%	2.9%
Cooks, Fast Food	$23,500	4.6%	1.9%
Cooks, Restaurant	$28,000	10.6%	4.3%
Food Preparation Workers	$25,300	6.0%	2.4%
Bartenders	$33,800	3.7%	1.5%
Combined Food Preparation and Serving Workers, Including Fast Food	$24,000	29.9%	12.2%
Counter Attendants, Cafeteria, Food Concession, and Coffee Shop	$26,700	3.1%	1.2%
Waiters and Waitresses	$29,500	20.9%	8.5%
Dining Room and Cafeteria Attendants and Bartender Helpers	$24,300	2.9%	1.2%
Dishwashers	$22,900	3.9%	1.6%
Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop	$25,200	3.5%	1.4%
All Other Business and Financial Operations (Avg. All Categories)	$27,300	3.7%	1.5%
Weighted Mean Annual Wage	***$27,000***	**100.0%**	**40.7%**
Personal Care and Service Occupations			
First-Line Supervisors of Personal Service Workers	$47,700	4.4%	0.1%
Nonfarm Animal Caretakers	$31,000	23.8%	0.7%
Funeral Attendants	$34,600	3.8%	0.1%
Morticians, Undertakers, and Funeral Directors	$49,200	2.7%	0.1%
Barbers	$31,600	2.0%	0.1%
Hairdressers, Hairstylists, and Cosmetologists	$31,600	37.4%	1.1%
Manicurists and Pedicurists	$23,700	11.2%	0.3%
Skincare Specialists	$34,700	3.8%	0.1%
All Other Personal Care and Service Occupations (Avg. All Categories)	$31,300	11.0%	0.3%
Weighted Mean Annual Wage	***$32,000***	**100.0%**	**3.0%**

Source: Bureau of Labor Statistics; California Employment Development Department
Prepared by: Keyser Marston Associates, Inc.
Filename: Freestanding Retail_6 14 18; Compensation; trb

APPENDIX C - TABLE 2
AVERAGE ANNUAL COMPENSATION, 2017
FREESTANDING RETAIL WORKER OCCUPATIONS
JOBS-HOUSING NEXUS ANALYSIS
GLENDALE, CALIFORNIA

Occupation [1]	2017 Avg. Compensation [2]	% of Total Occupation Group [3]	% of Total Freestanding Retail Workers
Page 2 of 3			
Sales and Related Occupations			
First-Line Supervisors of Retail Sales Workers	$43,500	11.7%	3.4%
Cashiers	$24,300	33.7%	9.7%
Retail Salespersons	$29,800	44.4%	12.8%
All Other Sales and Related Occupations (Avg. All Categories)	$42,100	10.2%	2.9%
Weighted Mean Annual Wage	***$30,800***	**100.0%**	**28.8%**
Office and Administrative Support Occupations			
First-Line Supervisors of Office and Administrative Support Workers	$61,300	6.6%	0.6%
Bookkeeping, Accounting, and Auditing Clerks	$46,200	6.8%	0.6%
Customer Service Representatives	$39,800	12.6%	1.2%
Receptionists and Information Clerks	$30,800	4.2%	0.4%
Shipping, Receiving, and Traffic Clerks	$32,700	3.8%	0.3%
Stock Clerks and Order Fillers	$28,300	47.2%	4.4%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	$41,900	4.5%	0.4%
Office Clerks, General	$34,400	9.5%	0.9%
All Other Office and Administrative Support Occupations (Avg. All Categories)	$41,300	4.8%	0.4%
Weighted Mean Annual Wage	***$35,200***	**100.0%**	**9.2%**
Installation, Maintenance, and Repair Occupations			
First-Line Supervisors of Mechanics, Installers, and Repairers	$76,700	8.2%	0.3%
Computer, Automated Teller, and Office Machine Repairers	$47,900	3.1%	0.1%
Automotive Body and Related Repairers	$41,400	12.2%	0.5%
Automotive Service Technicians and Mechanics	$44,000	45.7%	1.7%
Bus and Truck Mechanics and Diesel Engine Specialists	$55,500	3.0%	0.1%
Tire Repairers and Changers	$35,300	7.4%	0.3%
Maintenance and Repair Workers, General	$44,200	5.1%	0.2%
Helpers--Installation, Maintenance, and Repair Workers	$32,500	2.6%	0.1%
Installation, Maintenance, and Repair Workers, All Other	$38,700	2.1%	0.1%
All Other Installation, Maintenance, and Repair Occupations (Avg. All Categories)	$52,100	10.6%	0.4%
Weighted Mean Annual Wage	***$46,700***	**100.0%**	**3.8%**

Source: Bureau of Labor Statistics; California Employment Development Department
Prepared by: Keyser Marston Associates, Inc.
Filename: Freestanding Retail_6 14 18; Compensation; trb

APPENDIX C - TABLE 2
AVERAGE ANNUAL COMPENSATION, 2017
FREESTANDING RETAIL WORKER OCCUPATIONS
JOBS-HOUSING NEXUS ANALYSIS
GLENDALE, CALIFORNIA

Occupation [1]	2017 Avg. Compensation [2]	% of Total Occupation Group [3]	% of Total Freestanding Retail Workers
Page 3 of 3			
Production Occupations			
First-Line Supervisors of Production and Operating Workers	$59,900	6.1%	0.1%
Assemblers and Fabricators, All Other, Including Team Assemblers	$32,200	3.4%	0.1%
Bakers	$27,900	16.5%	0.4%
Butchers and Meat Cutters	$29,100	17.1%	0.4%
Meat, Poultry, and Fish Cutters and Trimmers	$25,600	2.9%	0.1%
Laundry and Dry-Cleaning Workers	$25,500	20.0%	0.5%
Pressers, Textile, Garment, and Related Materials	$23,200	6.8%	0.2%
Tailors, Dressmakers, and Custom Sewers	$37,900	2.1%	0.0%
Painters, Transportation Equipment	$44,100	4.8%	0.1%
Photographic Process Workers and Processing Machine Operators	$54,100	2.4%	0.1%
All Other Production Occupations (Avg. All Categories)	$35,700	17.9%	0.4%
Weighted Mean Annual Wage	***$32,300***	**100.0%**	**2.3%**
Transportation and Material Moving Occupations			
First-Line Supervisors of Transportation and Material Moving Workers, Except Aircra	$63,700	3.4%	0.2%
Driver/Sales Workers	$34,900	16.7%	0.9%
Light Truck or Delivery Services Drivers	$38,200	14.3%	0.8%
Taxi Drivers and Chauffeurs	$32,200	2.1%	0.1%
Parking Lot Attendants	$25,200	11.9%	0.7%
Automotive and Watercraft Service Attendants	$31,300	4.5%	0.2%
Cleaners of Vehicles and Equipment	$26,100	15.2%	0.8%
Laborers and Freight, Stock, and Material Movers, Hand	$30,700	14.7%	0.8%
Packers and Packagers, Hand	$24,300	11.0%	0.6%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	$37,400	6.2%	0.3%
Weighted Mean Annual Wage	***$32,000***	**100.0%**	**5.5%**
Weighted Average Annual Wage - All Occupations	***$32,000***		95.7%

[1] Including occupations representing 2% or more of the major occupation group.

[2] 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.

[3] Occupation percentages are based on the 2017 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 Los Angeles County updated by the California Employment Development Department to 2017 wage levels.

Source: Bureau of Labor Statistics; California Employment Development Department
Prepared by: Keyser Marston Associates, Inc.
Filename: Freestanding Retail_6 14 18; Compensation; trb

APPENDIX D -TABLE 1
2016 NATIONAL GROUND FLOOR RETAIL WORKER DISTRIBUTION BY OCCUPATION
JOBS-HOUSING NEXUS ANALYSIS
GLENDALE, CALIFORNIA

Major Occupations (2% or more)		2016 National Ground Floor Retail Industry Occupation Distribution	
Management Occupations		517,706	*2.1%*
Healthcare Practitioners and Technical Occupations		504,963	*2.1%*
Food Preparation and Serving Related Occupations		11,296,172	*46.8%*
Personal Care and Service Occupations		765,589	*3.2%*
Sales and Related Occupations		6,653,399	*27.6%*
Office and Administrative Support Occupations		2,098,375	*8.7%*
Production Occupations		590,972	*2.4%*
Transportation and Material Moving Occupations		975,262	*4.0%*
All Other Ground Floor Retail Occupations		736,462	*3.1%*
	INDUSTRY TOTAL	24,138,899	100.0%

Source: Bureau of Labor Statistics; California Employment Development Department
Prepared by: Keyser Marston Associates, Inc.
Filename: Ground Floor Retail_6 14 18; Major Occupations Matrix; trb

APPENDIX D -TABLE 2
AVERAGE ANNUAL COMPENSATION, 2017
GROUND FLOOR RETAIL WORKER OCCUPATIONS
JOBS-HOUSING NEXUS ANALYSIS
GLENDALE, CALIFORNIA

Occupation [1]	2017 Avg. Compensation [2]	% of Total Occupation Group [3]	% of Total Ground Floor Retail Workers
Page 1 of 3			
Management Occupations			
General and Operations Managers	$138,700	52.6%	1.1%
Sales Managers	$132,500	6.9%	0.1%
Food Service Managers	$50,100	33.7%	0.7%
All Other Management Occupations (Avg. All Categories)	$130,000	6.8%	0.1%
Weighted Mean Annual Wage	***$107,800***	**100.0%**	**2.1%**
Healthcare Practitioners and Technical Occupations			
Pharmacists	$135,200	33.7%	0.7%
Pharmacy Technicians	$39,300	53.8%	1.1%
Opticians, Dispensing	$40,700	6.3%	0.1%
All Other Business and Financial Operations (Avg. All Categories)	$92,000	6.2%	0.1%
Weighted Mean Annual Wage	***$75,000***	**100.0%**	**2.1%**
Food Preparation and Serving Related Occupations			
First-Line Supervisors of Food Preparation and Serving Workers	$35,700	7.2%	3.3%
Cooks, Fast Food	$23,500	4.6%	2.2%
Cooks, Restaurant	$28,000	10.6%	5.0%
Food Preparation Workers	$25,300	6.0%	2.8%
Bartenders	$33,800	3.8%	1.8%
Combined Food Preparation and Serving Workers, Including Fast Food	$24,000	29.8%	13.9%
Counter Attendants, Cafeteria, Food Concession, and Coffee Shop	$26,700	3.1%	1.4%
Waiters and Waitresses	$29,500	21.0%	9.8%
Dining Room and Cafeteria Attendants and Bartender Helpers	$24,300	2.9%	1.4%
Dishwashers	$22,900	3.9%	1.8%
Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop	$25,200	3.5%	1.7%
All Other Food Preparation and Serving Related Occupations (Avg. All Categories)	$27,300	3.7%	1.7%
Weighted Mean Annual Wage	***$27,100***	**100.0%**	**46.8%**

Source: Bureau of Labor Statistics; California Employment Development Department
Prepared by: Keyser Marston Associates, Inc.
Filename: Ground Floor Retail_6 14 18; Compensation; trb

APPENDIX D -TABLE 2
AVERAGE ANNUAL COMPENSATION, 2017
GROUND FLOOR RETAIL WORKER OCCUPATIONS
JOBS-HOUSING NEXUS ANALYSIS
GLENDALE, CALIFORNIA

Occupation [1]	2017 Avg. Compensation [2]	% of Total Occupation Group [3]	% of Total Ground Floor Retail Workers
Page 2 of 3			
Personal Care and Service Occupations			
First-Line Supervisors of Personal Service Workers	$47,700	4.7%	0.2%
Nonfarm Animal Caretakers	$31,000	25.6%	0.8%
Barbers	$31,600	2.2%	0.1%
Hairdressers, Hairstylists, and Cosmetologists	$31,600	40.2%	1.3%
Manicurists and Pedicurists	$23,700	12.1%	0.4%
Skincare Specialists	$34,700	4.0%	0.1%
All Other Personal Care and Service Occupations (Avg. All Categories)	$31,300	11.1%	0.4%
Weighted Mean Annual Wage	***$31,300***	**100.0%**	**3.2%**
Sales and Related Occupations			
First-Line Supervisors of Retail Sales Workers	$43,500	11.7%	3.2%
Cashiers	$24,300	35.4%	9.7%
Retail Salespersons	$29,800	47.8%	13.2%
All Other Sales and Related Occupations (Avg. All Categories)	$42,100	5.2%	1.4%
Weighted Mean Annual Wage	***$30,100***	**100.0%**	**27.6%**
Office and Administrative Support Occupations			
First-Line Supervisors of Office and Administrative Support Workers	$61,300	6.7%	0.6%
Bookkeeping, Accounting, and Auditing Clerks	$46,200	5.4%	0.5%
Customer Service Representatives	$39,800	11.6%	1.0%
Receptionists and Information Clerks	$30,800	4.0%	0.3%
Shipping, Receiving, and Traffic Clerks	$32,700	3.8%	0.3%
Stock Clerks and Order Fillers	$28,300	53.8%	4.7%
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	$41,900	2.7%	0.2%
Office Clerks, General	$34,400	6.7%	0.6%
All Other Office and Administrative Support Occupations (Avg. All Categories)	$41,300	5.3%	0.5%
Weighted Mean Annual Wage	***$34,500***	**100.0%**	**8.7%**

Source: Bureau of Labor Statistics; California Employment Development Department
Prepared by: Keyser Marston Associates, Inc.
Filename: Ground Floor Retail_6 14 18; Compensation; trb

APPENDIX D -TABLE 2
AVERAGE ANNUAL COMPENSATION, 2017
GROUND FLOOR RETAIL WORKER OCCUPATIONS
JOBS-HOUSING NEXUS ANALYSIS
GLENDALE, CALIFORNIA

Occupation [1]	2017 Avg. Compensation [2]	% of Total Occupation Group [3]	% of Total Ground Floor Retail Workers
Page 3 of 3			
Production Occupations			
First-Line Supervisors of Production and Operating Workers	$59,900	6.3%	0.2%
Assemblers and Fabricators, All Other, Including Team Assemblers	$32,200	2.8%	0.1%
Bakers	$27,900	18.1%	0.4%
Butchers and Meat Cutters	$29,100	18.8%	0.5%
Meat, Poultry, and Fish Cutters and Trimmers	$25,600	3.3%	0.1%
Laundry and Dry-Cleaning Workers	$25,500	22.0%	0.5%
Pressers, Textile, Garment, and Related Materials	$23,200	7.5%	0.2%
Tailors, Dressmakers, and Custom Sewers	$37,900	2.3%	0.1%
Photographic Process Workers and Processing Machine Operators	$54,100	2.7%	0.1%
All Other Production Occupations (Avg. All Categories)	$35,700	16.2%	0.4%
Weighted Mean Annual Wage	***$31,500***	**100.0%**	**2.4%**
Transportation and Material Moving Occupations			
First-Line Supervisors of Transportation and Material Moving Workers, Except Aircraft Cargo	$63,700	2.9%	0.1%
Driver/Sales Workers	$34,900	25.0%	1.0%
Light Truck or Delivery Services Drivers	$38,200	12.9%	0.5%
Parking Lot Attendants	$25,200	17.6%	0.7%
Laborers and Freight, Stock, and Material Movers, Hand	$30,700	17.6%	0.7%
Packers and Packagers, Hand	$24,300	17.2%	0.7%
All Other Transportation and Material Moving Occupations (Avg. All Categories)	$37,400	6.8%	0.3%
Weighted Mean Annual Wage	***$32,100***	**100.0%**	**4.0%**
Weighted Average Annual Wage - All Occupations	***$32,000***		96.9%

[1] Including occupations representing 2% or more of the major occupation group.

[2] 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.

[3] Occupation percentages are based on the 2017 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 Los Angeles County updated by the California Employment Development Department to 2017 wage levels.

Source: Bureau of Labor Statistics; California Employment Development Department
Prepared by: Keyser Marston Associates, Inc.
Filename: Ground Floor Retail_6 14 18; Compensation; trb

APPENDIX E - TABLE 1
2016 NATIONAL HOTEL WORKER DISTRIBUTION BY OCCUPATION
JOBS-HOUSING NEXUS ANALYSIS
GLENDALE, CALIFORNIA

Major Occupations (2% or more)	2016 National Hotel Industry Occupation Distribution	
Management Occupations	73,120	*4.5%*
Food Preparation and Serving Related Occupations	401,080	*24.8%*
Building and Grounds Cleaning and Maintenance Occupations	506,430	*31.3%*
Personal Care and Service Occupations	65,690	*4.1%*
Sales and Related Occupations	40,000	*2.5%*
Office and Administrative Support Occupations	323,340	*20.0%*
Installation, Maintenance, and Repair Occupations	87,380	*5.4%*
Production Occupations	37,370	*2.3%*
All Other Hotel Occupations	85,460	*5.3%*
INDUSTRY TOTAL	1,619,870	100.0%

Source: Bureau of Labor Statistics; California Employment Development Department
Prepared by: Keyser Marston Associates, Inc.
Filename: Hotel_6 14 18; Major Occupations Matrix; trb

APPENDIX F - EXHIBIT 1

ESTIMATED DEVELOPMENT COSTS
RENTAL AFFORDABILITY GAP SCENARIOS
JOBS-HOUSING NEXUS AFFORDABILITY GAP ANALYSIS
GLENDALE, CALIFORNIA

APPENDIX F - EXHIBIT 1 - TABLE 1

ESTIMATED DEVELOPMENT COSTS
RENTAL AFFORDABILITY GAP SCENARIOS
JOBS-HOUSING NEXUS AFFORDABILITY GAP ANALYSIS
GLENDALE, CALIFORNIA

I.	**Land Acquisition Costs**	1	65,500	Sf Land	$135	/Sf Land		**$8,843,000**
II.	**Direct Costs**							
	Site Improvement Costs		65,500	Sf Land	$20	/Sf Land	$1,310,000	
	Above-Ground Podium Parking	2	110	Spaces	$25,000	/Space	2,750,000	
	Building Costs		69,000	Sf GBA	$150	/Sf Res GBA	10,350,000	
	Contractor Costs	3	20%	Other Direct Costs			2,882,000	
	Total Direct Costs		69,000	Sf GBA	$251	/Sf GBA		**$17,292,000**
III.	**Indirect Costs**							
	Arch, Eng, & Consulting		7.00%	Direct Costs			$1,210,000	
	Permits & Fees/Impact Fees		65	Units	$15,000	/Unit	975,000	
	Taxes, Ins, Legal & Acctg		3.00%	Direct Costs			519,000	
	Development Management		4.00%	Direct Costs			692,000	
	Soft Cost Contingency Allowance		5.00%	Other Indirect Costs			170,000	
	Total Indirect Costs							**$3,566,000**
IV.	**Financing Costs**							
	Land Carrying Costs	4	$8,843,000	Financed	5.50%	Interest	$851,000	
	Interest During Construction	5	$24,242,000	Financed	5.50%	Interest	1,533,000	
	Financing Fees							
	Construction Loan		$24,242,000	Financed	2.50	Points	606,000	
	Permanent Loan		$15,757,000	Financed	2.50	Points	394,000	
	Total Financing Costs							**$3,384,000**
V.	**Total Development Costs**		**65**	**Units**	**$509,000**	**/Unit**		**$33,085,000**

1 Estimated based on a survey of recent land sales in the submarket.
2 The parking count is based on the assumption that the project applies for and receives a SB1818 density bonus.
3 Includes contractors' fees, general requirements, builder's risk insurance and a direct cost contingency allowance.
4 Based on an 18-month construction period and a 3-month absorption period with a 100% average outstanding balance.
5 Based on an 18-month construction period with a 60% average outstanding balance and a 3-month absorption period with a 100% average outstanding balance.

Prepared by: Keyser Marston Associates, Inc.
File name: Affordability Gap Analyses_6 14 18; GLN_Nexus Rental_TDC; trb

APPENDIX F - EXHIBIT 2A

RENTAL AFFORDABILITY GAP SCENARIOS
RENTS @ 30% TCAC MEDIAN
4% TAX CREDIT SCENARIO
JOBS-HOUSING NEXUS AFFORDABILITY GAP ANALYSIS
GLENDALE, CALIFORNIA

APPENDIX F - EXHIBIT 2A - TABLE 1

ESTIMATED NET OPERATING INCOME
RENTS @ 30% TCAC MEDIAN
4% TAX CREDIT SCENARIO
JOBS-HOUSING NEXUS AFFORDABILITY GAP ANALYSIS
GLENDALE, CALIFORNIA

NET OPERATING INCOME: RESIDENTIAL COMPONENT

I.	**Rent @ 30% TCAC MEDIAN**	[1]				
	One-Bedroom Units		20 Units	$505 /Unit/Month	$121,200	
	Two-Bedroom Units		25 Units	$605 /Unit/Month	181,500	
	Three-Bedroom Units		20 Units	$696 /Unit/Month	167,000	
	Gross Rent Income				$469,700	
	Laundry and Miscellaneous Income		65 Units	$10 /Unit/Month	7,800	
	Gross Residential Income				$477,500	
	(Less) Vacancy and Collection		5% Gross Residential Income		(23,900)	
	Effective Gross Residential Income					**$453,600**
II.	**Residential Operating Expenses**	[2]	**65 Units**	**$5,900 /Unit/Year**		**$384,000**
III.	**Residential Net Operating Income**					**$69,600**

[1] The affordable rents are based on 2018 rents published by TCAC and assume the deduction of the Community Development Commission of the County of Los Angeles utility allowance as of 7/1/2017.

[2] Assumes the project will apply for a property tax exemption accorded to non-profit housing organizations for units rented to households earning less than 80% of the Area Median Income.

Prepared by: Keyser Marston Associates, Inc.
File name: Affordability Gap Analyses_6 14 18; GLN_Nexus_30% AMI; trb

APPENDIX F - EXHIBIT 2A - TABLE 2

ESTIMATED AFFORDABILITY GAP
RENTS @ 30% TCAC MEDIAN
4% TAX CREDIT SCENARIO
JOBS-HOUSING NEXUS AFFORDABILITY GAP ANALYSIS
GLENDALE, CALIFORNIA

I.	**Available Outside Funding Sources**					
	A. Permanent Loan	1				
	Net Operating Income		$69,600	NOI (See Table 2)		
	Income Available for Mortgage		1.20	DCR	$58,000 Debt Service	
	Interest Rate		6.5%	Interest	7.58% Mortgage Constant	
	Total Permanent Loan				**$765,000**	
	B. Tax Credit Equity	2			**$8,235,000**	
	Total Outside Funding Sources					**$9,000,000**
II.	**Affordability Gap Calculation**					
	Total Outside Funding Sources				$9,000,000	
	Less:					
	Total Development Costs				(33,085,000)	
	Additional Developer Fee	3			(1,808,000)	
	Total Affordability Gap					**($25,893,000)**
			65	**Units**	**($398,400) /Unit**	
			69,000	**Sf GBA**	**($375) /Sf**	

1 Assumes a 30-year amortization period.
2 Assumes a 3.24% tax credit rate, a 130% difficult to develop premium, and a $0.94 tax credit equity rate.
3 Equal to the $2,500,000 maximum amount allowed by the tax credit qualified allocation plan minus the $692,000 Developer Fee included in the Total Development Costs.

Prepared by: Keyser Marston Associates, Inc.
File name: Affordability Gap Analyses_6 14 18; GLN_Nexus_30% AMI; trb

APPENDIX F - EXHIBIT 2B

RENTAL AFFORDABILITY GAP SCENARIOS
RENTS @ 50% TCAC MEDIAN
4% TAX CREDIT SCENARIO
JOBS-HOUSING NEXUS AFFORDABILITY GAP ANALYSIS
GLENDALE, CALIFORNIA

APPENDIX F - EXHIBIT 2B - TABLE 1

ESTIMATED NET OPERATING INCOME
RENTS @ 50% TCAC MEDIAN
4% TAX CREDIT SCENARIO
JOBS-HOUSING NEXUS AFFORDABILITY GAP ANALYSIS
GLENDALE, CALIFORNIA

NET OPERATING INCOME: RESIDENTIAL COMPONENT

I.	**Rent @ 50% TCAC MEDIAN**	1					
	One-Bedroom Units		20	Units	$869 /Unit/Month	$208,600	
	Two-Bedroom Units		25	Units	$1,042 /Unit/Month	312,600	
	Three-Bedroom Units		20	Units	$1,200 /Unit/Month	288,000	
	Gross Rent Income					$809,200	
	Laundry and Miscellaneous Income		65	Units	$10 /Unit/Month	7,800	
	Gross Residential Income					$817,000	
	(Less) Vacancy and Collection		5%	Gross Residential Income		(40,900)	
	Effective Gross Residential Income						**$776,100**
II.	**Residential Operating Expenses**	2	**65**	**Units**	**$5,900 /Unit/Year**		**$384,000**
III.	**Residential Net Operating Income**						**$392,100**

1 The affordable rents are based on 2018 rents published by TCAC and assume the deduction of the Community Development Commission of the County of Los Angeles utility allowance as of 7/1/2017.

2 Assumes the project will apply for a property tax exemption accorded to non-profit housing organizations for units rented to households earning less than 80% of the Area Median Income.

Prepared by: Keyser Marston Associates, Inc.
File name: Affordability Gap Analyses_6 14 18; GLN_Nexus_50% AMI; trb

APPENDIX F - EXHIBIT 2B - TABLE 2

ESTIMATED AFFORDABILITY GAP
RENTS @ 50% TCAC MEDIAN
4% TAX CREDIT SCENARIO
JOBS-HOUSING NEXUS AFFORDABILITY GAP ANALYSIS
GLENDALE, CALIFORNIA

I.	**Available Outside Funding Sources**					
	A. Tax-Exempt Bond Financing	1				
	Net Operating Income		$392,100	NOI (See Table 2)		
	Income Available for Mortgage		1.20	DCR	$326,750 Debt Service	
	Interest Rate		5.0%	Interest	6.44% Mortgage Constant	
	Total Tax-Exempt Bond Financing				**$5,072,000**	
	B. Tax Credit Equity	2			**$8,235,000**	
	Total Outside Funding Sources					**$13,307,000**
II.	**Affordability Gap Calculation**					
	Total Outside Funding Sources				$13,307,000	
	Less:					
	Total Development Costs				(33,085,000)	
	Additional Developer Fee	3			(1,808,000)	
	Total Affordability Gap					**($21,586,000)**
			65	**Units**	**($332,100) /Unit**	
			69,000	**Sf GBA**	**($313) /Sf**	

1 Assumes a 30-year amortization period.
2 Assumes a 3.24% tax credit rate, a 130% difficult-to-develop premium, and a $0.94 tax credit equity rate.
3 Equal to the $2,500,000 maximum amount allowed by the tax credit qualified allocation plan minus the $692,000 Developer Fee included in the Total Development Costs.

Prepared by: Keyser Marston Associates, Inc.
File name: Affordability Gap Analyses_6 14 18; GLN_Nexus_50% AMI; trb

APPENDIX F - EXHIBIT 2C

RENTAL AFFORDABILITY GAP SCENARIOS
RENTS @ 60% TCAC MEDIAN
4% TAX CREDIT SCENARIO
JOBS-HOUSING NEXUS AFFORDABILITY GAP ANALYSIS
GLENDALE, CALIFORNIA

APPENDIX F - EXHIBIT 2C - TABLE 1

ESTIMATED NET OPERATING INCOME
RENTS @ 60% TCAC MEDIAN
4% TAX CREDIT SCENARIO
JOBS-HOUSING NEXUS AFFORDABILITY GAP ANALYSIS
GLENDALE, CALIFORNIA

NET OPERATING INCOME: RESIDENTIAL COMPONENT

I.	**Rent @ 60% TCAC MEDIAN**	1					
	One-Bedroom Units		20	Units	$1,051 /Unit/Month	$252,200	
	Two-Bedroom Units		25	Units	$1,260 /Unit/Month	378,000	
	Three-Bedroom Units		20	Units	$1,452 /Unit/Month	348,500	
	Gross Rent Income					$978,700	
	Laundry and Miscellaneous Income		65	Units	$10 /Unit/Month	7,800	
	Gross Residential Income					$986,500	
	(Less) Vacancy and Collection		5%	Gross Residential Income		(49,300)	
	Effective Gross Residential Income						**$937,200**
II.	**Residential Operating Expenses**	2	**65**	**Units**	**$5,900 /Unit/Year**		**$384,000**
III.	**Residential Net Operating Income**						**$553,200**

1 The affordable rents are based on 2018 rents published by TCAC and assume the deduction of the Community Development Commission of the County of Los Angeles utility allowance as of 7/1/2017.

2 Assumes the project will apply for a property tax exemption accorded to non-profit housing organizations for units rented to households earning less than 80% of the Area Median Income.

Prepared by: Keyser Marston Associates, Inc.
File name: Affordability Gap Analyses_6 14 18; GLN_Nexus_60% AMI; trb

APPENDIX F - EXHIBIT 2C - TABLE 2

ESTIMATED AFFORDABILITY GAP
RENTS @ 60% TCAC MEDIAN
4% TAX CREDIT SCENARIO
JOBS-HOUSING NEXUS AFFORDABILITY GAP ANALYSIS
GLENDALE, CALIFORNIA

I.	**Available Outside Funding Sources**					
	A. Tax-Exempt Bond Financing	1				
	Net Operating Income		$553,200	NOI (See Table 2)		
	Income Available for Mortgage		1.20	DCR	$461,000 Debt Service	
	Interest Rate		5.0%	Interest	6.44% Mortgage Constant	
	Total Tax-Exempt Bond Financing				**$7,156,000**	
	B. Tax Credit Equity	2			**$8,235,000**	
	Total Outside Funding Sources					**$15,391,000**
II.	**Affordability Gap Calculation**					
	Total Outside Funding Sources				$15,391,000	
	Less:					
	Total Development Costs				(33,085,000)	
	Additional Developer Fee	3			(1,808,000)	
	Total Affordability Gap					**($19,502,000)**
			65	**Units**	**($300,000) /Unit**	
			69,000	**Sf GBA**	**($283) /Sf**	

1 Assumes a 30-year amortization period.
2 Assumes a 3.24% tax credit rate, a 130% difficult-to-develop premium, and a $0.94 tax credit equity rate.
3 Equal to the $2,500,000 maximum amount allowed by the tax credit qualified allocation plan minus the $692,000 Developer Fee included in the Total Development Costs.

Prepared by: Keyser Marston Associates, Inc.
File name: Affordability Gap Analyses_6 14 18; GLN_Nexus_60% AMI; trb

APPENDIX F - EXHIBIT 2D

RENTAL AFFORDABILITY GAP SCENARIOS
RENTS @ 80% TCAC MEDIAN
UNLEVERAGED SCENARIO
JOBS-HOUSING NEXUS AFFORDABILITY GAP ANALYSIS
GLENDALE, CALIFORNIA

APPENDIX F - EXHIBIT 2D - TABLE 1

ESTIMATED NET OPERATING INCOME
RENTS @ 80% TCAC MEDIAN
UNLEVERAGED SCENARIO
JOBS-HOUSING NEXUS AFFORDABILITY GAP ANALYSIS
GLENDALE, CALIFORNIA

NET OPERATING INCOME: RESIDENTIAL COMPONENT

I.	**Rent @ 80% TCAC MEDIAN**	1					
	One-Bedroom Units		20	Units	$1,415 /Unit/Month	$339,600	
	Two-Bedroom Units		25	Units	$1,697 /Unit/Month	509,100	
	Three-Bedroom Units		20	Units	$1,956 /Unit/Month	469,400	
	Gross Rent Income					$1,318,100	
	Laundry and Miscellaneous Income		65	Units	$10 /Unit/Month	7,800	
	Gross Residential Income					$1,325,900	
	(Less) Vacancy and Collection		5%	Gross Residential Income		(66,300)	
	Effective Gross Residential Income						**$1,259,600**
II.	**Residential Operating Expenses**	2	**65**	**Units**	**$5,900 /Unit/Year**		**$384,000**
III.	**Residential Net Operating Income**						**$875,600**

1 The affordable rents are based on 2018 rents published by TCAC and assume the deduction of the Community Development Commission of the County of Los Angeles utility allowance as of 7/1/2017.

2 Assumes the project will apply for a property tax exemption accorded to non-profit housing organizations for units rented to households earning less than 80% of the Area Median Income.

Prepared by: Keyser Marston Associates, Inc.
File name: Affordability Gap Analyses_6 14 18; GLN_Nexus_80% AMI; trb

APPENDIX F - EXHIBIT 2D - TABLE 2

ESTIMATED AFFORDABILITY GAP
RENTS @ 80% TCAC MEDIAN
UNLEVERAGED SCENARIO
JOBS-HOUSING NEXUS AFFORDABILITY GAP ANALYSIS
GLENDALE, CALIFORNIA

I.	**Supportable Private Investment**			
	Net Operating Income		$875,600	
	Threshold Stabilized Return	[1]	6.50%	
	Total Supportable Private Investment			**$13,471,000**
II.	**Affordability Gap Calculation**			
	Total Supportable Private Investment		$13,471,000	
	(Less) Total Development Costs		(33,085,000)	
	Total Affordability Gap			**($19,614,000)**
	65 Units	**($301,800) /Unit**		
	69,000 Sf GBA	**($284) /Sf**		

[1] Based on a 6.5% threshold return.

Prepared by: Keyser Marston Associates, Inc.
File name: Affordability Gap Analyses_6 14 18; GLN_Nexus_80% AMI; trb

APPENDIX F - EXHIBIT 2E

RENTAL AFFORDABILITY GAP SCENARIOS
RENTS @ 110% TCAC MEDIAN
UNLEVERAGED SCENARIO
JOBS-HOUSING NEXUS AFFORDABILITY GAP ANALYSIS
GLENDALE, CALIFORNIA

APPENDIX F - EXHIBIT 2E - TABLE 1

ESTIMATED NET OPERATING INCOME
RENTS @ 110% TCAC MEDIAN
UNLEVERAGED SCENARIO
JOBS-HOUSING NEXUS AFFORDABILITY GAP ANALYSIS
GLENDALE, CALIFORNIA

NET OPERATING INCOME: RESIDENTIAL COMPONENT

I.	**Rent @ 110% TCAC MEDIAN** [1]					
	One-Bedroom Units	20 Units	$1,837	/Unit/Month	$440,900	
	Two-Bedroom Units	25 Units	$1,960	/Unit/Month	588,000	
	Three-Bedroom Units	20 Units	$2,351	/Unit/Month	564,200	
	Gross Rent Income				$1,593,100	
	Laundry and Miscellaneous Income	65 Units	$10	/Unit/Month	7,800	
	Gross Residential Income				$1,600,900	
	(Less) Vacancy and Collection	5% Gross Residential Income			(80,000)	
	Effective Gross Residential Income					**$1,520,900**
II.	**Residential Operating Expenses**					
	General Operating Expenses	65 Units	**$5,900**	**/Unit/Year**	$384,000	
	Property Taxes	65 Units	$3,490	/Unit/Year	227,000	
	Total Residential Operating Expenses					**$611,000**
III.	**Residential Net Operating Income**					**$909,900**

1 The affordable rents are based on 2018 rents published by TCAC and assume the deduction of the Community Development Commission of the County of Los Angeles utility allowance as of 7/1/2017.

2 The residential property tax expense is estimated based on the residential NOI capitalized at a 5.0% rate, and a 1.25% property tax rate.

Prepared by: Keyser Marston Associates, Inc.
File name: Affordability Gap Analyses_6 14 18; GLN_Nexus_110% AMI; trb

APPENDIX F - EXHIBIT 2E - TABLE 2

ESTIMATED AFFORDABILITY GAP
RENTS @ 110% TCAC MEDIAN
UNLEVERAGED SCENARIO
JOBS-HOUSING NEXUS AFFORDABILITY GAP ANALYSIS
GLENDALE, CALIFORNIA

I.	**Supportable Private Investment**			
	Net Operating Income		$909,900	
	Threshold Stabilized Return [1]		6.50%	
	Total Supportable Private Investment			**$13,998,000**
II.	**Affordability Gap Calculation**			
	Total Supportable Private Investment		$13,998,000	
	(Less) Total Development Costs		(33,085,000)	
	Total Affordability Gap			**($19,087,000)**
	65 Units	**($293,600) /Unit**		
	69,000 Sf GBA	**($277) /Sf**		

[1] Based on a 6.5% threshold return.

Prepared by: Keyser Marston Associates, Inc.
File name: Affordability Gap Analyses_6 14 18; GLN_Nexus_110% AMI; trb

APPENDIX G

DEVELOPMENT COST ANALYSIS

APPENDIX G - TABLE 1

ESTIMATED DEVELOPMENT COSTS
OFFICE PROTOTYPE
30,000 SF OFFICE GBA
COMMERCIAL DEVELOPMENT PROTOTYPES
GLENDALE, CALIFORNIA

I.	**Site Acquisition Costs**		21,500	Sf Land	$150	/Sf Land		**$3,225,000**
II.	**Direct Costs**	1						
	Site Improvement Costs		21,500	Sf Land	$10	/Sf Land	$215,000	
	Parking Costs							
	Surface Parking		0		$5,000	/Space	0	
	Above-Grade		0		$20,000	/Space	0	
	1st-Level Subterranean		57		$35,000	/Space	1,995,000	
	2nd-Level Subterranean		48		$45,000	/Space	2,160,000	
	3rd-Level Subterranean		0		$50,000	/Space	0	
	Building Costs		30,000	Sf Office GBA	$200	/Sf Office GBA	6,000,000	
	Office Tenant Improvement Costs		30,000	Sf Office GBA	$50	/Sf Office GBA	1,500,000	
	Contractor Costs		20.0%	Other Direct Costs			2,374,000	
	Total Direct Costs		**30,000**	**Sf GBA**	**$475**	**/Sf GBA**		**$14,244,000**
III.	**Indirect Costs**							
	Architecture, Engineering & Consulting		8.0%	Direct Costs			$1,140,000	
	Public Permits & Fees/Impact Fees		30,000	Sf GBA	$26.00	/Sf GBA	780,000	
	Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs			427,000	
	Marketing & Leasing Costs		30,000	Sf Office GBA	$3.00	/Sf Office GBA	90,000	
	Development Management		5.0%	Direct Costs			712,000	
	Contingency Allowance		5.0%	Other Indirect Costs			157,000	
	Total Indirect Costs							**$3,306,000**
IV.	**Financing Costs**							
	Construction Loan Interest	2	$22,649,000	Financed	4.50%	Interest	$968,000	
	Financing Fees							
	Construction Loan		$22,649,000	Financed	2.50	Points	566,000	
	Permanent Loan		60.00%	Loan to Cost	2.50	Points	340,000	
	Total Financing Costs							**$1,874,000**
V.	**Total Construction Costs**		**30,000**	**Sf GBA**	**$647**	**/Sf GBA**		**$19,424,000**
	Total Development Costs		**30,000**	**Sf GBA**	**$755**	**/Sf GBA**		**$22,649,000**

VI. Commercial Impact Fee Per SF as a Percentage of Development Costs

0.5% of Development Costs	$4
1.0% of Development Costs	$8
1.5% of Development Costs	$11
2.0% of Development Costs	$15

1 Direct costs assume prevailing wage requirements will not be imposed on the Project.

2 Assumes a 14-month construction period with a 60% average outstanding balance, and a 3-month lease-up period with a 100% average outstanding balance.

Prepared by: Keyser Marston Associates, Inc.
Filename: Glendale Feasibility Analysis_8 22 18; Office; trb

APPENDIX G - TABLE 2

ESTIMATED DEVELOPMENT COSTS
FREESTANDING RETAIL PROTOTYPE
15,000 SF RETAIL GBA
COMMERCIAL DEVELOPMENT PROTOTYPES
GLENDALE, CALIFORNIA

I.	**Site Acquisition Costs**		50,000	Sf Land	$150	/Sf Land		**$7,500,000**
II.	**Direct Costs**	[1]						
	Site Improvement Costs		50,000	Sf Land	$10	/Sf Land	$500,000	
	Parking Costs							
	Surface Parking		53	Spaces	$5,000	/Space	265,000	
	Above-Grade Parking		0	Spaces	$20,000	/Space	0	
	1st-Level Subterranean		0	Spaces	$35,000	/Space	0	
	2nd-Level Subterranean		0	Spaces	$45,000	/Space	0	
	3rd-Level Subterranean		0	Spaces	$50,000	/Space	0	
	Building Costs		15,000	Sf Retail GBA	$175	/Sf Retail GBA	2,625,000	
	Retail Tenant Improvement Costs		15,000	Sf Retail GBA	$25	/Sf Retail GBA	375,000	
	Contractor Costs		20.0%	Other Direct Costs			753,000	
	Total Direct Costs		**15,000**	**Sf Retail GBA**	**$301**	**/Sf Retail GBA**		**$4,518,000**
III.	**Indirect Costs**							
	Architecture, Engineering & Consulting		8.0%	Direct Costs			$361,000	
	Public Permits & Fees/Impact Fees		15,000	Sf Retail GBA	$10.00	/Sf Retail GBA	150,000	
	Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs			136,000	
	Marketing & Leasing Costs		15,000	Sf Retail GBA	$3.00	/Sf Retail GBA	45,000	
	Development Management		5.0%	Direct Costs			226,000	
	Contingency Allowance		5.0%	Other Indirect Costs			46,000	
	Total Indirect Costs							**$964,000**
IV.	**Financing Costs**							
	Construction Loan Interest	[2]	$14,153,000	Financed	4.50%	Interest	$605,000	
	Financing Fees							
	Construction Loan		$14,153,000	Financed	2.50	Points	354,000	
	Permanent Loan		60.00%	Loan to Cost	2.50	Points	212,000	
	Total Financing Costs							**$1,171,000**
V.	**Total Construction Costs**		**15,000**	**Sf GBA**	**$444**	**/Sf Retail GBA**		**$6,653,000**
	Total Development Costs		**15,000**	**Sf GBA**	**$944**	**/Sf Retail GBA**		**$14,153,000**

VI. Commercial Impact Fee Per SF as a Percentage of Development Costs

0.5% of Development Costs	$5
1.0% of Development Costs	$9
1.5% of Development Costs	$14
2.0% of Development Costs	$19

[1] Direct costs assume prevailing wage requirements will not be imposed on the Project.

[2] Assumes a 14-month construction period with a 60% average outstanding balance, and a 3-month lease-up period with a 100% average outstanding balance.

Prepared by: Keyser Marston Associates, Inc.
Filename: Glendale Feasibility Analysis_8 22 18; Freestanding Retail; trb

APPENDIX G - TABLE 3

ESTIMATED DEVELOPMENT COSTS
GROUND FLOOR RETAIL PROTOTYPE
10,000 SF GROUND FLOOR RETAIL GBA
COMMERCIAL DEVELOPMENT PROTOTYPES
GLENDALE, CALIFORNIA

I. Site Acquisition Costs	1	3,457	Sf Land	$300	/Sf Land		**$1,037,000**
II. Direct Costs	2						
Site Improvement Costs		3,457	Sf Land	$20	/Sf Land	$69,000	
Parking Costs							
Surface Parking		0	Spaces	$5,000	/Space	0	
Above-Grade		30	Spaces	$20,000	/Space	600,000	
1st-Level Subterranean		0	Spaces	$35,000	/Space	0	
2nd-Level Subterranean		0	Spaces	$45,000	/Space	0	
3rd-Level Subterranean		0	Spaces	$50,000	/Space	0	
Building Costs		10,000	Sf Retail GBA	$175	/Sf Retail GBA	1,750,000	
Retail Tenant Improvement Costs		10,000	Sf Retail GBA	$25	/Sf Retail GBA	250,000	
Contractor Costs		20.0%	Other Direct Costs			484,000	
Total Direct Costs		**10,000**	**Sf Retail GBA**	**$315**	**/Sf Retail GBA**		**$3,153,000**
III. Indirect Costs							
Architecture, Engineering & Consulting		8.0%	Direct Costs			$252,000	
Public Permits & Fees/Impact Fees		10,000	Sf Retail GBA	$10.00	/Sf Retail GBA	100,000	
Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs			95,000	
Marketing & Leasing Costs		10,000	Sf Retail GBA	$3.00	/Sf Retail GBA	30,000	
Development Management		5.0%	Direct Costs			158,000	
Contingency Allowance		5.0%	Other Indirect Costs			32,000	
Total Indirect Costs							**$667,000**
IV. Financing Costs							
Construction Loan Interest	3	$5,414,000	Financed	4.50%	Interest	$341,000	
Financing Fees							
Construction Loan		$5,414,000	Financed	2.50	Points	135,000	
Permanent Loan		60.00%	Loan to Cost	2.50	Points	81,000	
Total Financing Costs							**$557,000**
V. Total Construction Costs		**10,000**	**Sf Retail GBA**	**$438**	**/Sf Retail GBA**		**$4,377,000**
Total Development Costs		**10,000**	**Sf Retail GBA**	**$541**	**/Sf Retail GBA**		**$5,414,000**

VI. Commercial Impact Fee Per SF as a Percentage of Development Costs

0.5% of Development Costs	$3
1.0% of Development Costs	$5
1.5% of Development Costs	$8
2.0% of Development Costs	$11

1 Assumes a mixed-use project with a total gross building area of 126,000 square feet. The 10,000 square feet of ground floor retail equates to 8% of the total building area. Assuming a site size of 43,560 square feet and applying the 8% ground floor retail percentage equates to 3,457 square feet of land area allocated to the ground floor retail component.

2 Direct costs assume prevailing wage requirements will not be imposed on the Project.

3 Assumes an 18-month construction period with a 60% average outstanding balance, and a 6-month absorption period with a 100% average outstanding balance.

Prepared by: Keyser Marston Associates, Inc.
Filename: Glendale Feasibility Analysis_8 22 18; Ground Floor Retail; trb

APPENDIX G - TABLE 4

ESTIMATED DEVELOPMENT COSTS
HOTEL PROTOTYPE
80,713 SF HOTEL GBA: 140 HOTEL ROOMS
COMMERCIAL DEVELOPMENT PROTOTYPES
GLENDALE, CALIFORNIA

I.	**Site Acquisition Costs**		25,000	Sf Land	$300	/Sf Land	**$7,500,000**
II.	**Direct Costs**	1					
	Site Improvement Costs		25,000	Sf Land	$15	/Sf Land	$375,000
	Parking Costs						
	Surface Parking		0	Spaces	$5,000	/Space	0
	Above-Grade		10	Spaces	$20,000	/Space	200,000
	1st-Level Subterranean		67	Spaces	$35,000	/Space	2,345,000
	2nd-Level Subterranean		63	Spaces	$45,000	/Space	2,835,000
	3rd-Level Subterranean		0	Spaces	$50,000	/Space	0
	Building Costs		140	Rooms	$115,000	/Room	16,100,000
	Hotel FF&E Costs		140	Rooms	$20,000	/Room	2,800,000
	Contractor Costs		20.0%	Other Direct Costs			4,931,000
	Total Direct Costs		**140**	**Rooms**	**$211,300**	**/Room**	**$29,586,000**
III.	**Indirect Costs**						
	Architecture, Engineering & Consulting		8.0%	Direct Costs			$2,367,000
	Public Permits & Fees/Impact Fees		140	Rooms	$9,000	/Room	1,260,000
	Taxes, Insurance, Legal & Accounting		3.0%	Direct Costs			888,000
	Pre-Opening/Working Capital		140	Rooms	$2,500	/Room	350,000
	Development Management		5.0%	Direct Costs			1,479,000
	Contingency Allowance		5.0%	Other Indirect Costs			317,000
	Total Indirect Costs						**$6,661,000**
IV.	**Financing Costs**						
	Construction Loan Interest	2	$48,771,000	Financed	4.50%	Interest	$3,073,000
	Financing Fees						
	Construction Loan		$48,771,000	Financed	2.50	Points	1,219,000
	Permanent Loan		60.00%	Loan to Cost	2.50	Points	732,000
	Total Financing Costs						**$5,024,000**
V.	**Total Construction Costs**		**140**	**Rooms**	**$294,800**	**/Room**	**$41,271,000**
	Total Development Costs		**140**	**Rooms**	**$348,400**	**/Room**	**$48,771,000**

VI. **Commercial Impact Fee Per SF as a Percentage of Development Costs**

0.5% of Development Costs	$3
1.0% of Development Costs	$6
1.5% of Development Costs	$9
2.0% of Development Costs	$12

1 Direct costs assume prevailing wage requirements will not be imposed on the Project.
2 Assumes an 18-month construction period with a 60% average outstanding balance.

Prepared by: Keyser Marston Associates, Inc.
Filename: Glendale Feasibility Analysis_8 22 18; Hotel; trb