



Good Neighbors

San Diego  
Housing Commission

# REPORT

**DATE ISSUED:** May 2, 2005

**ITEM 108**

**REPORT NO.:** HCR05-41  
For the Agenda of May 6, 2005

**SUBJECT:** Update to Housing Impact Fees on Commercial Development

## SUMMARY

**Issue:** Should the Housing Commission recommend adjustments to the Housing Impact Fees for Commercial Development in response to updated information analyzed in a recent Nexus Study and extensive discussions with industry groups?

**Recommendation:** Direct staff to prepare an ordinance amending the Housing Impact Fees on Commercial Development (San Diego Municipal Code Chapter 9 Article 8 Division 6), as further described herein, including:

1. Use the most recent nexus study data in preparing amendments;
2. Adjust building type categories used in the fee schedule and provide that buildings be assessed for the predominant use so long as the primary use constitutes at least 75% of the proposed development;
3. Focus on low income housing needs for people earning less than 80% of Area Median Income;
4. Base adjustments to the fee schedule on mitigating 10% of actual housing impacts as further adjusted below; adopt the fee schedule for all uses as reflected in Attachment 6; apply an annual adjustment factor, based on a recognized index, and mandate the fee amounts be reviewed at least every ten years;
5. Allow the current housing impact fee exemptions in San Diego's two enterprise zones to expire in 2006; allow case-by-case exemptions for offices or manufacturing in redevelopment project areas. When City Council Policy 900-12 is updated, incorporate criteria for case-by-case exemptions for manufacturing and research and development, similar to current policy, and provide an opportunity for Housing Commission input on proposed amendments to the policy. Exempt in-patient acute care hospital development.
6. Continue to authorize the Housing Commission to approve variances for applicants if they meet the specified findings.

**Fiscal Impact:** Depending on how the fee structure is amended, additional revenues of \$3M to \$10M more than the FY04 amount would accrue to the Housing Trust Fund. Within the first year,

the recommended fee schedule is estimated to generate 60% more than currently is collected in the Housing Trust Fund. By year three, the fees collected in the Housing Trust Fund are expected to double current levels to produce approximately \$5M per year.

**Affordable Housing Impact:** Any additional revenues would be deposited into the Housing Trust Fund and would be used to produce new affordable housing opportunities for targeted households. The recommended action would focus assistance on low income people.

## **BACKGROUND**

In December 2002, the San Diego City Manager initiated an Affordable Housing Task Force made up of 20 experts from a wide variety of fields. The Task Force was charged with looking at San Diego's affordable housing crisis in a comprehensive manner and making recommendations for specific actions that the City Council could take to address the City's housing issues. Among its recommendations, published in June 2003, is a proposed doubling of the Housing Impact Fee on Commercial Development to restore it to its original level. On October 1, 2003, the City Council's Land Use and Housing Committee considered the recommendation and directed staff to prepare an update to the 1989 Housing Impact Fee Nexus Study in anticipation of considering an adjustment to the fee.

In response to the Land Use and Housing Committee direction, the San Diego Housing Commission retained the consulting services of Keyser Marston Associates, Inc. (KMA) to perform an update to the Nexus Study. The Consultant has completed a comprehensive update to the Nexus Analysis, which is included as Attachment 1.

During discussions with affected parties, business leaders acknowledged the connection between job creation and housing, and are concerned that the City have sufficient resources to address the housing crisis. Business representatives view the Housing Impact Fee as one legitimate resource that should be balanced with its effects on development. Most urge that the fee be considered only one of several needed revenue sources for housing and pledge their cooperation in seeking other funding mechanisms to augment the Housing Impact Fee.

## **DISCUSSION**

This report will provide background on the City's Housing Impact Fee, review the process for updating the Nexus Study and discuss various policy issues to consider in the Commission's deliberations.

### *Housing Impact Fee*

Housing Impact Fees, otherwise known as linkage fees, are a means to mitigate the increased need for more affordable housing due to employment growth. The relationship between non-residential construction and the need for housing is widely accepted. Non-residential development typically results in new jobs. The additional jobs create a need for additional employee housing with the

highest need being for housing that is affordable to lower income groups. Housing Impact Fees are assessed on non-residential development to mitigate for this increased need for affordable housing.

Cities throughout the United States have established Housing Impact Fees on non-residential development to mitigate the increased need for affordable housing. The State of California, in particular, has numerous jurisdictions with commercial linkage fees. A survey of select California jurisdiction's linkage fee programs is found in Attachment 2. The survey shows that San Diego's fees are substantially lower than most comparable cities.

In California, fees on development are subject to two overlapping sets of legal requirements, constitutional requirements of nexus and "rough proportionality" under the U.S. Supreme Court cases of *Nollan v. California Coastal Commission* (1987) 483 U.S. 825 and *Dolan v. City of Tigard* (1994) 512 U.S. 374, and California's statutory requirements as embodied in AB 1600. The nexus analysis serves to establish the necessary legal relationships.

The City of San Diego's linkage fee was initially established through a nexus study performed in 1989. At that time, the fee levels were set at an amount equal to approximately 10% of the impact on low income residents earning below 80% Area Median Income (AMI) as shown by the study. In 1996, San Diego's linkage fee levels were cut in half. As a result, the current fee levels, which range from \$.27-\$1.06/SF based on development type, are substantially below the original nexus amounts.

The City of San Diego Housing Impact Fees on Commercial Development Ordinance ("Ordinance") is found at Chapter 9 Article 8 Division 6 of the City's Municipal Code. The current fee schedule is:

| Type of Use              | Fee<br>Per Square Foot |
|--------------------------|------------------------|
| Warehouse                | \$0.27                 |
| Manufacturing            | \$0.64                 |
| Retail                   | \$0.64                 |
| Hotel                    | \$0.64                 |
| Research and Development | \$0.80                 |
| Office                   | \$1.06                 |

Linkage fees are calculated by the City's Facilities Financing Department, collected by the Development Services Department and deposited into the City of San Diego's Housing Trust Fund, which is administered by the San Diego Housing Commission ("Commission"). Annually, the City Council adopts a plan to allocate Housing Trust Fund monies to a variety of eligible uses, including rental housing development and special needs housing. At each fiscal year end, an Annual Report is prepared to describe how the Housing Trust Fund monies were actually used.

Currently, linkage fees are the primary local source of revenue for the Housing Trust Fund. Over the years, some Transient Occupancy Tax (TOT) dollars, land sale proceeds and Redevelopment Agency tax increment housing set-aside funds have been allocated to the Fund, and repayments of

certain property rehabilitation loans have also contributed a small amount to the fund. Recently, the City earned a \$2 million commitment from the State to match the City's Housing Trust Fund revenues.

Housing Trust Fund monies are leveraged against outside affordable housing revenue sources, typically at a ratio of ten dollars of outside money for each dollar from the Housing Trust Fund money. Since the linkage fee was adopted in 1990, it has produced a total of approximately \$38 million. The revenues have been leveraged to assist in the development, rehabilitation, or purchase of approximately 7,000 below-market rate units; and to support approximately 455 transitional housing beds annually. A summary of historical revenues is included as Attachment 3.

### **Update to the Housing Impact Fee Nexus Study**

Although linkage fees could be adjusted based on the 1989 nexus analysis, an updated Housing Impact Fee Nexus Study provides more accurate and timely data on current market conditions. Trends in commercial development demand and the type of employment associated with commercial development have changed in the 15 years since the previous study was prepared. As a result of having an updated nexus study, decision-makers will be able to make better-informed decisions regarding potential adjustments to the Housing Impact Fees based on justifiable impacts by new employment development on the housing market .

Preparation of a nexus analysis entails a number of complicated steps, which are outlined in detail in the study (Attachment 1). However, the process can be summarized as follows. First, the nexus analysis provides estimates of the number of employees per square foot that work in identified building types. This number is also known as "employment density." These estimates are based on average employment densities for typical activities. Once total employment density is established, the nexus analysis then identifies the proportion of employees that are associated with households of varying income levels by analyzing published data on the occupation of employees and their current compensation levels in San Diego. In every nonresidential building, a certain percentage of the employees will be from lower income households. The percent will vary depending on the type of use. For example, office buildings have fewer workers from very low-income households than retail or hotelier operations.

The calculated density and proportion of lower income employees is ultimately translated into the amount of demand produced for affordable housing by each building type. This demand is used to calculate the Housing Impact Fees by considering the gap that exists in the market between what households at the various income levels can afford for housing and the cost of market-rate housing. It is evident in the new nexus study that assumptions regarding employment patterns, wage rates and housing costs have changed substantially since 1989.

As can be ascertained by the preceding description, the analysis makes a number of data assumptions in order to determine the nexus amounts. Wherever assumptions are used, the consultant has chosen conservative data, which would result in lower impacts than is probably the case. Nonetheless, even using conservative assumptions, justified fee amounts are still far above levels that would be practical for adoption.

In addition to simply updating the justifiable Housing Impact Fee levels, the nexus study has been expanded to provide housing demand analysis for a broader range of income levels. The study updated the 1989 data associated with low and very-low income housing needs and also includes the housing needs of households in two additional income ranges: households with incomes between 80% and 120% AMI and households with incomes between 120% and 150% AMI. This expansion is a direct reflection of the increasing housing cost burden that is affecting larger segments of the City's workforce. In providing this broadened analysis, the Nexus Study provides the City Council with increased discretion in using housing impact fee revenues to assist households within these broader income categories if desired.

Recommendation: That the new Nexus Study be used as the basis for updating the Housing Impact Fees.

Alternative: Continue to use the 1989 Nexus Study as a basis for decision making.

### **Changes to Land Use/ Building Type Categories**

The Nexus Analysis was prepared using a few different building types than were used in the 1989 study. As discussed above, market conditions have changed significantly since the original study was prepared. In updating the analysis, it was questionable as to whether the 1989 building definitions still appropriately reflect the market. Changes in the market have resulted in increasing difficulty in the administration of the ordinance due to blurring distinctions between certain designated uses.

In consultation with industry representative and various City departments including Community and Economic Development, Development Services and Planning staff, Housing Commission staff worked with KMA to reclassify and redefine the building types. In addition, during the decade and a half since the linkage fee program was initiated a number of issues have been encountered in the administration of the Housing Impact Fee. Many of these issues could be addressed through refinements in building type classifications.

The updated study expanded the number of building types from six to seven and shifted how some building uses would be categorized within the building types. Major changes include consideration of research and development uses as part of manufacturing, and creating separate categories for education and medical uses.

| <b>Current Land Use Categories</b> | <b>Proposed Land Use Categories</b> |
|------------------------------------|-------------------------------------|
| Office                             | Office                              |
| Retail                             | Retail                              |
| Hotel                              | Hotel                               |
| Manufacturing                      | Manufacturing                       |
| Warehouse                          | Warehouse                           |
| Research and Development           |                                     |

|  |           |
|--|-----------|
|  | Medical   |
|  | Education |

The Table above shows the proposed seven land use categories as: office, retail/entertainment, hotel, manufacturing, warehouse/storage, medical and educational. The 1989 nexus analysis was developed using six use categories: office, hotel, research and development, retail, manufacturing and warehouse.

The various City departmental representatives met with KMA to consider new land use/building type categories and resolve issues identified with the current classifications. Reclassifying the building types was undertaken to achieve a number of goals, including:

- Increased fairness, due to solid basis of classification assignment;
- Increased ease of administration;
- Better guidance to the administrators by reducing the need for independent judgments where additional criteria would be helpful;
- Better internal consistency with other areas of the Municipal Code;
- Closer compatibility of the housing fees and other fees, particularly traffic for which employment density is also key (as opposed to trip generation due to customers, etc.); and
- Better classification of entire building rather than components of buildings.

In addition to the development of new land use categories to achieve the above-referenced objectives, staff also recommends revising the methodology to calculate the square footage assessed within a particular building type. Currently if a 100,000 square foot building plan is submitted to the City with a proposal of 75,000 square feet of the building to serve as warehouse and 25,000 square feet as office space, the current calculation and fee assessment procedures would measure the size of each use and calculate the warehouse portion at \$.27/SF and the remaining office space would be calculated at \$1.06/SF.

In an effort to simplify the calculation process and provide developers with a clear understanding of what fee their project will be charged, staff is recommending a methodology that would allow for the predominant land use's fee structure be used for the entire building as long as the predominant use is at least 75% of the building's total square footage. Therefore, in the example above, the entire building would be charged the warehouse fee rather than a proportional assessment based upon actual square foot usage.

Recommendation: Approve the new building type categories and provide that buildings be assessed for the predominant use so long as the primary use constitutes at least 75% of the proposed development.

Alternative: Retain the current categories and continue to calculate the fee based on the square footage of the various component uses.

**Whom to Serve**

Over the past 15 years, the San Diego housing and job markets have changed quite dramatically. No longer is San Diego heavily dependent upon the aerospace and military industries which in turn relied heavily upon federal and military spending. Today San Diego's economy is more diverse as it has developed and recruited more jobs in the high-tech manufacturing and biotech research fields. Visitor industry jobs have also grown. Furthermore, wage profiles within use categories and housing prices have changed markedly since the 1989 Nexus Study was prepared.

Therefore, using the new KMA Nexus Study as a background, the City's policy must first identify which income level is to be the focus of a housing impact mitigation program. As stated above, the newer nexus study not only looks at the housing impact for low income families earning below 80% AMI, it also considers the 120% and 150% AMI levels, often referred to as "workforce housing." Many home buying or rental assistance programs have been developed to assist low income families. Some redevelopment resources can address housing needs up to 120% AMI. But there are few if any programs to help meet workforce housing needs.

Because the linkage fee is an impact fee, the nexus amount is derived from specific economic analysis for particular income groups (e.g., the housing impact on low income households). Fees are then collected to mitigate the documented impact and can only be used for that purpose. So if the fee is established to mitigate housing impacts for low income people, then only low income persons can benefit from the fee revenue. If the fee were to be established to mitigate housing impacts for workforce households, then revenues could be used for programs to assist this underserved group as well.

However, if more income groups than the current low income beneficiaries are to benefit from linkage fee revenues, the dollar amount of the fee would have to be large enough to provide additional assistance to more people. Otherwise it would dilute assistance for low income groups currently being served. A large fee is unrealistic. Further, there was little policy support for expanding the Housing Trust Fund to create new workforce housing programs expressed in conversations with business and advocacy groups. Attachment 4 illustrates housing impacts at three income levels.

Recommendation: Continue to assess the housing impact of new commercial development on low income households (80% AMI) and use proceeds to assist this group.

Alternative: Base the assessment of the housing impact on the workforce earning up to 150% AMI and ensure that the first \$4 million collected be dedicated to low income housing programs, with funds in excess of \$4 million to be equally divided between those earning less than 80% AMI and those earning between 80% and 150% AMI.

### **Mitigation Level**

After deciding at which AMI level to assess the housing impacts, the next decision is how much of the impact to mitigate with the fee. Policy makers may establish fees up to the maximum justifiable amounts (100% of the nexus study impact). This is not practical for two reasons. It offers no "safe

harbor” protection against potential challenges to the nexus study and it produces a fee amount so significant as to discourage new development altogether.

Policy makers could set the fee for all building types in the same proportion, such as 20% of the impact across all uses, or may set the fee for each building type independently, weighing policy considerations and market sensitivity for each type. Attachment 4 illustrates some different mitigation levels and AMI levels, and shows the amount of revenue the City could have expected to generate for each combination, based upon the square footage of building permits issued in the City during the 2003 calendar year.

In 1989, City Council determined that generally 10 percent of the nexus amount in each category was appropriate for housing impact fees. Adjustments were made to this general fee structure so that it yielded a targeted dollar amount, anticipated to be approximately \$12 million annually. In 1996, a task force empanelled by LU&H recommended that at least \$15 million per year be generated by the linkage fee. However, in response to a business recession, City Council instead cut the fees in half. Since then, non-residential development has been at a modest pace and exemptions have markedly increased so that annually new revenues from linkage fees averaged less than \$2 million over the last three fiscal years:

|                    | FY02    | FY03   | FY04    |
|--------------------|---------|--------|---------|
| Revenues Collected | \$2.43M | \$1.6M | \$1.44M |

At the same time, development costs have risen and eroded the purchasing power of the Housing Trust Fund. Today, the same amount of housing opportunities as recommended by the 1996 task force would require substantially more than their recommended \$15 million.

If a new fee schedule is again based on mitigating 10 percent of housing impacts (Column 3 on Attachment 4), two uses would experience significantly large increases over current fees, and so warrant additional discussion. Business representatives expressed concern over the large jump in retail and hotel rates and the relative impact on businesses of different scales.

Retail: The current fee for retail is \$0.64/SF and the proposed fee is \$3.75/SF. It is recommended that the fee be phased in over a three year period in order to allow for the industry to better adjust to the new fee level. In addition, it is further recommended that smaller retail establishments that have greater risk and cost sensitivity (e.g. new restaurants, neighborhood commercial proprietors) be segregated from the larger establishments (e.g. big-box developments). Specifically, it is recommended that three tiers of retail be established: projects of 10,000 square feet and less; projects of 10,001-20,000 square feet; and projects greater than 20,001 square feet. Thus, the retail fee schedule would be as follows:

| <u>Square Footage</u> | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> |
|-----------------------|---------------|---------------|---------------|
| < 10,000              | \$1.28        | \$1.28        | \$1.28        |
| 10,001 – 20,000       | \$1.28        | \$1.89        | \$2.51        |

> 20,000                      \$1.67                      \$2.71                      \$3.75

Hotel: Similarly, the linkage fee for hotels is proposed to increase from \$0.64/SF to \$2.95/SF. It is recommended that this fee also be phased-in over a three year period and distinguish smaller and larger uses as follows:

| <u>Size of Hotel</u> | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> |
|----------------------|---------------|---------------|---------------|
| < 500 rooms          | \$1.82        | \$1.87        | \$1.92        |
| > 500 rooms          | \$1.90        | \$2.42        | \$2.95        |

In both cases, additions to existing facilities would be assigned to a tier based upon the cumulative size of the existing structure with any addition, yet only the additional square footage will be charged the fee. For example, if an existing 400 room hotel were to add an additional 200 rooms, the overall project would then be 600 rooms and subject to the higher fee level, but only the 200 new rooms would be assessed the fee. (Note that the Chamber of Commerce recommends capping the hotel rate at \$2.60 rather than \$2.95 as recommended by staff.)

Recommendation: Base the impact fees on 10% of the housing impact on low income households. Adopt the fee schedule shown on Attachment 6 so that Retail and Hotel rates would phase in over three years and be assessed on the project’s size. This would generate approximately \$5.8 million in year three. It is also recommended that an annual adjustment factor be applied, based on a recognized index, and that the fee amounts be reviewed at least every ten years.

Alternative: Several alternatives are available, including:

1. Selection of another column on Attachment 4 and apply that level of fee across the board to the uses;
2. Columns could be combined; for example, retail and hotels could be assessed based on column 3 (10% at 80% AMI) with the remainder of the uses assessed pursuant to column 4 (15% at 80% AMI);
3. Adjust the phase-in timeframe or the proposed tiers (e.g. divide the Hotel category into three tiers as with Retail);
4. The current fee schedule could be doubled as recommended by the Affordable Housing Task Force.

**Special Treatment of Certain Geographic Areas or Certain Industries**

Many cities with linkage fee programs allow for differential treatment in specific areas such as redevelopment areas, enterprise zones or for specific businesses. The rationale is that these areas or businesses are designated as needing investment and therefore, special accommodations are made to encourage new economic development. Likewise, the City may desire to attract certain uses that provide economic benefits. In general, blanket exemptions for geographic areas or specific uses are not recommended if strong investment activity is already occurring.

### Enterprise Zones

Currently, the Municipal Code allows for an exemption of the housing impact fee to be granted administratively for new business developments in San Diego's two enterprise zones. Enterprise zones are authorized by State law and provide various State income tax incentives to promote job creation for low income residents within the zones. Local governments must apply to the State for designation of a zone, and must provide matching local incentives. In San Diego's case an exemption from various fees including the linkage fee have been appropriate.

The Southeast/Barrio Logan Enterprise Zone, established by the City Council in 1986 and later renamed the Metro Zone, encompasses most of downtown from Little Italy eastward to roughly the SR-94 corridor. The South Bay Enterprise Zone, encompassing Otay Mesa and San Ysidro (plus portions of Chula Vista and National City, which are separate jurisdictions and are not subject to the linkage fee), was designated in 1991. The South Bay Zone will expire in January, 2006, and the Metro Zone will expire in October, 2006.

Between 1997 and 2003 a total of 5,443,905 square feet of Office, Retail and Manufacturing appear to have been exempted from the linkage fee within the enterprise zones. Had these fees been assessed, such floor area figures would have generated an additional \$3.6M to the Housing Trust Fund. Most of the exemptions were provided in the Metro Zone in the downtown redevelopment areas. These figures do not include hotels exempted within the downtown areas during that six year period.

Each of San Diego's enterprise zones will expire within the next year and a half, absent further State legislation. If the City Council were to prematurely remove the blanket Housing Impact Fee exemption for the enterprise zones, the City Council could be in violation of the terms of the State designation. Given the short period of time remaining on the designations, it is recommended that the current exemptions continue for the two zones until the designations expire. If a State law is adopted giving San Diego the option to extend the South Bay Zone an additional five years, then exemptions should be authorized only on a case-by-case basis subject to the proposed development offering significant economic development opportunities (e.g. manufacturing jobs that provide living wages for employees).

### Other Critical Issues

In addition to the linkage fee exemption in the two enterprise zones, exemptions may also be provided on a case-by-case basis as determined by the City Council. City Council Policy 900-12 (Attachment 5) sets out various criteria under which incentives may be provided for business developments if the City Council determines that such projects benefit the public. These public benefits include the development of a targeted industry (e.g., R&D, biotechnology), the creation of quality jobs, or the development of a project in a Redevelopment Project Area that would otherwise require a subsidy paid by the Redevelopment Agency. In each case, a formal written agreement with the developer is negotiated and approved by the City Council, with the public benefits specified.

In redevelopment project areas, some commercial uses are key to the area's success and produce living wage jobs. Office development downtown is one such use; manufacturing establishments are another example. It is recommended that developers planning such key office or manufacturing projects - where the agency enters into a development agreement and would otherwise subsidize the fee - be exempted on a case-by-case basis.

Outside of redevelopment areas, the City's Economic Development staff indicate that Council has exercised the authority sparingly. In recent cases, the Council required developers to pay the linkage fee but provided an incentive by reimbursing the fee out of incremental increases in property taxes subsequently earned on the project. City staff indicated that it plans to recommend updates to Council Policy 900-12 soon to reflect changed economic conditions. It is recommended that, when Council Policy 900-12 is updated, this recent policy of off-setting the Housing Impact Fee be retained and the Housing Commission be given the opportunity to review and comment on any modifications.

There is concern that some Research and Development buildings look and function much like a typical office building. For example, computer programmers may sit at workstations in cubicles or offices rather than in open labs like some other researchers. The Chamber of Commerce suggested that all high-tech, biotech or other R&D functions be encouraged to locate in the City by assessing the lower manufacturing fee of \$1.18/SF. In subsequent discussions with the City's Economic Development Department it was suggested that the new fee be waived altogether for R&D uses that have the likelihood of manufacturing on-site where San Diego will benefit from the jobs created by such ventures. Housing Commission staff recommends a blend of these two positions. It is recommended that an R&D use that resembles an office facility be charged the lower manufacturing fee of \$1.18/SF if the Economic Development Department determines there is a high likelihood that the ultimate product will be manufactured within the City of San Diego. As noted above, it might be further recommended by City staff that the fee be waived in a redevelopment area or repaid through a property tax reimbursement. Such determinations would be codified in agreements pursuant to Council Policy 900-12.

Finally, it was emphasized that the hospital industry is under severe financial constraints to comply with State law regarding earthquake retrofitting of their facilities. Because of the extremely high expense to retrofit, some hospitals may have to cease certain functions or build new facilities. It is suggested that all newly constructed in-patient acute care facilities be exempted from the fee altogether.

Recommendation: Allow the current linkage fee exemptions in San Diego's two enterprise zones to expire; allow case-by-case exemptions for office or manufacturing in redevelopment project areas. When Council Policy 900-12 is updated, it should incorporate criteria and conditions for providing limited linkage fee exemptions for manufacturing or R&D, on a case by case basis, similar to the current Policy, and the Housing Commission should be given the opportunity to review and comment on any modifications. Finally, in-patient acute care hospitals should be exempted.

Alternative: Three alternatives could be considered:

1. Retain the Housing Impact Fee exemption in the South Bay Enterprise Zone if its designation is authorized to be extended by State law.
2. Adopt blanket exemptions (rather than case-by-case) from Housing Impact Fees for certain building types that are likely to create better paying jobs (e.g., manufacturing uses).
3. Do not provide for any exemptions of the Housing Impact Fee.

### **Variances and Exemptions**

The Ordinance delegates authority to the Housing Commission to approve a variance to applicants, which could include a modification or exemption from fee payment, in cases of hardship or “low employee density” (i.e., the proposed project adds few or no jobs). Since the fees’ inception, the Commission has approved 52 variances (none for hardship, one for alternate compliance and the remainder due to the low employment density contained in the use).

Recommendation: Continue to authorize the Housing Commission to approve variances for applicants if they meet the specified findings showing financial hardship or if the project is expected to create a low employee density.

### **CONCLUSION**

The Nexus Study provides updated data regarding the nexus between employment in various types of buildings and the resulting housing demand for households that meet the criteria for a number of income categories. A summary of recommendations includes:

1. Use the new nexus study as the basis for updating the housing impact fees.
2. Approve the new building type categories and provide that buildings be assessed for the predominant use so long as the primary use constitutes at least 75% of the proposed development.
3. Continue to assess the housing impact of new commercial development on low income households (80% AMI and lower) and use proceeds to assist this group.
4. Establish the impact fees based on mitigating 10% of the housing impact on low income households. Adopt the fee schedule for all uses as reflected on Attachment 6, phasing-in the increase of the fee for Retail and Hotel over three years until the full amount is reached and assessing smaller projects a lesser fee amount. Apply an annual adjustment factor, based on a recognized index, and review the fee schedule at least every ten years.
5. Continue the current housing impact fee exemptions in San Diego’s two enterprise zones until the designations expire in 2006; if a State law is adopted giving San Diego the option to extend the South Bay Zone an additional five years, then any exemptions should be authorized only on a case-by-case basis; allow case-by-case exemptions of office or manufacturing in redevelopment project areas. When Council Policy 900-12 is updated, it should incorporate criteria on providing any linkage fee exemptions, similar to the current Policy, and the Housing Commission should be given the opportunity to review and comment on any modifications.

6. Continue to authorize the Housing Commission to approve variances for applicants if they meet the specified findings showing financial hardship or if the project is expected to create a low employee density.

Amendments to the Municipal Code will be drafted for future consideration to reflect any changes to the current housing impact fee structure that the policy makers may direct. If changes are to be made to the current Housing Impact Fee schedule, a determination will be needed regarding the effective date of those changes. New fees could be implemented on the effective date of an ordinance amending the Code or on a specific future date, such as July 1, 2005.

Respectfully Submitted,

Approved By,

**Signature on File  
With Original Document**

D. Todd Philips  
Policy Advisor to the President and CEO

Elizabeth C. Morris  
President and CEO

**ATTACHMENTS:**

1. Jobs Housing Impact Fee Analysis (2004 Nexus Study)\*
2. Survey of Jobs Housing Linkage Fee Programs
3. Historical Annual Revenue Collected from Linkage Fees
4. Various Fee Assessment Scenarios
5. City Council Policy 900-12
6. Summary of Staff Recommendations Regarding Fee Levels

\* The distribution of this attachment is limited due to its length. Copies are available at the Office of the City Clerk, 202 C Street, 2<sup>nd</sup> Floor and at the Housing Commission Office, 1625 Newton Avenue.

**Report**

**Housing Impact Fee  
Nexus Analysis**

*Prepared for:  
City of San Diego*

*Prepared by:  
Keyser Marston Associates, Inc.*

December 2004

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## INTRODUCTION

The following report summarizes an analysis of the impacts of non-residential development on the demand for affordable housing in the City of San Diego. The report has been prepared by Keyser Marston Associates, Inc. (KMA) for the City of San Diego, pursuant to a contract to prepare a nexus analysis and assist in updating the City's housing impact fee program.

### ***Background***

The City of San Diego adopted an ordinance in 1992 establishing a housing impact fee program. The fee program was supported by a nexus study prepared in 1989 that demonstrated the need for housing based on new jobs associated with commercial and industrial development. The fee program was incorporated in the City's Municipal Code in Chapter 9, Article 8, Division 6. The fees originally ranged from roughly \$0.52 to \$2.12 per square foot, depending on the building type. In 1996, the fees were reduced by half and have been unchanged since then.

In December 2002, the City of San Diego's City Manager initiated an Affordable Housing Task Force made up of 20 experts from a wide variety of fields. The Task Force was charged with examining the affordable housing crisis and making recommendations on what the City might do to address the crisis. The Task Force's final report, published in June 2003, included a recommendation for an increase in the Housing Impact Fee. In October 2003, the City Council's Land Use and Housing Committee directed the Housing Commission to update the nexus study in anticipation of considering updated fee amounts. This is the nexus study the Housing Commission contracted KMA to prepare.

### ***Purpose***

The purpose of a nexus analysis is to document the linkages among construction of new workplace buildings (such as office, retail and industrial), the employees that work in them, and the demand for affordable housing. Since jobs in all types of buildings cover a range of compensation levels, the worker households demand housing at all affordability levels. The analysis quantifies demand at each affordability level for each type of building.

Different types of buildings have different employee composition, both due to the density of jobs and different occupational composition, which is tied to income structure. This analysis examines seven types of buildings or land uses:

---

Office  
Hotel  
Retail/Entertainment  
Hospital/Medical  
Manufacturing/Industrial  
Warehousing/Storage  
Educational

The conclusion of the nexus analysis is the number of households, or housing units in demand, by affordability level, associated with each building type. The nexus cost is the cost to mitigate the demand for housing, or the affordability gap for worker households at each income level.

This analysis has been conducted to meet the requirements of AB 1600, as contained in the California Government Code Section 66000 and following. Such analyses are called linkage or nexus analyses, or AB 1600 reports.

### ***Affordability Levels***

San Diego has one of the most severe affordable housing problems in the United States. Affordable housing for new worker households is out of reach of the majority of new workers drawn to the city by new jobs. In order to afford the rent on a two-bedroom apartment in the city, families need to earn more than \$22 per hour, yet many types of jobs pay under \$10 per hour. To purchase the median price home requires an income of at least \$90,000 per year, yet the median income for a family of four is only \$63,400. New households at all but the very upper income tiers are affected by the housing crisis and the housing problem continues to worsen each year.

Because San Diego's housing affordability crisis extends well beyond low-income households, this nexus analysis has been designed to include households in the middle income ranges as well. Specifically, per the direction of the Housing Commission, the following income categories are addressed:

Very Low Income (under 50% median)  
Low Income (50% to 80% median)  
Moderate Income (80% to 120% median)  
Workforce Income (120% to 150% median)

City policy makers may adopt a fee program covering the four categories and expend fee revenues to assist the four categories, or policy makers may choose to pursue a program covering fewer income/affordability categories.

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## ***Process***

In the course of preparing this analysis, City staff met with several community groups and affected parties, such as the local chapters of the Building Industry Association, the National Association of Industrial and Office Properties, and the Chamber of Commerce. The analysis presented in Sections I through IV of the report was presented to these organizations for their comment on major assumptions and methodology.

## ***Report Organization***

The report is organized into five sections as follows:

- Section I – presents a summary of the linkage concept and some of the key issues surrounding nexus analyses for jobs and housing.
- Section II – provides an overview of the economic climate in San Diego and some of the key conditions affecting the nexus analysis.
- Section III – presents an analysis of the jobs and housing relationships associated with individual prototype buildings. It is a “micro economic” analysis that concludes with a quantification of the number of households at each income level associated with each building type.
- Section IV - summarizes the cost of delivering housing units affordable to households at the various income levels, allocated to each square foot of the various building types.
- Section V – provides information to assist policy makers in evaluating fee levels and other program features for the update to the San Diego program.
- Appendices – provide additional support information and more documentation on data sources and analysis assumptions.

## ***Data Sources and Qualifications***

The analyses in this report have been prepared using the best and most recent data available. Local data was used wherever possible. The major sources were the U.S. Census 2000 and the California Employment Development Department. While we believe all sources utilized are sufficiently accurate for the purposes of the analysis, we cannot guarantee their accuracy. Keyser Marston Associates, Inc. assumes no liability for information from these and other sources.

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## SECTION I – THE NEXUS CONCEPT AND MAJOR ISSUES

### ***Introduction***

This section outlines the nexus concept and some of the key issues surrounding linking new non-residential development to the demand for new residential units in the City of San Diego.

The nexus analysis and discussion focus on the relationships among development, growth, employment, income of workers and demand for housing. The analysis yields a connection between new construction of types of buildings in which there are workers and the need for additional affordable housing, a connection that is quantified both in terms of number of units and in terms of subsidy assistance needs to make units affordable.

### ***The Legal Basis and Context***

The first housing linkage programs were adopted in the cities of San Francisco and Boston in the mid-1980's. To support the linkage, the City of San Francisco commissioned a short 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 U.S. 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 lack of affordable housing and the action contributing to the problem is building workspaces that mean more jobs and worker households needing more 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 following the City's adoption of a housing linkage fee. Both the U.S. District Court and the Ninth Circuit Court of Appeals upheld the City of Sacramento and rejected the builders' petition. The U.S. Supreme Court denied a petition to hear the case, letting stand the lower court's opinion. The authors of this nexus study were the authors of the Sacramento study.

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## ***The Nexus Methodology***

An overview of the basic nexus concept and methodology is helpful to understanding 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 (or other workplaces) 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 and middle income households.

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

To illustrate the micro nexus, very simply, we can walk through the major calculations of a building. We begin by assuming a prototypical 100,000 sq. ft. building and then make the calculations as follows:

- We estimate the total number of employees working in the building based on average employment density experience.
- 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 analysis.
- We know from the Census that most employees are members of households where more than one person is employed; we use various factors to calculate the number of households represented in each income category.
- Then, we conclude how many of the households (divided into several subsets by income level) are associated with the building and divide by 100,000 square feet to arrive at coefficients of housing units per square foot of building area.
- In the last step, we multiply the number of households per square foot by the costs of delivering housing units affordable to these income groups.

The factors and relationships utilized in the analysis reflect long-term average conditions. Short-term conditions, such as a recession or a vigorous boom period, are not an appropriate basis for estimating impacts over the life of the building.

## ***The Relationship Between Job Growth and Population Growth***

The social issue driving this analysis is growth in middle to lower income households. New population growth in most U.S. regions occurs primarily as a result of job growth. Over the long term, the vast majority of growth in the State of California and its sub-regions is job driven. The arrival of new population creates "secondary" demand for jobs in retail outlets and services that

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follow. Growth in the greater San Diego region is predominantly job driven. Most people coming to the region would not come if they could not expect to find a job. People born in the local area would not stay without jobs. This is the long-term pattern. In the short-term, economic cycles and other factors can result in population growth without jobs to support the growth. If an economic region in the U.S. does not maintain job growth, there is an out-migration to regions where job growth is occurring. Many cities in the Midwest during the 70's and 80's are examples.

### ***The Relationship Between Construction and Job Growth***

If population growth, especially lower income population, is predominantly job driven in the greater San Diego area, the question arises as to the source or "cause" of employment growth itself.

Simplistically we can say that employment growth does not have "one cause". Many factors underlie the reasons for growth in employment in a given region; these factors are complex, interrelated, and often associated with forces at the national or even international level. One of the factors is the delivery of new workspace buildings. The nexus argument does not make the case that the construction of new buildings is solely responsible for growth. However, especially in the San Diego area, new construction is uniquely important, first, as one of a number of parallel 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 most rapidly growing areas in the state are those where new construction is vigorous as a vital industry. In regions such as the San Diego area where multiple forces of growth exist, the political and regulatory environment join forces with the development industry to attract growth by providing new work spaces, particularly those of a speculative nature. The development industry frequently serves as a proactive force inducing growth to occur or be attracted to specific geographic areas or locations.

Second, workplace buildings bear a special relationship to growth, different from other parallel causes, in that buildings are a *condition precedent* to growth. Job growth does not occur in modern service economies without buildings to house new workers. Unlike other factors that are responsible for growth, buildings play the additional unique role that growth cannot occur without them. Conversely, it is well established that the inability to construct new workplace buildings will constrain or even halt job growth.

### ***Addressing the Housing Needs of a New Population vs. the Existing Population***

The Housing Element of the City of San Diego, the Affordable Housing Task Force Report, and other materials clearly document that the housing needs of the existing lower and middle income households are not being met. This existing housing shortage, especially at the lowest income levels, is manifested in numerous ways such as payment of far more than 30% of income for rent as set forth in federal and state guidelines, overcrowding and other factors which are extensively documented by the Census and City reports.

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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, such as an office building.

The Affordable Housing Task Force and other analyses have found that new housing affordable to lower and middle income households is not being added to the supply in sufficient quantity to meet the needs of new employee households. If this were not the case and significant numbers of units were being added to the supply to accommodate the low to middle income groups, or if residential units in San Diego were experiencing significant vacancy levels, particularly in affordable units, then the need for new units would be questionable.

### ***Substitution Factor***

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

### ***Indirect Employment and Multipliers***

The Micro Economic Nexus Analysis, which examines prototype buildings, addresses direct "inside" employment only. In the case of the office building, for example, direct employment covers the various managerial, professional and clerical people that work in the building; it does not include the janitorial workers, the window washers, the security guards, the delivery services, the landscape maintenance workers, and many others that are associated with the normal functioning of an office building. These indirect employees tend to be the many service workers at the lower end of the pay scale. No good data sources were located that deal with indirect employees in various type buildings. If one thinks about who the lowest income workers are, one can observe that lower income workers include a whole host of service workers who do not work in any type of building as regular employees but whose jobs are associated with such structures. In other words, any analysis that ties lower income housing to the number of workers inside buildings will continue to understate the demand. Thus, confining the analysis to the direct employees does not address all the low to middle income workers associated with each type of building and significantly understates the impacts.

If the concept of indirect employees were introduced into the analysis, one might ask about multipliers. Multipliers refer to the concept that the income generated by certain types of jobs recycles through the economy resulting in additional jobs. This study omits such multiplier effects and thus conservatively counts only direct impacts.

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### ***Special Adjustments in San Diego Analysis***

There are several special adjustments in the analysis specific to San Diego and the time at which the analysis has been prepared.

#### **Changes in Labor Force Participation**

In the 1960's through the 1980's there were significant increases in labor force participation, primarily among women. As a result, some of the new workers were reentering the labor force and already had local housing, thus reducing demand for housing associated with job growth. Since the 1990's, however, labor force participation rates have slowed to the point they are nearly stabilized. As such, an adjustment for increase in labor force participation is no longer warranted in a nexus analysis.

#### **Discount for Changing Industries**

It is general practice in the preparation of a nexus analysis to examine the major sectors of the local economy and determine if there are long term trends in employment suggesting either decline or restructuring. In the case of long-term decline of one or more industries or sectors, it is appropriate to recognize that all new jobs may not be net new jobs. In some regions, for example, there were periods when aerospace and defense spending was in decline. In San Francisco, by way of another example, there has been major long-term economic decline in the industrial land use activity sectors, as evidenced by the decline of the Port and its related activities. During the 1980's in that city, for every job gained in an office building, there was more than half a job lost in the industrial sector. Short-term upheavals such as the closing of a military base or single large manufacturing plant may also warrant an adjustment in the analysis.

San Diego during the 1990's experienced decreasing levels of employment in the defense and transportation manufacturing sector. Starting from a base of a little under 40,000 jobs, over 20,000 jobs were lost. In addition, there were losses in the few agricultural and mining sector jobs that remained. As a result, some of the jobs gained in the growing sectors of the economy offset losses in the declining categories. In other words, some workers in new buildings are not net new and already have housing. Looking ahead, job losses in the defense sector are no longer anticipated.

If an underlying premise of a jobs housing nexus is labor force mobility — i.e., workers are attracted to areas where jobs are made available, in part through the delivery of work spaces, then it must also be recognized that loss of jobs means workers either leave the area or become employed in another activity. A discount adjustment is used to recognize these changes within the local economy.

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### ***Other San Diego Affordable Housing Programs***

The City of San Diego is committed to creating new opportunities for affordable housing as well as preserving the existing affordable housing stock.

The City has a comprehensive and multi-faceted program that tackles the affordable housing shortage from many approaches. The recently adopted inclusionary program makes all residential construction contribute funds to help fund the construction of more affordable units. The job housing linkage program is but one of many programs in the City of San Diego that raises funds to increase the supply of affordable housing.

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## SECTION II – ECONOMIC CLIMATE AND ANALYSIS INPUTS

This section summarizes the economic climate in San Diego and provides background on some of the key relationships in San Diego that underlie the jobs housing linkage. In particular, employment growth, and affordable housing production are reviewed. The history of housing production, particularly affordable housing production, compared with the demand generated by new workers is summarized.

In addition to historical data, this section contains a projection of jobs and dwelling units, as prepared by local and statewide planning agencies, such as the San Diego Association of Governments (SANDAG). It must be emphasized, however, that the nexus relationships as established in this analysis are not contingent upon a specific projected level of employment growth being realized. The relationships linking construction, employment, and affordable housing are critical to the nexus, but the specific projected levels of growth are not. If employment growth occurs more slowly than projected, commercial and industrial construction and housing demand will also be less than projected. In this analysis linkages are established on a per square foot basis (Section III).

### *Employment History and Trends*

SANDAG regularly publishes regional employment inventory and other related data. SANDAG is the most widely used data source by local planning agencies in the San Diego Area. SANDAG presents data according to a city's current boundaries (Jurisdictional Boundary). According to SANDAG, employment growth in the San Diego jurisdictional boundary during the 1990's decade registered a net increase of 103,878 total jobs, an increase of 15%. Between 1990 and 2000, SANDAG's estimates for job growth in San Diego are:

| <u>Year</u>       | <u>Jurisdiction<br/>Boundary Jobs</u> |
|-------------------|---------------------------------------|
| 1990 <sup>1</sup> | 673,722                               |
| 2000 <sup>2</sup> | <u>777,600</u>                        |
| Growth            | 103,878                               |

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<sup>1</sup> SANDAG Regional Employment Inventory, 1994.

<sup>2</sup> SANDAG Estimates for 2000

In addition to total job growth, it is also useful to examine job growth by industry, as total employment figures sometimes obscure the dynamics and shifts that have occurred within individual sectors of an economy. SANDAG data for 1990 and 2000 was used to examine general employment change across industries in San Diego.

| <u>Major Industry</u>   | <u>Jobs</u>    |                |               |
|-------------------------|----------------|----------------|---------------|
|                         | <u>1990</u>    | <u>2000</u>    | <u>Change</u> |
| Agriculture and Mining  | 3,371          | 1,368          | -63%          |
| Manufacturing           | 87,933         | 73,166         | -17%          |
| Retail                  | 100,633        | 110,046        | 9%            |
| Service                 | 196,972        | 256,370        | 30%           |
| Other Jobs <sup>3</sup> | <u>284,453</u> | <u>336,650</u> | <u>18%</u>    |
| Total                   | 673,722        | 777,600        | 15%           |

Employees in these industries are occupants of the building types subject to this analysis — retail, office, hotel, medical, manufacturing, warehousing, and educational. Retail buildings basically add jobs in the retail category, hotels in the service category, manufacturing in the manufacturing category. Office buildings house workers in service and other subcategories. Warehousing adds jobs in the other and retail<sup>4</sup> subcategories. Medical and educational buildings add employment in the service sector.

According to SANDAG, jobs in the service industry within the San Diego jurisdictional boundaries grew by 59,398 jobs, or 30% during the 1990's decade. Following the service industry, the "other" subcategory registered a growth of 18%. During the same period, manufacturing jobs declined substantially with a loss of 17%. Agricultural jobs lost 63% of employment, although this sector is not a significant component of total employment. This information is presented in Table II-1 found at the end of this section.

The decline in manufacturing employment during the 1990's may be largely explained by a reduction in national defense spending. In a separate data set for the San Diego region<sup>5</sup>, SANDAG reports that the defense and transportation manufacturing sector lost over 20,000 jobs from a base of 39,000 jobs during the period from 1990 to 1998, or over 50%. During this same period, other types of manufacturing gained in regional employment, but not to the extent of the losses in the defense related sector. At the city level, the decline in total manufacturing employment most likely is attributable to the defense sector. Given the current phase of

<sup>3</sup> Other jobs include construction, transportation, communications, utilities; finance, insurance, real estate; self-employed and domestic, national security and government.

<sup>4</sup> The warehouse building type was defined as inclusive of wholesalers.

<sup>5</sup> SANDAG. 2001. INFO: San Diego Regional Employment Clusters, Engines of the Modern Economy.

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escalating national defense spending, this decline has presumably been halted and could even be reversed in the 2000's decade.

The declining industries adjustment in the analysis in Section III is included to address job losses and adjustments in some sectors and recognize that all new building construction may not be completely equivalent to net new employment growth.

### ***Characteristics of San Diego Employees and Their Households***

This section examines several key characteristics of San Diego employees and their households, particularly those that are relevant to the jobs affordable housing linkage. These characteristics include:

- The number of workers per worker household on average;
- Income characteristics; and
- Commute patterns.

Each of these factors impacts how many new workers in San Diego buildings will seek housing within the City. These characteristics become key inputs in the micro economic analysis of the linkage between workspace buildings and affordable housing demand.

### **Workers per Worker Household**

The workers per household characteristic provides the link between the number of employees and the number of households associated with the employees, recognizing that most households today have more than one worker. The number of workers per household in a given geographic area is a function of household size, labor force participation rate and employment availability.

Historically, the national labor force participation rate rose steadily for three decades since the early 1960's as more and more women entered the labor force. The rate appears to have leveled off in the 1990's. Nexus studies prepared in the late 1980's and early 1990's often made an adjustment for increases in labor force participation to recognize that some employment growth already was living locally and had housing. We no longer make such an adjustment.

For the nexus analysis, the characteristic of most direct interest is the number of workers per worker household. Worker households are defined as those households with a wage or salary income, as reported in the 2000 U.S. 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 worker households.

According to the 2000 U.S. Census, the number of workers per worker household in the City of San Diego was 1.61. In San Diego County, the Census reports a ratio of 1.66. Since workers in the City of San Diego are likely to live all over San Diego County, the County average is more reflective of workers in San Diego.

### **Wages and Salaries of San Diego Workers and Household Income**

The average wage or salary of San Diego workers and the income of households formed by the 1.66 workers determines the household's ability to afford housing. Each year, the California Employment Development Department (EDD) reports information on average wages and salaries paid to San Diego County workers, by occupation type.

A summary of the occupations associated with each building was developed from the 2002 National Industry-Specific Occupational Employment Estimates, produced by the U.S. Bureau of Labor Statistics, which cross references occupations by industry. Appendix Tables 1, 3, 5, 7, 9, 11, and 13 present summaries for each building type.

The following is a summary table of average salary levels for major occupation groups by building type. A detailed summary of wages and salaries for occupations in each building type is provided in Appendix Tables 2, 4, 6, 8, 10, 12, and 14.

### **Compensation by Occupation for the Building Type (San Diego County)**

| <b>Building Type</b>        | <b><u>Major Occupation Groups</u></b>     | <b><u>% of Employment</u></b> | <b><u>Average Annual Income</u></b> |
|-----------------------------|---|-------------------------------|-------------------------------------|
| <i>Office</i>               | Office and Administrative Support         | 36%                           | \$30,100                            |
|                             | Business and Financial Operations         | 10%                           | \$55,600                            |
|                             | Management                                | 9%                            | \$95,800                            |
| <i>Hotel</i>                | Building and Grounds (incl. Housekeeping) | 30%                           | \$19,900                            |
|                             | Food Preparation & Serving                | 29%                           | \$18,400                            |
|                             | Office and Administrative Support         | 17%                           | \$25,700                            |
| <i>Retail/Entertainment</i> | Sales                                     | 28%                           | \$26,600                            |
|                             | Food Preparation & Serving                | 24%                           | \$18,300                            |
|                             | Office and Administrative Support         | 14%                           | \$28,000                            |

| <b>Building Type</b>            | <b>Major Occupation Groups</b>      | <b>% of Employment</b> | <b>Average Annual Income</b> |
|---------------------------------|-------------------------------------|------------------------|------------------------------|
| <i>Hospital/Medical</i>         |                                     |                        |                              |
|                                 | Healthcare Practitioner & Technical | 44%                    | \$57,300                     |
|                                 | Healthcare Support                  | 19%                    | \$23,300                     |
|                                 | Office and Administrative Support   | 13%                    | \$29,500                     |
| <i>Manufacturing/Industrial</i> |                                     |                        |                              |
|                                 | Production                          | 39%                    | \$28,200                     |
|                                 | Office and Administrative Support   | 11%                    | \$30,900                     |
|                                 | Management                          | 8%                     | \$98,300                     |
| <i>Warehousing/Storage</i>      |                                     |                        |                              |
|                                 | Office and Administrative Support   | 25%                    | \$28,300                     |
|                                 | Transportation and Material Moving  | 23%                    | \$24,700                     |
|                                 | Sales (Wholesale and Retail)        | 22%                    | \$50,600                     |
| <i>Educational</i>              |                                     |                        |                              |
|                                 | Education, Training, and Library    | 59%                    | \$43,900                     |
|                                 | Office and Administrative Support   | 11%                    | \$30,600                     |
|                                 | Building and Grounds                | 5%                     | \$22,200                     |

Source: California Employment Development Department, 2002 Occupational Employment Statistics Survey, Wages 3<sup>rd</sup> Quarter 2003, San Diego County.

The occupations with the largest share of jobs in the lowest compensation levels are in the retail and hotel industries, or the industries related to San Diego's huge tourism sector.

### **Household Income**

When workers in these occupations 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. According to HUD, the annual median income of a four-person household in San Diego County for the year 2003 is \$59,900 (the most recent available information at the time of the analysis preparation). This analysis focuses on four classifications of household income:

- Very Low-Income – less than 50% of Median Income
- Low-Income – 51% to 80% of Median Income
- Moderate-Income – 81% to 120% of Median Income
- "Workforce" – 121% to 150% of Median Income

The income classifications for two, three and four person households in San Diego County for 2003 appear in the table below.

---

### Two Person HH

|                       |          |
|-----------------------|----------|
| 50% of Median Income  | \$25,500 |
| 80% of Median Income  | \$40,850 |
| Median Income         | \$47,900 |
| 120% of Median Income | \$57,500 |
| 150% of Median Income | \$71,900 |

### Three Person HH

|                       |          |
|-----------------------|----------|
| 50% of Median Income  | \$28,700 |
| 80% of Median Income  | \$45,950 |
| Median Income         | \$53,900 |
| 120% of Median Income | \$64,700 |
| 150% of Median Income | \$80,900 |

### Four Person HH

|                       |          |
|-----------------------|----------|
| 50% of Median Income  | \$31,900 |
| 80% of Median Income  | \$51,050 |
| Median Income         | \$59,900 |
| 120% of Median Income | \$71,900 |
| 150% of Median Income | \$89,900 |

Source: San Diego Housing Commission, U.S. Dept of Housing and Urban Development.

The above income levels are the levels set and utilized by HUD and the State for most housing programs.

### ***Commute Relationships and Trends***

This section provides a brief summary of commute trends and relationships. The major relationship of interest in a nexus analysis is the share of San Diego jobs held by San Diego residents. The major source of information regarding commute relationships is the U.S. Census.

In 2000 there were 450,898 San Diego residents who also worked in San Diego. For the same year, SANDAG reports there were a total of 777,679 jobs. It can then be concluded that San Diego residents held 58% of the total jobs in San Diego.

It is important to recognize that the above relationship does not necessarily represent the demand for housing in San Diego. Taken to the extreme, one can hypothesize a city with very few workers living in it because there is very little housing (for example, City of Industry in the Los Angeles region, or until recent years, Emeryville in the San Francisco area), or because the housing is very expensive.

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It should also be noted that even if housing were available and affordable, it is unlikely that 100% of people would live and work in the same city. The choice of where one lives depends on many additional factors (schools, style of housing, types of amenities, and local services, etc.) as well as where one works.

### **Housing**

At the beginning of this section, we examined employment and determined from SANDAG historical data that there were 103,878 jobs gained over the decade. This section provides a brief summary of selected characteristics of the housing market that affect the ability of worker families to find housing in San Diego. This section also examines growth in housing units in San Diego to meet the demand of new worker households.

### **Housing Production**

SANDAG data indicates that from 1990 through 2001, 47,414 net new units were added to the City over the 12-year period. As shown in Table II-2 annual building activity varied over the decade. The high year was 1990 when 6,921 new units were added and the low year was 1995 when only 2,233 new units were added. On average, 3,951 units were constructed annually during the period

As noted earlier, during this same time frame, SANDAG estimates that 103,878 new jobs were created in San Diego. With approximately 1.66 workers per worker household, 103,878 new jobs can be equated to 62,577 households demanding housing somewhere within commuting distance to a job in San Diego. Since San Diego added 41,015 net new units over the same ten-year period, we can say that of the total new units in demand, the City production was deficient by more than 20,000 units to accommodate all of the new worker households. Other ways of expressing the relationship are indicated below.

#### **1990-1999**

|  |          |
|--|----------|
| Increase in Jobs (from Table II-1)                         | 103,878  |
| Increase in Worker Households (New Units in Demand) @ 1.66 | 62,577   |
| New Residential Units Built in San Diego (from Table II-2) | 41,015   |
| Relationship of New Housing Units to New Worker Households | 0.66:1   |
| Deficit for 1:1 ratio                                      | (21,562) |

In an evaluation such as the one above, it is important to note that housing demand generated by new employment is not equivalent to total housing demand. Each community experiences demand for its housing by people who work in other jurisdictions as well.

Finally, there is a share of total demand attributable to non-working households. There is some retirement and second home demand in San Diego, attributable to people who previously lived

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elsewhere. However, local demographic dynamics are more important. Every time a worker in a household leaves the labor market, such as upon retirement, if the household remains in the same housing unit, the unit is removed from the pool of units for working households, thus resulting in demand for a new unit even though there is no employment growth. As the city's population ages, this is not an insignificant phenomenon.

### **Housing Production by Affordability Level**

The discussion of housing demand by worker households and housing production thus far has been without consideration of affordability.

SANDAG and the City of San Diego provided information on total residential units added to the inventory over the past 12 years. Data on affordable units produced by the City of San Diego is available for the period between 1999-2004. This data estimates that 1,869 deed-restricted affordable units have been or will be constructed over the 5-year period, or roughly 9% of the housing production in San Diego. (Table II-2)

The above analysis and discussion demonstrates that despite the notable accomplishments of the City of San Diego in the production of affordable housing, production of deed restricted affordable units still represents a narrow percentage of total units. Since households at 150% of median income still cannot afford to purchase the minimal price new units that are being produced in the market, affordable housing production has not come close to keeping pace with affordable unit demand.

### **Future Projections**

The jobs housing nexus relationship in support of requiring new workspaces to contribute to new housing is based on the assumption that current trends and relationships in San Diego will continue. In this context, projections of jobs, and new workers households and housing production are reviewed. The methodology for calculating the impact does not, however, rely on any specific set of projections for employment and housing growth. (See Section III.)

### **Employment Projections - SANDAG**

SANDAG provides projection series of employment for the entire San Diego region. The most recent available is *SANDAG 2030 Cities/County Forecast* issued in February 2004.

Employment projections for the San Diego jurisdictional boundary are estimated as follows:

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| <u>Year</u>    | <u>Total Jobs</u> |
|----------------|-------------------|
| 2000           | 777,600           |
| 2010           | <u>866,059</u>    |
| Total Increase | 88,459            |

The SANDAG projection for the 2000 to 2010 time period envisions job growth at a slower pace than occurred during the 1990's decade (11% growth over the current decade vs. 15% growth over the previous decade). To a large extent this is due to the city becoming built out with greater development opportunities located outside the city limits.

### **Jobs and Housing Projection Relationships**

The SANDAG projections for residential construction in San Diego hold that 50,307 new units will be added. This may be compared to the job growth and new housing demand associated with job growth at 1.66 workers per worker household, which would be 53,289 new units (88,489 jobs divided by 1.66). At this rate San Diego would produce 0.94 new housing units for each new worker household. Again, these figures are without consideration to affordability.

**TABLE II-1  
 JOB GROWTH, 1990 - 2000  
 HOUSING IMPACT FEE NEXUS ANALYSIS  
 CITY OF SAN DIEGO**

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**Total Jobs  
 City of San Diego**

|                         | <u>1990</u> <sup>1</sup> | <u>2000</u> <sup>2</sup> | <u>Job<br/>Growth</u> | <u>% Change</u> |
|-------------------------|--------------------------|--------------------------|-----------------------|-----------------|
| Agriculture & Mining    | 3,731                    | 1,368                    | (2,363)               | -63%            |
| Manufacturing Jobs      | 87,933                   | 73,166                   | (14,767)              | -17%            |
| Retail Jobs             | 100,633                  | 110,046                  | 9,413                 | 9%              |
| Service Jobs            | 196,972                  | 256,370                  | 59,398                | 30%             |
| Other Jobs <sup>3</sup> | <u>284,453</u>           | <u>336,650</u>           | <u>52,197</u>         | <u>18%</u>      |
| <b>Total</b>            | <b>673,722</b>           | <b>777,600</b>           | <b>103,878</b>        | <b>15%</b>      |

<sup>1</sup> SANDAG Regional Employment Inventory 1994

<sup>2</sup> SANDAG Employment Estimates for 2000.

<sup>3</sup> Includes construction; transportation, communications, utilities; self employed and domestic; office (finance, insurance, real estate; and government), including national security.

**TABLE II-2  
AFFORDABLE UNIT PRODUCTION  
HOUSING IMPACT FEE NEXUS ANALYSIS  
CITY OF SAN DIEGO**

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**NET INCREASE IN HOUSING UNITS 1990-2001<sup>1</sup>**

| Year                         | Total         |
|------------------------------|---------------|
| 1990                         | 6,921         |
| 1991                         | 4,860         |
| 1992                         | 4,570         |
| 1993                         | 3,213         |
| 1994                         | 2,912         |
| 1995                         | 2,233         |
| 1996                         | 2,394         |
| 1997                         | 3,362         |
| 1998                         | 5,646         |
| 1999                         | 4,904         |
| 2000                         | 2,447         |
| 2001                         | 3,952         |
| <b>Total</b>                 | <b>47,414</b> |
| <b>Annual Avg (12 years)</b> | <b>3,951</b>  |

**TOTAL UNITS BY AFFORDABILITY LEVEL, 1999-2004<sup>2</sup>**

| Affordability Level                       | Total Affordable |             |
|---|------------------|-------------|
|   | Units            | % Share     |
| Very Low: < 50% Median Income             | 853              | 46%         |
| Low: 50 - 80% Median Income               | 830              | 44%         |
| Moderate: 80 - 120% Median Income         | 186              | 10%         |
| <b>Total Affordable Units Constructed</b> | <b>1,869</b>     | <b>100%</b> |
| <b>Annual Average</b>                     | <b>374</b>       |             |

|  |           |
|--|-----------|
| <b>Affordable Units as Share of Average Housing Unit Production Rate<sup>3</sup></b> | <b>9%</b> |
|--|-----------|

<sup>1</sup> Source: SANDAG 2003, Self-Certification Report to the Legislature, local building Departments, California Department of Finance. Shows construction of housing units net of demolitions (net increase) Data for 2000 and 2001 from San Diego Housing Commission.

<sup>2</sup> Affordable unit count is based on completed and pipeline units included in the Manager's report dated July 31, 2002 regarding the status of the City's Comprehensive Affordable Housing Strategy. Unit count includes only those completed by Affordable Housing Working group agencies including the Redevelopment Agency, the Centre City Development Corporation, the Southeastern Economic Development Corporation, and the San Diego Housing Commission. Does not include market rate units which may be affordable

<sup>3</sup> Based on annual average affordable units constructed 1999-2004 and annual average net increase in housing units 1990-2001.

**TABLE II-3  
 HISTORICAL RELATIONSHIP: EMPLOYMENT GROWTH, RESIDENTIAL UNIT DEMAND  
 HOUSING IMPACT FEE NEXUS ANALYSIS  
 CITY OF SAN DIEGO**

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| <b>SANDAG HISTORICAL DATA</b>                                       | <u><b>Jobs</b></u> |
|---|--------------------|
| <b>Job Growth - Per SANDAG <sup>1</sup></b>                         |                    |
| 1990  | 673,722            |
| 2000  | <u>777,600</u>     |
| Increase  | 103,878            |
| Worker Households @ 1.66  | 62,577             |
| <b>Growth in Households/Housing Units - Per SANDAG <sup>2</sup></b> |                    |
| New Units 1990 - 2000   | 41,015             |
| <b>Relationship Housing Units to New Worker Households</b>          | 0.66 :1            |
| Deficit for 1:1 Ratio   | (21,562)           |

<sup>1</sup> SANDAG 2030 Cities/County Forecast, 1994 Regional Employment Inventory

<sup>2</sup> See Table II-2

**TABLE II-4  
PROJECTION: EMPLOYMENT GROWTH, RESIDENTIAL UNIT DEMAND  
HOUSING IMPACT FEE NEXUS ANALYSIS  
CITY OF SAN DIEGO**

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**SANDAG PROJECTIONS**

**Projected Job Growth - Per SANDAG <sup>1</sup>**

|                          |                |                   |
|--------------------------|----------------|-------------------|
| 2000                     | 777,600        |                   |
| 2010                     | <u>866,059</u> |                   |
| Increase                 | 88,459         | Jobs              |
| Worker Households @ 1.66 | 53,289         | Worker Households |

**Projected Households/Housing Units - Per SANDAG <sup>1</sup>**

|          |                |               |
|----------|----------------|---------------|
| 2000     | 469,689        |               |
| 2010     | <u>519,996</u> |               |
| Increase | 50,307         | Housing Units |

|  |         |
|--|---------|
| <b>Relationship Housing Units to New Worker Households</b> | 0.94:1  |
| Deficit for 1:1 Ratio                                      | (2,982) |

<sup>1</sup> SANDAG 2030 Cities/County Forecast

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## SECTION III – MICRO ECONOMIC JOBS HOUSING ANALYSIS

This section presents a summary of the analysis of the linkage between seven 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 and analysis presented in the previous sections.

### *Analysis Approach and Framework*

The micro analysis establishes the jobs housing linkages for individual building types or land use activities. This section quantifies the connection, drawing from the relationships described in Section II, between employment growth in San Diego and affordable housing demand.

The analysis approach is to examine the employment associated with the development of 100,000 square foot building modules. Then, through a series of linkage steps, the number of employees is converted to households and housing units by affordability level. The findings are expressed in terms of numbers of households related to building area. In the final step, we convert the numbers of households for 100,000 square foot buildings back to the per square foot level.

The building types or land use activities addressed in the analysis are:

- Office
- Hotel
- Retail/Entertainment
- Hospital/Medical
- Manufacturing/Industrial
- Warehousing/Storage
- Educational

Section II presented information on the income categories addressed in this analysis. For a four person household, these income levels are:

- Median Income - \$59,900
- Very Low Income – Under 50% of Median (Up to \$31,900)
- Low Income – 50% to 80% of Median (Up to \$51,050)
- Moderate Income – 80% to 120% of Median (Up to \$71,900)
- "Workforce" – 120% to 150% of Median (Up to \$89,900)

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

### ***Analysis Steps***

Tables III-1 through III-4 at the end of this section summarize the nexus analysis steps for the four building types. Following is a description of each step of the analysis:

#### **Step 1 – Estimate of Total New Employees**

The first step in Table III-1 identifies the total number of direct employees who will work at or in the building type being analyzed. Employment density factors are used to make the conversion. The density factors used in this analysis are based on KMA experience and researched sources.

- *Office* – 250 square feet per employee. As previously indicated, average office density is usually found in the range of 200 to 300 square feet per employee depending on the character of the office activity (corporate headquarters vs. back office to illustrate extremes). The average is based on gross building area and takes into account the lobby, corridors, restrooms, etc.
- *Hotel* – At one employee per room and 500 square feet per hotel room, or 500 square feet per employee. This rate covers a cross section of hotel types from lower service hotels where rooms may be smaller than 500 sq. ft. to higher service convention hotels where average room size (inclusive of the meeting space, etc.) is larger but the number of employees per room is higher. Also covers restaurant, bar and other food service space.
- *Retail/Entertainment* – 350 square feet per employee. This category covers a broad range of experience from high service restaurants where densities are far greater to some retail uses, such as furniture stores, where densities are far lower.
- *Hospital/Medical* – 300 square feet per employee. This building type includes a range of facilities from specialized care facilities where densities are lower to outpatient care centers where hospital beds and living quarters are not present, and employment densities are higher.
- *Manufacturing/Industrial* – 500 square feet per employee. Manufacturing employment densities are variable and depend on the nature of the manufacturing activity. This classification uses an aggregate density scaled to industries and uses that are appropriate for the San Diego economy including industrial parks, general light industrial

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uses, research and development, biotech manufacturing, machinery, electrical equipment, defense manufacturing, and transportation equipment.

- *Warehousing/Storage* – 2,000 square feet per employee. This category covers a broad range of facility types incorporating higher employment density facilities engaged in wholesale trade to transportation and storage facilities that tend to have lower employment densities.
- *Educational* – 700 square feet per employee. This figure covers a range of facilities from colleges to elementary schools to training facilities. This average includes all the various components of an educational facility such as classrooms, front office, gymnasiums, etc.

All density factors are averages and individual uses can be expected to be fairly divergent from the average from time to time. (An ordinance variance provision usually addresses the possibility of a building that is so divergent from the average so as to need special treatment.)

For ease of analysis and understanding, KMA conducted the analysis on prototype buildings at 100,000 square feet. We have used this size building in order 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 building size to express the linkages per square foot, which are very small fractions of housing units.

Based on the density factors outlined above, the number of employees in our hypothetical 100,000 square foot buildings follows: the office will house 400 employees; the hotel 200 employees, the retail 286 employees; hospital/medical 333 employees; manufacturing / industrial 200 employees; warehousing/storage 50 employees; and educational uses 143 employees.

## **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 local economy and to recognize that new space is not always 100% equivalent to net new employees. As discussed in Section II, San Diego, in the 1990's, decade experienced expanding employment across all industry sectors with the exception of manufacturing. The defense and transportation manufacturing sector suffered heavy job losses in connection with defense spending cuts during the 1990's. As a result, some new jobs in office buildings, for example, were taken by workers who lost their jobs in manufacturing and thus already had local housing. However, this trend is not expected to continue into the foreseeable future given the expansion in defense spending. For this analysis, a 5% adjustment is utilized to recognize the possibility of future minor declines and other internal economic adjustments.

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### **Step 3 – Adjustment from Employees to Employee Households**

This step (Table III-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. As noted in Section II, the workers per worker household ratio has eliminated from the equation all non-working households, such as retired persons, students, and those on public assistance. The San Diego County average of 1.66 workers per worker households is used in the analysis.

### **Step 4 – Occupational Distribution of Employees**

The occupational breakdown of employees is the first step to arriving at income level. Using the 2002 National Industry-Specific Occupational Estimates, a cross matrix of "industries" and occupations, produced by the Bureau of Labor Statistics (BLS), we are able to estimate the occupational composition of employees in the seven types of buildings. The industrial mix for each building type is designed to be consistent with use categories described in Section 131.0112 of the City of San Diego Zoning Code. The occupations that reflect the expected mix of activities in the new buildings are presented in Appendix Tables 1, 3, 5, 7, 9, 11, and 13.

- Office buildings "industrial" mix has to be tailored to reflect the types of activities attracted to office space in San Diego. These industries represent a broad mix of professional service activities including business and financial operations, insurance, architecture and engineering, computer and mathematical, legal, management, healthcare, and sales. Office and administrative support occupations (i.e., clerical) comprise 35% of all office related employment.
- Hotels employ workers primarily from three main occupation categories: building and grounds cleaning and maintenance (maid service, etc.), food preparation and serving related, and office and administrative support, which together make up 77% of hotel workers. Other hotel occupations include personal care, management, sales, maintenance and repair, production, and transportation.
- Retail employment is dominated by three main occupation groups: sales (28%), food preparation and serving (24%), and office and administrative support (14%). These three occupations together account for 66% of retail workers. The remaining 34% of retail workers are in occupations that include transportation, maintenance, management, and production.
- Hospital/Medical employment is concentrated in healthcare practitioner, technical occupations, and healthcare support occupations, which account for 63% of employment. Office and administrative support occupations represent an additional 13%

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of employment. Management, social services, food service, maintenance, and other health care occupations together make up the remaining 24% of the total.

- Manufacturing/Industrial buildings “industrial” mix was tailored to the types of firms active in the San Diego region. A subset of manufacturing is the research and development activities related to manufactured products. Employment in these industries is a mix of professional occupations (34%), production occupations (40%), and other occupations that support the activities at the manufacturing facility (26%) including office and administrative, maintenance and repair, and related industrial occupations.
- Warehousing/Storage buildings “industrial” mix was tailored to represent both wholesalers and pure transportation and storage facilities. Primary occupations include office and administrative support (25%), sales and related occupations (22%), and transportation and material moving occupations (23%). The remaining 30% of employment is a mix of management, maintenance, production, business and financial, and other related occupations.
- Educational employment is concentrated in education, training, and library occupations (59%). The other 40% of employees are a mix of management, office and administrative, food service, maintenance, and other education related occupations.

The numbers in Step #4 (Table III-1) indicate both the percentage of total employee households and the number of employee households in our hypothetical 100,000 square foot buildings.

### **Step 5 - Estimates of Employee Households Meeting the Lower Income Definitions**

In this step, occupation is translated to income based on recent San Diego County wage and salary information for the occupations associated with each building type. The wage and salary information indicated in Appendix Tables 2, 4, 6, 8, 10, 12, and 14 provided the income inputs to the model. Service workers in office buildings, for example, were assigned different income levels than service workers in hotels. This step in the analysis calculates the number of employee households that fall into each income category for each size household.

Individual *employee* income data was used to calculate the number of *households* that fall into these income categories by assuming that multiple earner households are, on average, formed of individuals with similar incomes. Employee households not falling into one of the major occupation categories per Appendix Tables 2, 4, 6, 8, 10, 12, and 14 were assumed to have the same income distribution as the major occupation categories.

See Appendix B for more information on Steps #5, #6, and #7.

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## **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, as used by the State and the City. The household size distribution utilized in the analysis is that of San Diego County since the workers are more representative of the larger universe (the County) than the City of San Diego.

## **Step 7 - Estimate of Households that meet HUD Size and Income Criteria**

For this step we had to build 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 of HUD's income and household size levels. This step is performed for each occupational category and multiplied by the number of households.

Table III-1A shows the result after completing Steps #5, #6, and #7. The calculated numbers of households that meet HUD size and income criteria shown in Table III-1A are for the Very Low Income or under 50% of Median Income Category. The methodology is repeated for each income tier (See Table III-2). At the end of these steps, for the under 50% of Median Income category we have counted office, hotel, retail, hospital, manufacturing, warehousing, and educational workers in our buildings of 100,000 square feet.

### ***Summary by Income Level***

Table III-2 indicates the results of the analysis for the other three additional income categories for the seven prototypical 100,000 square foot buildings. The table presents the number of households in each affordability category and the total number up to 150% of median.

The table below summarizes the percentage of total new worker households that fall into each income category. As indicated, nearly all retail and hotel worker households are below the 150% of median income level. Office worker households have the highest incomes with only 3% of worker households below 50% of median and 41% earning greater than 150% of median. Hospital, manufacturing, warehouse, and educational worker households are in between these extremes with few workers in the very low-income category, but with a large share of employees in the low, moderate, and "workforce" income categories.

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**Percent of Worker Households by Income Category**

|                               | <b><u>Under 50%</u></b> | <b><u>50% to 80%</u></b> | <b><u>80% to 120%</u></b> | <b><u>120% to 150%</u></b> | <b><u>Total</u></b> |
|-------------------------------|-------------------------|--------------------------|---------------------------|----------------------------|---------------------|
| Office                        | 3%                      | 20%                      | 22%                       | 15%                        | 60%                 |
| Hotel                         | 28%                     | 51%                      | 10%                       | 4%                         | 93%                 |
| Retail / Entertainment        | 26%                     | 44%                      | 17%                       | 6%                         | 93%                 |
| Hospital / Medical            | 6%                      | 26%                      | 20%                       | 12%                        | 64%                 |
| Manufacturing /<br>Industrial | 8%                      | 26%                      | 20%                       | 12%                        | 66%                 |
| Warehousing / Storage         | 10%                     | 30%                      | 25%                       | 13%                        | 78%                 |
| Educational                   | 5%                      | 22%                      | 19%                       | 15%                        | 61%                 |

***Adjustment for Commute Relationship***

Table III-3 indicates the results of the analysis both before and after an adjustment for commute relationship. As discussed in Section II, residents of San Diego hold 58% of the jobs in San Diego. If the existing commute relationship were to hold for new employee households, 58% would be expected to reside in San Diego. The estimates of households for each income category in a prototypical 100,000 square foot building are adjusted downwards by this commute factor.

***Summary by Square Foot Building Area***

The analysis thus far has worked with prototypical buildings of 100,000 square feet. In this step, the conclusions are translated to the 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 Table III-4).

This is the summary of the housing nexus analysis, or the linkage from buildings to employees, to housing demand by income level. We believe that it is a conservative approximation (understates at the low end) of the households by income/affordability level associated with these building types.

TABLE III-1  
NET NEW HOUSEHOLDS AND OCCUPATION DISTRIBUTION BY BUILDING TYPE  
HOUSING IMPACT FEE NEXUS ANALYSIS  
CITY OF SAN DIEGO, CA

Prototypical 100,000 Sq.Ft. Buildings

|  | OFFICE | HOTEL  | RETAIL / ENTERTAINMENT | HOSPITAL / MEDICAL | MANUFACTURING / INDUSTRIAL | WAREHOUSING / STORAGE | EDUCATIONAL |
|--|--------|--------|------------------------|--------------------|----------------------------|-----------------------|-------------|
| Step 1 - Estimate of Employees per 100,000 Sq.Ft. Employee Density (Sq.ft. per employee) | 250    | 500    | 350                    | 300                | 500                        | 2000                  | 700         |
| Number of Employees  | 400    | 200    | 286                    | 333                | 200                        | 50                    | 143         |
| Step 2 - Adjustment for Changing Industries Replacement Factor (5%)                      | 380    | 190    | 271                    | 317                | 190                        | 48                    | 136         |
| Step 3 - Adjustment for Number of Households (1.66)                                      | 229    | 115    | 164                    | 191                | 115                        | 29                    | 82          |
| Step 4 - Occupation Distribution <sup>1</sup>  |        |        |                        |                    |                            |                       |             |
| Management Occupations   | 9.0%   | 5.0%   | 3.5%                   | 3.7%               | 7.9%                       | 6.7%                  | 4.7%        |
| Business and Financial Operations  | 10.4%  | 1.2%   | 1.0%                   | 1.4%               | 5.0%                       | 3.0%                  | 1.5%        |
| Computer and Mathematical  | 8.0%   | 0.1%   | 0.5%                   | 0.7%               | 5.2%                       | 2.6%                  | 1.2%        |
| Architecture and Engineering   | 4.2%   | 0.0%   | 0.3%                   | 0.1%               | 11.7%                      | 1.3%                  | 0.2%        |
| Life, Physical, and Social Science   | 1.2%   | 0.0%   | 0.1%                   | 0.6%               | 4.6%                       | 0.3%                  | 1.2%        |
| Community and Social Services  | 0.3%   | 0.0%   | 0.0%                   | 3.2%               | 0.1%                       | 0.0%                  | 2.1%        |
| Legal  | 3.2%   | 0.0%   | 0.0%                   | 0.0%               | 0.1%                       | 0.0%                  | 0.0%        |
| Education, Training, and Library   | 0.2%   | 0.0%   | 0.1%                   | 0.5%               | 0.2%                       | 0.0%                  | 58.6%       |
| Arts, Design, Entertainment, Sports, and Media   | 1.8%   | 0.4%   | 1.2%                   | 0.2%               | 0.7%                       | 0.8%                  | 0.9%        |
| Healthcare Practitioners and Technical   | 7.7%   | 0.0%   | 1.2%                   | 43.6%              | 0.5%                       | 0.3%                  | 2.0%        |
| Healthcare Support   | 3.9%   | 0.2%   | 0.5%                   | 18.9%              | 0.1%                       | 0.0%                  | 0.3%        |
| Protective Services  | 0.3%   | 2.0%   | 0.5%                   | 0.7%               | 0.3%                       | 0.1%                  | 1.0%        |
| Food Preparation and Serving Related   | 1.6%   | 29.1%  | 23.7%                  | 4.8%               | 0.3%                       | 0.1%                  | 4.2%        |
| Building and Grounds Cleaning and Maint.   | 1.6%   | 30.2%  | 5.0%                   | 4.6%               | 0.6%                       | 0.6%                  | 4.8%        |
| Personal Care and Service  | 0.4%   | 4.1%   | 1.8%                   | 1.1%               | 0.0%                       | 0.0%                  | 1.5%        |
| Sales and Related  | 6.4%   | 2.4%   | 27.6%                  | 0.2%               | 2.6%                       | 21.8%                 | 0.3%        |
| Office and Administrative Support  | 35.5%  | 17.2%  | 13.8%                  | 13.2%              | 11.4%                      | 24.7%                 | 10.8%       |
| Farming, Fishing, and Forestry   | 0.0%   | 0.0%   | 0.2%                   | 0.0%               | 0.1%                       | 0.6%                  | 0.1%        |
| Construction and Extraction  | 0.5%   | 0.2%   | 0.8%                   | 0.2%               | 1.2%                       | 0.5%                  | 0.5%        |
| Installation, Maintenance, and Repair  | 3.0%   | 4.0%   | 4.5%                   | 1.0%               | 3.9%                       | 7.0%                  | 1.3%        |
| Production   | 1.0%   | 2.3%   | 4.4%                   | 0.9%               | 39.5%                      | 6.7%                  | 0.2%        |
| Transportation and Material Moving   | 0.7%   | 1.6%   | 9.1%                   | 4.2%               | 4.2%                       | 22.6%                 | 2.8%        |
| Totals   | 100.0% | 100.0% | 100.0%                 | 100.0%             | 100.0%                     | 100.0%                | 100.0%      |
| Management Occupations   | 20.6   | 5.7    | 5.6                    | 7.2                | 9.0                        | 1.9                   | 3.8         |
| Business and Financial Operations  | 23.8   | 1.4    | 1.7                    | 2.7                | 5.7                        | 0.9                   | 1.2         |
| Computer and Mathematical  | 18.4   | 0.2    | 0.9                    | 1.3                | 5.9                        | 0.6                   | 1.0         |
| Architecture and Engineering   | 9.7    | 0.0    | 0.5                    | 0.1                | 13.4                       | 0.4                   | 0.2         |
| Life, Physical, and Social Science   | 2.7    | 0.0    | 0.2                    | 1.1                | 5.3                        | 0.1                   | 1.0         |
| Community and Social Services  | 0.8    | 0.0    | 0.0                    | 6.0                | 0.1                        | 0.0                   | 1.7         |
| Legal  | 7.4    | 0.0    | 0.1                    | 0.0                | 0.1                        | 0.0                   | 0.0         |
| Education, Training, and Library   | 0.5    | 0.0    | 0.2                    | 0.9                | 0.2                        | 0.0                   | 48.0        |
| Arts, Design, Entertainment, Sports, and Media   | 4.1    | 0.4    | 2.0                    | 0.3                | 0.8                        | 0.2                   | 0.7         |
| Healthcare Practitioners and Technical   | 17.7   | 0.0    | 2.0                    | 83.4               | 0.5                        | 0.1                   | 1.6         |
| Healthcare Support   | 9.0    | 0.2    | 0.2                    | 36.2               | 0.2                        | 0.0                   | 0.3         |
| Protective Services  | 0.6    | 2.3    | 0.8                    | 1.3                | 0.3                        | 0.0                   | 0.8         |
| Food Preparation and Serving Related   | 0.7    | 33.3   | 38.6                   | 9.2                | 0.1                        | 0.1                   | 3.4         |
| Building and Grounds Cleaning and Maint.   | 3.6    | 34.6   | 8.2                    | 8.8                | 0.7                        | 0.2                   | 3.9         |
| Personal Care and Service  | 1.0    | 4.7    | 3.0                    | 2.1                | 0.0                        | 0.0                   | 1.2         |
| Sales and Related  | 14.8   | 2.8    | 45.2                   | 0.4                | 3.0                        | 6.2                   | 0.2         |
| Office and Administrative Support  | 81.6   | 19.7   | 22.6                   | 25.3               | 13.1                       | 7.1                   | 8.8         |
| Farming, Fishing, and Forestry   | 0.1    | 0.0    | 0.2                    | 0.1                | 0.0                        | 0.2                   | 0.0         |
| Construction and Extraction  | 1.2    | 1.4    | 1.4                    | 0.5                | 1.4                        | 0.0                   | 0.4         |
| Installation, Maintenance, and Repair  | 7.0    | 4.6    | 7.4                    | 2.0                | 4.5                        | 2.0                   | 1.1         |
| Production   | 2.3    | 2.6    | 7.2                    | 1.6                | 45.3                       | 1.9                   | 0.2         |
| Transportation and Material Moving   | 1.7    | 1.8    | 15.0                   | 0.7                | 4.9                        | 5.5                   | 2.3         |
| Totals   | 229    | 115    | 164                    | 191                | 115                        | 29                    | 82          |

<sup>1</sup> 1 employee per room @ 500 sq ft./room  
<sup>2</sup> See Appendix Tables 1 through 14 for additional information from which the percentage distributions were derived.  
 Prepared by: Karpier Marston Associates, Inc.  
 Filename: 1905 0685D-Nam Model, III-1 Households, 12/22/2004, dd

TABLE III-1A  
ESTIMATE OF QUALIFYING HOUSEHOLDS BY INCOME LEVEL  
HOUSING IMPACT FEE NEXUS ANALYSIS  
CITY OF SAN DIEGO, CA

Prototypical 100,000 Sq.Ft. Buildings  
Analysis for Households Earning Less than 50% Median

Step 5, 6, & 7 - Households in Major Occupation Categories Earning Less than 50% Median <sup>1</sup>

|   | OFFICE     | HOTEL       | RETAIL /<br>ENTRTNMNT | HOSPITAL /<br>MEDICAL | MANUFACTURING /<br>INDUSTRIAL | WAREHOUSING /<br>STORAGE | EDUCATIONAL |
|---|------------|-------------|-----------------------|-----------------------|-------------------------------|--------------------------|-------------|
| Management  | 0.02       | 0.00        | 0.00                  | 0.00                  | 0.00                          | 0.00                     | 0.00        |
| Business and Financial Operations                         | 0.00       | 0.00        | 0.00                  | 0.00                  | 0.00                          | 0.00                     | 0.00        |
| Computer and Mathematical                                 | 0.00       | 0.00        | 0.00                  | 0.00                  | 0.00                          | 0.00                     | 0.00        |
| Architecture and Engineering                              | 0.00       | 0.00        | 0.00                  | 0.00                  | 0.00                          | 0.00                     | 0.00        |
| Life, Physical and Social Science                         | 0.00       | 0.00        | 0.00                  | 0.00                  | 0.00                          | 0.00                     | 0.00        |
| Community and Social Services                             | 0.00       | 0.00        | 0.00                  | 0.27                  | 0.00                          | 0.00                     | 0.00        |
| Legal   | 0.00       | 0.00        | 0.00                  | 0.00                  | 0.00                          | 0.00                     | 0.00        |
| Education Training and Library                            | 0.00       | 0.00        | 0.00                  | 0.00                  | 0.00                          | 0.00                     | 1.08        |
| Arts, Design, Entertainment, Sports, and Media            | 0.00       | 0.00        | 0.00                  | 0.00                  | 0.00                          | 0.00                     | 0.00        |
| Healthcare Practitioners and Technical                    | 0.00       | 0.00        | 0.00                  | 0.00                  | 0.00                          | 0.00                     | 0.00        |
| Healthcare Support  | 0.46       | 0.00        | 0.00                  | 3.83                  | 0.00                          | 0.00                     | 0.00        |
| Protective Service  | 0.00       | 0.00        | 0.00                  | 0.00                  | 0.00                          | 0.00                     | 0.00        |
| Food Preparation and Serving Related                      | 0.00       | 14.95       | 17.86                 | 3.19                  | 0.00                          | 0.00                     | 0.98        |
| Building Grounds and Maintenance                          | 0.00       | 10.77       | 2.11                  | 2.69                  | 0.00                          | 0.00                     | 0.94        |
| Personal Care and Service                                 | 0.00       | 1.39        | 0.00                  | 0.00                  | 0.00                          | 0.00                     | 0.00        |
| Sales and Related   | 1.49       | 0.00        | 10.95                 | 0.00                  | 0.00                          | 0.28                     | 0.00        |
| Office and Admin  | 4.09       | 1.59        | 2.11                  | 1.52                  | 0.70                          | 0.61                     | 0.37        |
| Farm, Fishing, and Forestry                               | 0.00       | 0.00        | 0.00                  | 0.00                  | 0.00                          | 0.00                     | 0.00        |
| Construction and Extraction                               | 0.00       | 0.00        | 0.00                  | 0.00                  | 0.00                          | 0.00                     | 0.00        |
| Installation Maintenance and Repair                       | 0.11       | 0.15        | 0.11                  | 0.00                  | 0.06                          | 0.01                     | 0.00        |
| Production  | 0.00       | 0.00        | 1.55                  | 0.00                  | 6.27                          | 0.31                     | 0.00        |
| Transportation and Material Moving                        | 0.00       | 0.00        | 4.13                  | 0.00                  | 1.18                          | 1.33                     | 0.00        |
| Total HH earning less than 50% Median - Major Occupations | 6.18       | 28.86       | 38.82                 | 11.49                 | 8.21                          | 2.54                     | 3.37        |
| HH earning less than 50% Median - "all other" occupations | 0.57       | 3.39        | 3.56                  | 0.99                  | 0.58                          | 0.20                     | 0.69        |
| <b>Total Households Earning Less than 50% of Median</b>   | <b>6.8</b> | <b>32.3</b> | <b>42.4</b>           | <b>12.5</b>           | <b>8.8</b>                    | <b>2.7</b>               | <b>4.1</b>  |

<sup>1</sup> See Appendix Tables 1 through 14 for additional information on Major Occupation Categories

**TABLE III-2  
WORKER HOUSEHOLDS BY AFFORDABILITY LEVEL  
HOUSING IMPACT FEE NEXUS ANALYSIS  
CITY OF SAN DIEGO, CA**

**Analysis for Households Before Commute Adjustment**

| Household Income Level             | OFFICE        | HOTEL         | RETAIL /<br>ENTRNTMNT | HOSPITAL /<br>MEDICAL | MANUFACTURING /<br>INDUSTRIAL | WAREHOUSING /<br>STORAGE | EDUCATIONAL  |
|------------------------------------|---------------|---------------|-----------------------|-----------------------|-------------------------------|--------------------------|--------------|
| Under 50% Median Income            | 6.76          | 32.25         | 42.38                 | 12.48                 | 8.79                          | 2.75                     | 4.07         |
| 50% to 80% Median Income           | 45.08         | 58.77         | 72.54                 | 49.33                 | 30.24                         | 8.60                     | 18.26        |
| 80% to 120% Median Income          | 50.51         | 12.04         | 28.04                 | 37.57                 | 23.30                         | 7.09                     | 15.61        |
| 120% to 150% Median Income         | 33.85         | 4.83          | 10.00                 | 22.75                 | 14.20                         | 3.72                     | 12.32        |
| <b>Total</b>                       | <b>136.19</b> | <b>107.89</b> | <b>152.97</b>         | <b>122.13</b>         | <b>76.53</b>                  | <b>22.16</b>             | <b>50.27</b> |
| <b>Total New Worker Households</b> | <b>229</b>    | <b>115</b>    | <b>164</b>            | <b>191</b>            | <b>115</b>                    | <b>29</b>                | <b>82</b>    |
| Under 50% Median Income            | 2.9%          | 28.1%         | 25.9%                 | 6.5%                  | 7.7%                          | 9.6%                     | 5.0%         |
| 50% to 80% Median Income           | 19.6%         | 51.2%         | 44.3%                 | 25.8%                 | 26.4%                         | 30.0%                    | 22.3%        |
| 80% to 120% Median Income          | 22.0%         | 10.5%         | 17.1%                 | 19.6%                 | 20.3%                         | 24.7%                    | 19.1%        |
| 120% to 150% Median Income         | 14.8%         | 4.2%          | 6.1%                  | 11.9%                 | 12.4%                         | 13.0%                    | 15.0%        |
| <b>Total</b>                       | <b>59%</b>    | <b>94%</b>    | <b>93%</b>            | <b>64%</b>            | <b>67%</b>                    | <b>77%</b>               | <b>61%</b>   |

**Notes:**

<sup>1</sup> Per 100,000 sq. ft. of building area. Before commute adjustment.

**TABLE III-3  
WORKER HOUSEHOLDS BY AFFORDABILITY LEVEL WITH COMMUTE  
HOUSING IMPACT FEE NEXUS ANALYSIS  
CITY OF SAN DIEGO, CA**

| INCOME CATEGORY                        | PROTOTYPICAL 100,000 SQ. FT. BUILDING<br>BEFORE COMMUTE ADJUSTMENT |               |                      |                       |                               |                          | Number of Households <sup>1</sup> |              |              |                      |                       |                               |                          |              |
|--|--|---------------|----------------------|-----------------------|-------------------------------|--------------------------|-----------------------------------|--------------|--------------|----------------------|-----------------------|-------------------------------|--------------------------|--------------|
|  | OFFICE   | HOTEL         | RETAIL /<br>ENTRNMNT | HOSPITAL /<br>MEDICAL | MANUFACTURING /<br>INDUSTRIAL | WAREHOUSING /<br>STORAGE | EDUCATIONAL                       | OFFICE       | HOTEL        | RETAIL /<br>ENTRNMNT | HOSPITAL /<br>MEDICAL | MANUFACTURING /<br>INDUSTRIAL | WAREHOUSING /<br>STORAGE | EDUCATIONAL  |
| Household Income Level                 |  |               |                      |                       |                               |                          |                                   |              |              |                      |                       |                               |                          |              |
| Under 50% Median Income                | 6.76   | 32.25         | 42.38                | 12.48                 | 8.79                          | 2.75                     | 4.07                              | 3.92         | 18.70        | 24.57                | 7.24                  | 5.10                          | 1.59                     | 2.36         |
| 50% to 80% Median Income               | 45.08  | 58.77         | 72.54                | 49.33                 | 30.24                         | 8.60                     | 18.26                             | 26.14        | 34.08        | 42.06                | 28.60                 | 17.53                         | 4.99                     | 10.59        |
| 80% to 120% Median Income              | 50.51  | 12.04         | 28.04                | 37.57                 | 23.30                         | 7.09                     | 15.61                             | 29.28        | 6.98         | 16.26                | 21.78                 | 13.51                         | 4.11                     | 9.05         |
| 120% to 150% Median Income             | <u>33.85</u>   | <u>4.83</u>   | <u>10.00</u>         | <u>22.75</u>          | <u>14.20</u>                  | <u>3.72</u>              | <u>12.32</u>                      | <u>19.62</u> | <u>2.80</u>  | <u>5.80</u>          | <u>13.19</u>          | <u>8.23</u>                   | <u>2.16</u>              | <u>7.15</u>  |
| <b>Total</b>                           | <b>136.19</b>  | <b>107.89</b> | <b>152.97</b>        | <b>122.13</b>         | <b>76.53</b>                  | <b>22.16</b>             | <b>50.27</b>                      | <b>78.96</b> | <b>62.56</b> | <b>88.69</b>         | <b>70.81</b>          | <b>44.37</b>                  | <b>12.85</b>             | <b>29.15</b> |
| <b>AFTER 58.00% Commute Adjustment</b> |  |               |                      |                       |                               |                          |                                   |              |              |                      |                       |                               |                          |              |
| <b>INCOME CATEGORY</b>                 |  |               |                      |                       |                               |                          |                                   |              |              |                      |                       |                               |                          |              |
| Under 50% Median Income                |  |               |                      |                       |                               |                          |                                   |              |              |                      |                       |                               |                          |              |
| 50% to 80% Median Income               |  |               |                      |                       |                               |                          |                                   |              |              |                      |                       |                               |                          |              |
| 80% to 120% Median Income              |  |               |                      |                       |                               |                          |                                   |              |              |                      |                       |                               |                          |              |
| 120% to 150% Median Income             |  |               |                      |                       |                               |                          |                                   |              |              |                      |                       |                               |                          |              |
| <b>Total</b>                           |  |               |                      |                       |                               |                          |                                   |              |              |                      |                       |                               |                          |              |

<sup>1</sup> Per 100,000 sq. ft. of building area

TABLE III-4  
HOUSING DEMAND NEXUS FACTORS PER SQ.FT. OF BUILDING AREA  
HOUSING IMPACT FEE NEXUS ANALYSIS  
CITY OF SAN DIEGO, CA

WITH COMMUTE ADJUSTMENT AT 58.00%

|                            | Number of Housing Units per Sq.Ft. of Building Area <sup>1</sup> |                   |                      |                       |                               |                          |                   |
|----------------------------|--|-------------------|----------------------|-----------------------|-------------------------------|--------------------------|-------------------|
|                            | OFFICE   | HOTEL             | RETAIL /<br>ENTRTMNT | HOSPITAL /<br>MEDICAL | MANUFACTURING /<br>INDUSTRIAL | WAREHOUSING /<br>STORAGE | EDUCATIONAL       |
| Under 50% Median Income    | 0.00003917   | 0.00018699        | 0.00024572           | 0.00007237            | 0.00005095                    | 0.00001593               | 0.00002358        |
| 50% to 80% Median Income   | 0.00026136   | 0.00034075        | 0.00042060           | 0.00028600            | 0.00017531                    | 0.00004988               | 0.00010589        |
| 80% to 120% Median Income  | 0.00029284   | 0.00006983        | 0.00016258           | 0.00021781            | 0.00013512                    | 0.00004110               | 0.00009053        |
| 120% to 150% Median Income | 0.00019624   | 0.00002799        | 0.00005799           | 0.00013192            | 0.00008234                    | 0.00002159               | 0.00007146        |
| <b>Total</b>               | <b>0.00078961</b>  | <b>0.00062556</b> | <b>0.00088689</b>    | <b>0.00070810</b>     | <b>0.00044372</b>             | <b>0.00012849</b>        | <b>0.00029146</b> |

<sup>1</sup> Calculated by dividing number of household in bottom left portion of Table III-3 by 100,000 to convert households per 100,000 sq. ft. building to households per 1 sq. ft. of building.

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## SECTION IV - TOTAL HOUSING NEXUS COSTS

This section merges the conclusions of the previous section on the number of households in the various affordability categories associated with each building type with the cost of assistance to make housing units affordable to the households. The previous section quantified the number of households by affordability level associated with the seven building types in San Diego. This section puts a cost on each unit at each affordability level to produce the "total nexus cost."

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 San Diego. The analysis uses a standard methodology to determine what households can afford and compares that to the cost of developing housing.

The analysis is conducted for the four affordability levels addressed in this assignment: Very Low Income (below 50% median) Low Income (50% to 80% median), Moderate Income (80% to 120% median) and Workforce Income (120% to 150% median). The assumption is that the two lower categories would be housed in rental apartment units and the two more middle income categories would be housed in ownership units.

### ***Income and Household Size Assumptions***

Income definitions for housing programs are established by HUD and issued by the State Department of Housing and Community Development (HCD), for each county (Area Median Income or AMI) for varying household sizes, as presented in Section II, and summarized in Table IV-1. In order to determine the affordability gap, there is a need to match a household at each income level with a unit type and size according to governmental regulations and policies. The prototypical project for both rental and ownership units represent the lower end of the average range for what the private sector is currently developing in San Diego at this time. The average three person household is assumed to be accommodated in a two bedroom unit.

The unit type for the two lower income categories is a garden style apartment project, wood frame construction, built at a density of about 25 units per acre. The two-bedroom unit is 950 square feet. Surface parking is at 2.3 spaces per unit.

The ownership product is a stacked flat developed at 40 units per acre. The construction is wood frame over podium parking, at 2.0 spaces per unit. Consistent with market averages, this two-bedroom unit is 1,200 square feet.

The income level at the top end of the income category is used in the analysis. This is a conservative assumption which produces a lower affordability gap average than reality since not all households have income at the top end of the range. For example, in the moderate income

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category which is 80% to 120% of median, the analysis is run at 120% when clearly most household in the category have incomes of less than 120% of Area Median Income.

***Development Costs***

The cost of developing new residential units in San Diego was assembled from a number of sources. KMA, in its services to the Housing Commission Inclusionary Program, identified a range of residential development prototypes and prepared full development cost schedules for each. The least expensive prototype for rental and ownership projects were updated and modified for the purposes of this analysis. In addition, KMA reviewed current data on rent levels of new projects and sales activity of attached ownership projects (condominiums, flats, townhomes, etc.).

Both products represent the lower end of the current experience range in the City of San Diego, with the exception of the South Bay area, which has different economic conditions from the rest of San Diego.

Total development costs include direct construction costs, a host of indirect costs (such as permits and fees, design and engineering, marketing and leasing or sales costs), financing costs and land costs. Detailed information is provided at the end of this section.

Total development costs per unit for the Garden Apartment prototype are as follows:

|                     |              |
|---------------------|--------------|
| Land                | \$35,000     |
| Direct Construction | \$75,540     |
| Indirects           | 28,140       |
| Financing           | <u>9,200</u> |
| Total (rounded)     | \$148,000    |

For purposes of the Very Low Income (under 50% median) category, the assumption is that the Federal Low Income Housing Tax Credit program, coupled with special financing, would be available. These two programs substantially reduce the affordability gap by providing an equity source from the tax credits (nearly \$50,000 per unit) and lower cost financing. Use of these programs would, however, mandate that the construction conform to Prevailing Wage requirements, thus adding cost. In addition there are some added indirect costs such as tax credit syndication costs. With these additions, total development costs per unit are approximately \$173,000. See Table IV-3 for more information on cost items.

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Total development costs per ownership unit for the stacked flat prototype are as follows:

|                         |               |
|-------------------------|---------------|
| Land                    | \$60,000      |
| Direct Construction     | 162,000       |
| Indirects and Financing | 73,000        |
| Developer Profit        | <u>35,000</u> |
| Total                   | \$330,000     |

See Tables IV-4 and IV-5 for more information.

### ***Affordable Rents, Unit Values, and Sales Prices***

The next step to determining the affordability gap is to identify the maximum rent level or sales price affordable to each of the four income categories. This step is basically done via formula per federal and state standards and local policies. The key elements of the analysis are:

- A three person household in a two bedroom unit (therefore using the income definition for a three person household).
- For rental units, 30% of monthly income is assumed available for rent and utilities. The monthly utility allowance is established by the local Housing Commission.
- For ownership units, 35% of monthly income (local policy) is assumed available for mortgage, utilities, property taxes, insurance and homeowners association.
- For ownership units, the mortgage assumption is 5% down payment, and 6.5% mortgage rate, on a 30-year fixed mortgage.

### ***Rental Units***

The affordable rent calculations for the very low and low income households are provided in Table IV-6. The three person household at very low income can afford \$684 per month rent and the same size household at low income, \$1,115 per month rent.

Rental income must be converted to a value supported per unit for affordability gap purposes. The first step is to establish net operating income per unit, or income after other miscellaneous income (laundry, etc.) and adjustment for normal vacancy and operating expenses. In the very low income unit, the income stream covers the operating costs with \$3,730 remaining. In the low income unit, the net operating income is \$8,640 per unit.

In Table IV-7 the analysis to establish value supported for each unit is provided. The very low income unit is assumed within a project that qualifies for the federal low income tax credit

program and also low interest financing. As a result, the total investment supported, including the tax credit value of \$49,000 per unit, is \$99,000 per unit.

The low income unit does not qualify for the federal tax credit program. As a result, it cannot have the advantage of the tax credit equity. Total value supported is only slightly higher than the very low income unit, at \$102,000 per unit.

The affordability gap is the difference between the value supported and the cost of development. The calculations for the two income levels are as follows:

| <u>Income Category</u>    | <u>Development Cost</u> | <u>Affordable Unit Value/Price</u> | <u>Affordability Gap</u> |
|---------------------------|-------------------------|------------------------------------|--------------------------|
| Very Low Income (50% AMI) | \$173,000               | \$99,000                           | \$74,000                 |
| Low Income (80% AMI)      | 148,000                 | 102,000                            | 46,000                   |

**Ownership Units**

A parallel analysis is conducted for ownership units. The value supported, or sales price affordable, is based on a 35% share of income and assumptions with respect to the financing available. The assumptions used in this analysis are 5% down payment, 6.5% interest on a 30-year fixed rate mortgage. In addition, annual homeowners association dues, insurance and utilities as well as property taxes are deducted before the supportable mortgage amount is computed. Table IV-8 summarizes the analysis.

The moderate income household (120% median income) can afford a unit that costs \$225,000 and the workforce income household (150% median income) can afford a unit that costs \$291,000.

The affordability gaps are the differences between these sales prices afforded and the costs of development, as follows:

| <u>Income Category</u>      | <u>Development Cost</u> | <u>Affordable Unit Value/Price</u> | <u>Affordability Gap</u> |
|-----------------------------|-------------------------|------------------------------------|--------------------------|
| Moderate Income (120% AMI)  | \$330,000               | \$225,000                          | \$105,000                |
| Workforce Income (150% AMI) | 330,000                 | 291,000                            | 39,000                   |

For reference, the amount affordable at alternative income levels between 120% and 150% of median are provided in an appendix table.

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### **Total Nexus Costs**

The last step in the nexus analysis marries the findings on the numbers of household for each income category associated with each of the seven building types, per the end of Section III, with the affordability gaps.

Table IV-9 summarizes the analysis. The numbers of households associated with each building type by income category, indicated on the left side of the table assume 100,000 square foot buildings. The "Nexus Cost per Square Foot" is the result of the calculation: number of units times the affordability gap, divided by 100,000 sq. ft. to bring the conclusion back to the per square foot level.

### **Commute Adjustment**

The total nexus costs are calculated for the total impact as indicated in the upper portion of the table, and after an adjustment for the fact that only a share of the worker households will seek housing in the City of San Diego. The 2000 Census found that 58% of those who work in the City of San Diego also live in the City of San Diego. With a 58% share, a far lower nexus cost is determined from the analysis, as shown in the lower portion of the table.

The use of the existing commute relationship is subject to discussion. The 58% finding is already a reflection of housing market conditions and affordability constraints. With no intervention or increase in the supply of housing affordable to workers, the percentage will likely decrease further. Some cities view the percentage share as a policy target that reflects the share of new demand that the city would like to accommodate locally. Absent a directive, the existing commute relationship has been utilized.

The total nexus costs for the seven building types, after the commute adjustment, are as follows:

|                          |         |
|--------------------------|---------|
| Office                   | \$53.32 |
| Hotel                    | 37.94   |
| Retail/Entertainment     | 56.86   |
| Hospital/Medical         | 46.53   |
| Manufacturing/Industrial | 29.23   |
| Warehousing/Storage      | 8.63    |
| Educational              | 18.91   |

With or without the commute relationship adjustment, the total nexus cost for each building type is far in excess of any reasonable fee amount likely to be considered.

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## ***Conservative Assumptions***

The nexus costs are high due to a combination of factors, the principal ones being:

- The high cost of housing in San Diego relative to income levels
- The extent of income categories covered in the analysis, all the way up to 150% of median income and thus the majority of worker households

In establishing the total nexus cost many conservative assumptions were employed in the analysis that result in a total nexus cost that is probably understated. These conservative assumptions include:

- The commute adjustment, or target, assumes that 58% of all new employee households are targeted to be accommodated in San Diego. This is the existing condition already driven by affordability constraints. The City could readily adopt a policy to house more than 58% of its new worker households.
- All affordability gap calculations are made using the top end of the income range. For example, all very low income households are assumed to have incomes at 50% of median, when in fact, many have incomes below 50%. Using the average of mid point of the income range would produce significantly higher affordability gaps and total nexus cost conclusions.
- No Census or other hard data was available enabling a differentiation between the household size composition of office/high tech workers, hotel workers and retail sales people. Anecdotally one can observe that there are probably some significant differences.
- Only direct employees are counted in the analysis. Many indirect employees are also associated with each new workspace. Indirect employees in an office building, for example, include janitors, window washers, landscape maintenance people, delivery personnel, and a whole range of others. Hotels do have many of these workers on staff, but hotels also "contract out" a number of services that are not taken into account in the analysis. The analysis does not employ multipliers. Also construction workers are not included in the analysis.

In summary, many less conservative assumptions could be made that would result in higher linkage costs.

The total nexus cost represents the ceiling, supported by this analysis, for any requirement to be placed on new construction for affordable housing. They represent only maximums and, in no way, should be construed as recommended fee amounts.

Section V will provide materials to assist policy makers in identifying fee levels for San Diego.

**TABLE IV-1  
SUMMARY OF INCOME DEFINITIONS, 2003  
HOUSING IMPACT FEE NEXUS ANALYSIS  
CITY OF SAN DIEGO**

**INCOME - UPPER END FOR EACH CATEGORY**

| <b>Family Size</b> | <b>Very Low Income<br/>50% AMI</b> | <b>Low Income<br/>80% AMI</b> | <b>Moderate Income<br/>120% AMI</b> | <b>Moderate Income<br/>150% AMI</b> |
|--------------------|------------------------------------|-------------------------------|-------------------------------------|-------------------------------------|
| 1 Person           | \$22,350                           | \$35,750                      | \$50,350                            | \$62,900                            |
| 2 Persons          | \$25,500                           | \$40,850                      | \$57,500                            | \$71,900                            |
| 3 Persons          | \$28,700                           | \$45,950                      | \$64,700                            | \$80,900                            |
| 4 Persons          | \$31,900                           | \$51,050                      | \$71,900                            | \$89,900                            |
| 5 Persons          | \$34,450                           | \$55,100                      | \$77,650                            | \$97,100                            |

Source: San Diego Housing Commission, based on HUD and HCD, effective April 11, 2003  
 Prepared by: Keyser Marston Associates, Inc.  
 Filename: 19035.008\Income Levels; 12/2/2004;lag

**TABLE IV-2  
 RENTAL PROJECT DEVELOPMENT PROFILE  
 HOUSING IMPACT FEE NEXUS ANALYSIS  
 SAN DIEGO HOUSING COMMISSION**

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|                                 |                         |                  |
|---------------------------------|-------------------------|------------------|
| Product Type                    | Garden Apartments       |                  |
| Construction Type               | Type V - Wood-frame     |                  |
| Tenure                          | Rental                  |                  |
| Site Area                       | 174,000 SF<br>4.0 Acres |                  |
| Number of Stories               | 2 - 3 Stories           |                  |
| Unit Mix                        | <u># of Units</u>       | <u>Unit Size</u> |
| Two Bedroom                     | 100 Units               | 950 SF           |
| Density                         | 25.0 Units/Acre         |                  |
| Gross Building Area             |                         | 95,000 SF        |
| Residential Net Building Area   |                         | <u>5,000</u> SF  |
| Common Areas @                  | 5.0%                    |                  |
| Total Gross Building Area (GBA) |                         | 100,000 SF       |
| FAR                             | 0.57                    |                  |
| Parking                         | Surface                 |                  |
| Type                            | 229 Spaces              |                  |
| Number of Parking Spaces        | 2.3 Spaces/Unit         |                  |
| Parking Ratio (Space/Unit)      |                         |                  |

**TABLE IV-3  
RENTAL PROJECT DEVELOPMENT COSTS  
HOUSING IMPACT FEE NEXUS ANALYSIS  
SAN DIEGO HOUSING COMMISSION**

|   | BASE CASE<br>(Market and 80% AMI) |                  |                          | LOW INCOME HOUSING TAX CREDITS<br>(50% AMI) |                  |                                  |
|---|-----------------------------------|------------------|--------------------------|---|------------------|----------------------------------|
|   | Totals                            | Per Unit         | Comments                 | Totals                                      | Per Unit         | Comments                         |
| <b>Site Costs:</b>                                  | \$3,500,000                       | \$35,000         | \$20 Per SF of Site Area | \$3,500,000                                 | \$35,000         | \$20 Per SF of Site Area         |
| <b>Direct Costs:</b>                                |                                   |                  |                          |   |                  |                                  |
| Off-Site Improvements                               | \$0                               | \$0              | \$0 Per SF of Site Area  | \$0   | \$0              | \$0 Per SF of Site Area          |
| On-Sites/Landscaping                                | \$522,000                         | \$5,220          | \$3 Per SF of Site Area  | \$522,000                                   | \$5,220          | \$3 Per SF of Site Area          |
| Shell Construction                                  | \$6,500,000                       | \$65,000         | \$65 Per SF GBA          | \$6,500,000                                 | \$65,000         | \$65 Per SF GBA                  |
| FF&E  | \$50,000                          | \$550            | Allowance                | \$50,000                                    | \$500            | Allowance                        |
| Pool/Amenities                                      | \$122,000                         | \$1,220          | Allowance                | \$122,000                                   | \$1,220          | Allowance                        |
| Parking   | \$0                               | \$0              | Included in On-Sites     | \$0   | \$0              | Included in On-Sites             |
| Contingency   | \$360,000                         | \$3,600          | 5.0% of Above Directs    | \$360,000                                   | \$3,600          | 5.0% of Above Directs            |
| Subtotal Direct Costs                               | \$7,554,000                       | \$75,540         | \$76 Per SF GBA          | \$7,554,000                                 | \$75,540         | \$76 Per SF GBA                  |
| Add: Prevailing Wage Impact                         | \$0                               | \$0              |                          | \$1,501,000                                 | \$15,010         | 20% of Above Directs (excl FF&E) |
| Subtotal Direct Costs                               | \$7,554,000                       | \$75,540         | \$76 Per SF GBA          | \$9,055,000                                 | \$90,550         | \$91 Per SF GBA                  |
| <b>Indirect Costs:</b>                              |                                   |                  |                          |   |                  |                                  |
| Architecture & Engineering                          | \$378,000                         | \$3,780          | 5.0% of Directs          | \$378,000                                   | \$3,780          | 5.0% of Directs                  |
| Permits & Fees                                      | \$1,700,000                       | \$17,000         | \$17,000 Per Unit        | \$1,700,000                                 | \$17,000         | \$17,000 Per Unit                |
| Legal & Accounting                                  | \$151,000                         | \$1,510          | 2.0% of Directs          | \$151,000                                   | \$1,510          | 2.0% of Directs                  |
| Taxes & Insurance                                   | \$151,000                         | \$1,510          | 2.0% of Directs          | \$151,000                                   | \$1,510          | 2.0% of Directs                  |
| Developer Fee                                       | \$302,000                         | \$3,020          | 4.0% of Directs          | \$1,200,000                                 | \$12,000         | 13.3% of Directs                 |
| Marketing/Lease-Up                                  | \$50,000                          | \$500            | Allowance                | \$45,000                                    | \$450            | Allowance                        |
| Contingency   | \$82,000                          | \$820            | 3.0% of Above Indirects  | \$109,000                                   | \$1,090          | 3.0% of Above Indirects          |
| Subtotal Indirect Costs                             | \$2,814,000                       | \$28,140         | 37.3% of Directs         | \$3,734,000                                 | \$37,340         | 41.2% of Directs                 |
| <b>Financing Costs:</b>                             |                                   |                  |                          |   |                  |                                  |
| Loan Fees   | \$528,000                         | \$5,280          | 7.0% of Directs          | \$499,000                                   | \$4,990          | 5.5% of Directs                  |
| Interest During Construction                        | \$342,000                         | \$3,420          | 4.5% of Directs          | \$374,000                                   | \$3,740          | 4.1% of Directs                  |
| TCAC/Syndication Costs                              | \$0                               | \$0              |                          | \$90,000                                    | \$900            | 1.0% of Directs                  |
| Operating Lease-Up/Reserves                         | \$50,000                          | \$500            | 0.7% of Directs          | \$50,000                                    | \$500            | 0.6% of Directs                  |
| Subtotal Financing Costs                            | \$920,000                         | \$9,200          | 12.2% of Directs         | \$1,013,000                                 | \$10,130         | 11.2% of Directs                 |
| <b>Total Development Costs<br/>Or Say (Rounded)</b> | <b>\$14,788,000</b>               | <b>\$147,880</b> | <b>\$148 Per SF GBA</b>  | <b>\$17,302,000</b>                         | <b>\$173,020</b> | <b>\$173 Per SF GBA</b>          |
|   | \$14,788,000                      |                  |                          | \$17,302,000                                |                  |                                  |

**TABLE IV-4  
 OWNERSHIP PROJECT DEVELOPMENT PROFILE  
 HOUSING IMPACT FEE NEXUS ANALYSIS  
 SAN DIEGO HOUSING COMMISSION**

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|                             |   |                               |
|-----------------------------|---|-------------------------------|
| Product Type                |   | Stacked Flat                  |
| Construction Type           | Type V - Wood-frame over parking podium |                               |
| Tenure                      |   | For-Sale                      |
| Site Area                   |   | 43,560 SF<br>1.0 Acres        |
| Number of Stories           |   | 3 Stories over parking podium |
| Unit Mix                    | <u># of Units</u>                       | <u>Unit Size</u>              |
| Two Bedroom                 | 45 Units                                | 1,200 SF                      |
| Density                     |   | 45.0 Units/Acre               |
| Gross Building Area (GBA)   |   |                               |
| Residential                 |   | 54,000 SF                     |
| Common Areas @              | 10.0%                                   | <u>6,000</u> SF               |
| Total Gross Building Area   |   | 60,000 SF                     |
| FAR                         |   | 1.38                          |
| Parking                     |   | Structured                    |
| Type                        |   |                               |
| Parking Ratio - Residential |   | 2.0 Spaces/Unit               |
| Total Number of Spaces      |   | 90 Spaces                     |

**TABLE IV-5  
 OWNERSHIP PROJECT: DEVELOPMENT COSTS  
 HOUSING IMPACT FEE NEXUS ANALYSIS  
 SAN DIEGO HOUSING COMMISSION**

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Project: 45 units  
 Stacked Flat  
 See Table IV-4

|                               | <b>Base Case</b>    |                  |                          |
|-------------------------------|---------------------|------------------|--------------------------|
|                               | <u>Totals</u>       | <u>Per Unit</u>  | <u>Comments</u>          |
| Site Costs                    | \$2,700,000         | \$60,000         | \$62 Per SF of Site Area |
| Direct Costs                  | \$7,300,000         | \$162,000        | \$122 Per SF GBA         |
| Indirects and Financing Costs | <u>\$3,285,000</u>  | <u>\$73,000</u>  | 45% of Directs           |
| Subtotal                      | \$13,285,000        | \$295,000        | \$221 Per SF GBA         |
| Developer Profit (12%)        | <u>\$1,594,000</u>  | <u>\$35,000</u>  | \$27 Per SF GBA          |
| <b>Total</b>                  | <b>\$14,879,000</b> | <b>\$330,000</b> | <b>\$248 Per SF GBA</b>  |

**TABLE IV-6  
RENTAL PROJECT: AFFORDABLE RENTS AND UNIT VALUES  
HOUSING IMPACT FEE NEXUS ANALYSIS  
SAN DIEGO HOUSING COMMISSION**

**Per Unit Affordable Rent**

|                                       | Very Low (50% of AMI) | Low (80% of AMI) |
|---------------------------------------|-----------------------|------------------|
| Family Size                           | 3                     | 3                |
| Number of Bedrooms                    | 2                     | 2                |
| Household Income                      | \$28,700              | \$45,950         |
| Income Allocation to Housing          | 30%                   | 30%              |
| Monthly Housing Cost                  | \$718                 | \$1,149          |
| (Less) Utility Allowance <sup>1</sup> | <u>(\$34)</u>         | <u>(\$34)</u>    |
| <b>Maximum Monthly Rent</b>           | <b>\$684</b>          | <b>\$1,115</b>   |

**Net Operating Income (NOI) - Project and Per Unit**

|                                   | Very Low (50% of AMI) |                  | Low (80% of AMI)   |                  |
|-----------------------------------|-----------------------|------------------|--------------------|------------------|
|                                   | Total                 | Per Unit         | Total              | Per Unit         |
| Units                             | 100                   | 1                | 100                | 1                |
| Gross Scheduled Income (GSI)      |                       |                  |                    |                  |
| Monthly                           | \$68,380              | \$684            | \$111,505          | \$1,115          |
| Annual                            | \$821,000             | \$8,210          | \$1,338,000        | \$13,380         |
| Other Income @\$15 / Unit / Mo.   | \$18,000              | \$180            | \$18,000           | \$180            |
| (Less) Vacancy @ 5%               | <u>(\$41,000)</u>     | <u>(\$410)</u>   | <u>(\$67,000)</u>  | <u>(\$670)</u>   |
| Effective Gross Income (EGI)      | \$798,000             | \$7,980          | \$1,289,000        | \$12,890         |
| (Less) Operating Expenses         | <u>(\$425,000)</u>    | <u>(\$4,250)</u> | <u>(\$425,000)</u> | <u>(\$4,250)</u> |
| <b>Net Operating Income (NOI)</b> | <b>\$373,000</b>      | <b>\$3,730</b>   | <b>\$864,000</b>   | <b>\$8,640</b>   |

<sup>1</sup> Assumes San Diego Housing Commission (SDHC) 2003 utility allowances at \$34/month

**TABLE IV-7  
AFFORDABILITY GAP FOR RENTAL UNITS  
HOUSING IMPACT FEE NEXUS ANALYSIS  
SAN DIEGO HOUSING COMMISSION**

|                                   | <u>Very Low Income (50% AMI)</u> |                    | <u>Low Income (80% AMI)</u> |                    |
|-----------------------------------|----------------------------------|--------------------|-----------------------------|--------------------|
|                                   | <u>Total</u>                     | <u>Per Unit</u>    | <u>Total</u>                | <u>Per Unit</u>    |
| Net Operating Income (NOI)        | \$373,000                        | \$3,730            | \$864,000                   | \$8,640            |
| Target Return on Investment (Low) | N/A                              | N/A                | 8.5%                        | 8.5%               |
| Sources of Funds (Very Low)       |                                  |                    |                             |                    |
| Supportable Debt                  | \$4,760,000                      | \$48,000           | N/A                         | N/A                |
| Market Value of Tax Credits       | \$4,854,000                      | \$49,000           | N/A                         | N/A                |
| Deferred Developer Fee            | <u>\$240,000</u>                 | <u>\$2,000</u>     | N/A                         | N/A                |
| Warranted Investment              | \$9,854,000                      | \$99,000           | \$10,165,000                | \$102,000          |
| (Less) Total Development Costs    | <u>(\$17,302,000)</u>            | <u>(\$173,000)</u> | <u>(\$14,788,000)</u>       | <u>(\$148,000)</u> |
| <b>Affordability Gap</b>          | <b>(\$7,448,000)</b>             | <b>(\$74,000)</b>  | <b>(\$4,623,000)</b>        | <b>(\$46,000)</b>  |

**TABLE IV-8  
AFFORDABLE PURCHASE PRICE  
HOUSING IMPACT FEE NEXUS ANALYSIS  
SAN DIEGO HOUSING COMMISSION**

|   | <u>Moderate<br/>(120% of AMI)</u> | <u>Workforce<br/>(150% of AMI)</u> |
|---|-----------------------------------|------------------------------------|
| Family Size                                 | 3                                 | 3                                  |
| Number of Bedrooms <sup>1</sup>             | 2                                 | 2                                  |
| Household Income (Rounded)                  | \$64,700                          | \$80,900                           |
| Income Allocation to Housing                | 35.0%                             | 35.0%                              |
| Amount Available for Housing                | \$22,645                          | \$28,315                           |
| Annual HOA/Insurance/Utilities <sup>1</sup> | \$3,500                           | \$3,500                            |
| Tax Rate                                    | 1.12%                             | 1.12%                              |
| Annual Taxes <sup>2</sup>                   | \$2,520                           | \$3,259                            |
| Available for Mortgage                      | \$16,625                          | \$21,556                           |
| Interest Rate                               | 6.5%                              | 6.5%                               |
| Down Payment                                | 5.0%                              | 5.0%                               |
| Closing Costs                               | 2.5%                              | 2.5%                               |
| Supportable Mortgage                        | \$219,188                         | \$284,197                          |
| Add: Down Payment                           | \$11,250                          | \$14,550                           |
| (Less) Closing Costs                        | <u>(\$5,625)</u>                  | <u>(\$7,275)</u>                   |
| <b>Maximum Unit Price (Rounded)</b>         | <b>\$225,000</b>                  | <b>\$291,000</b>                   |
| Total Development Cost                      | <u>(\$330,000)</u>                | <u>(\$330,000)</u>                 |
| <b>Affordability Gap</b>                    | <b>(\$105,000)</b>                | <b>(\$39,000)</b>                  |

<sup>1</sup> Gross estimate.

<sup>2</sup> Based on affordable unit price. Property tax assessment may be based on market value of actual home.

**TABLE IV-9  
TOTAL HOUSING NEXUS COST  
HOUSING IMPACT FEE NEXUS ANALYSIS  
CITY OF SAN DIEGO, CA**

| INCOME CATEGORY                         | Affordability Gap <sup>1</sup> | Nexus Cost Per Sq. Ft. |         |                    |                    |                            |                       |             |  |  |
|---|--------------------------------|------------------------|---------|--------------------|--------------------|----------------------------|-----------------------|-------------|--|--|
|   |                                | OFFICE                 | HOTEL   | RETAIL / ENTRTNMNT | HOSPITAL / MEDICAL | MANUFACTURING / INDUSTRIAL | WAREHOUSING / STORAGE | EDUCATIONAL |  |  |
| Household Income Level                  |                                |                        |         |                    |                    |                            |                       |             |  |  |
| Under 50% Median Income <sup>2</sup>    | \$74,000                       | \$5.00                 | \$23.87 | \$31.36            | \$9.24             | \$6.50                     | \$2.03                | \$3.01      |  |  |
| 50% to 80% Median Income <sup>2</sup>   | \$46,000                       | \$20.74                | \$27.03 | \$33.37            | \$22.69            | \$13.91                    | \$3.96                | \$8.40      |  |  |
| 80% to 120% Median Income <sup>3</sup>  | \$105,000                      | \$53.03                | \$12.65 | \$29.44            | \$39.45            | \$24.47                    | \$7.44                | \$16.40     |  |  |
| 120% to 150% Median Income <sup>3</sup> | \$39,000                       | \$13.20                | \$1.88  | \$3.90             | \$8.87             | \$5.54                     | \$1.45                | \$4.81      |  |  |
| <b>Total</b>                            |                                | \$91.97                | \$65.43 | \$98.07            | \$80.25            | \$50.42                    | \$14.88               | \$32.61     |  |  |
| <b>AFTER 58.00% Commute Adjustment</b>  |                                |                        |         |                    |                    |                            |                       |             |  |  |
| INCOME CATEGORY                         | Affordability Gap <sup>1</sup> | OFFICE                 | HOTEL   | RETAIL / ENTRTNMNT | HOSPITAL / MEDICAL | MANUFACTURING / INDUSTRIAL | WAREHOUSING / STORAGE | EDUCATIONAL |  |  |
| Under 50% Median Income <sup>2</sup>    | \$74,000                       | \$2.90                 | \$13.84 | \$18.18            | \$5.36             | \$3.77                     | \$1.18                | \$1.74      |  |  |
| 50% to 80% Median Income <sup>2</sup>   | \$46,000                       | \$12.02                | \$15.67 | \$19.35            | \$13.16            | \$8.06                     | \$2.29                | \$4.87      |  |  |
| 80% to 120% Median Income <sup>3</sup>  | \$105,000                      | \$30.75                | \$7.33  | \$17.07            | \$22.87            | \$14.19                    | \$4.32                | \$9.51      |  |  |
| 120% to 150% Median Income <sup>3</sup> | \$39,000                       | \$7.65                 | \$1.09  | \$2.26             | \$5.14             | \$3.21                     | \$0.84                | \$2.79      |  |  |
| <b>Total</b>                            |                                | \$53.32                | \$37.94 | \$56.86            | \$46.53            | \$29.23                    | \$8.63                | \$18.91     |  |  |

<sup>1</sup> Assume two-bedroom unit.  
<sup>2</sup> Assumes households are housed in rental units  
<sup>3</sup> Assumes households are housed in ownership units.

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## SECTION V – MATERIALS TO ASSIST IN UPDATING THE FEE PROGRAM

The purpose of this section is to provide information to assist policy makers in updating the Jobs Housing Impact Fee program in San Diego. As indicated at the end of the previous section, the nexus analysis establishes maximum levels supported by the analysis. Recognizing a variety of City objectives, policymakers may set the fees or other obligations at any level below the maximum and may design other program features to meet local goals and objectives.

The materials in this section have nothing to do with establishing the nexus. Instead this section provides an assembly of materials that helps answer questions frequently asked when designing a fee program: How can a fee level be selected? How do we evaluate when a fee will slow development? What do other cities do in their programs?

### *Existing Fee Levels*

Before presenting alternative approaches to fee revisions, it is useful to briefly review the fee levels since the original program was adopted. It is recalled that in 1996 the fees were reduced to half.

|                          | <u>Original Fee</u> | <u>Fee Since 1996</u> |
|--------------------------|---------------------|-----------------------|
| Office                   | \$2.12              | \$1.06                |
| Hotel                    | \$1.28              | \$0.64                |
| Retail/Entertainment     | \$1.28              | \$0.64                |
| Hospital/Medical         | \$2.12              | \$1.06                |
| Manufacturing/Industrial | \$1.28              | \$0.64                |
| Warehousing/Storage      | \$0.54              | \$0.27                |
| Education                | \$1.60              | \$0.80                |

All building types are subject to the fee. The City's Department of Development Services determines the building type and fee applicable. A variance provision allows applicants who believe the jobs housing nexus as quantified in the analysis does not apply to their projects, to pursue a process with the City for a reduced fee or exemption.

### *How the City Wishes to Spend Revenue Dollars*

The total nexus cost is comprised of four separate income tiers — very low income, low income, moderate income, and "workforce" income. The workforce tier, which is 120% to 150% of Area Median Income was included in the analysis per City staff direction, in the event that policy makers wish to include this tier in the program. If the tier is included in the analysis and

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program, then the City may expend fee revenues to assist in making units affordable to workforce income households.

Total nexus costs up through low income, moderate income, and workforce income respectively are drawn from the information on the lower half of Table IV-9, and is shown on Table V-1.

The decision as to whether to include the workforce tier, or any tier, should be made to be consistent with how the City wishes to spend fee revenue dollars.

***Fees as a Percent of the Nexus Amount***

Policy makers may establish fees at any level below the maximum for the seven building types in the analysis — office, hotel, retail/entertainment, hospital/medical, manufacturing/industrial, warehousing/storage, educational — in the same proportion to the nexus or may independently select the fee for each building type, weighing policy considerations separately for each one. Most jurisdictions now use the latter approach.

When San Diego adopted Housing Impact Fees initially, fees were set at a 10% share of the calculated nexus cost which included only the very low and low income tiers, or up to 80% of median income. The current analysis goes up to 150% of median. In the event the City wishes to continue using this approach, the nexus amounts are summarized below, assuming the program reaches to alternative income and affordability levels.

| <u>Building Type</u>     | <u>Nexus Cost</u> | <u>@10%</u> |
|--------------------------|-------------------|-------------|
| Office                   | \$53.32           | \$5.32      |
| Hotel                    | \$37.94           | \$3.79      |
| Retail/Entertainment     | \$56.86           | \$5.69      |
| Hospital/Medical         | \$46.53           | \$4.66      |
| Manufacturing/Industrial | \$29.23           | \$2.92      |
| Warehousing              | \$8.63            | \$0.86      |
| Educational              | \$18.91           | \$1.89      |

Other income tiers and percentage calculations are provided in Table V-1.

The principal advantage of this approach lies in its simplicity and avoidance of addressing each fee independently. The disadvantage is that there could be a disproportionate burden on one building type. Alternatively, there could be a lost opportunity in not charging a higher fee on a building type that could clearly sustain a higher fee level. For example, hotels in San Diego could sustain a fee similar to office buildings despite a lower nexus cost, given that the hotel room rate structure (and development cost supported) in San Diego is so strong.

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## ***Fees as a Percent of Total Development Cost***

This approach examines the total development cost associated with each building type and looks at fees in the context of the total cost. With this approach each building type can have the impact of a fee level understood in terms of how much it would add to cost, assuming for a moment that all other costs are fixed. This approach facilitates an evaluation of whether the amount is likely to affect development decisions. Most cities want more revenue for housing but not at the expense of driving desirable development activity outside the city limits.

In a city as large as San Diego, there is a broad range of conditions and development "products" that might be built for the various building types or land uses. For example, office buildings can range from minimal one story structures with surface parking, to multiple story buildings with decked parking, to high rises in the downtown with subterranean parking. To cover the range we have assembled prototypes for each of the major commercial and industrial building types.

When identifying prototypes for this purpose, a conscious effort has been made to include the least expensive prototype developed (in any meaningful quantity) within the jurisdiction. In the case of San Diego, some prototypes were selected to cover activity in lower land cost locations where less expensive buildings are constructed and where surface parking is the only economic option. In this context, the South Bay Enterprise Zone was excluded on the basis of this area having a land value structure so different from the rest of the city as to not provide a useful "lowest common denominator." With the exception of a few industrial building types, most of the prototypes used in this analysis are not being developed in the South Bay area, nor are they expected to be in the foreseeable future. Should development in South Bay be subject to housing impact fees, KMA recommends special consideration such as a reduced fee amount.

Tables V-2 at the end of this section provides summary project descriptions, density and floor area ratio (FAR) information, parking ratio and configuration for the following prototypes:

- Office
  - Garden office, 3 stories, surface parking.
  - Suburban mid-rise, 5 stories, deck parking.
  - Urban high-rise, 10 stories, subterranean parking.
  
- Retail
  - Strip retail center, 1 story, surface parking.
  - Community retail center, 1 story, surface parking.
  - Urban retail center, 1 story, deck parking.

- Hotel
  - Extended stay hotel, 3 stories, surface parking.
  - Full service, mid-rise hotel, 7 stories, structured parking.
  
- Industrial
  - Warehouse/storage, 2.5 parking spaces per 1,000 square feet.
  - Flex industrial, a story, 4.0 parking spaces per 1,000 square feet.
  - High tech industrial, 3 stories, 4.0 parking spaces per 1,000 square feet.

The emphasis has been on examining prototypes that have less expensive total development costs. Consistent with this approach KMA has not provided prototypes for medical and educational prototypes because costs are higher than standard commercial and industrial buildings of the same density and configuration and also because cost information is not readily available.

Total development cost information has been assembled and separately itemized as follows:

- Land cost – per square foot land and building area
- Site work and amenities
- Parking construction
- Shell construction
- Tenant improvements and related
- Indirects and financing costs
- Total permits and fees

Total development cost per square foot of building area is summarized below with fees possibilities evaluated at 1% and 3%, a range for consideration. Costs from Table V-2 have been rounded.

| <u>Building Types</u> | <u>Total Development Cost<br/>Range Per Square Foot</u> | <u>Fee Levels PSF</u> |               |
|-----------------------|---|-----------------------|---------------|
|                       |   | <u>@ 1%</u>           | <u>@ 3%</u>   |
| Office prototypes     | \$200-\$290   | \$2.00-\$2.90         | \$6.00-\$8.70 |
| Hotel prototypes      | \$180-\$250   | \$1.80-\$2.50         | \$5.40-\$7.50 |
| Retail prototypes     | \$200-\$310   | \$2.00-\$3.10         | \$6.00-\$9.30 |
| Warehouse/Storage     | \$150   | \$1.50                | \$4.50        |
| Industrial/Flex/Mfg.  | \$200-\$290   | \$2.00-\$2.90         | \$6.00-\$8.70 |

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In summary, other than warehousing and storage type uses, total development costs, for the most part, start at \$200 per square foot. The other prototypes, which primarily represent the middle portion of the cost range, frequently have costs around \$300 per square foot. Needless to say, in the highest value locations within the city such as Downtown, University City and La Jolla, total development costs are higher than the upper end indicated here.

### ***Other Ordinance or Program Features***

A Housing Impact Fee Program often has other features to address other policy objectives or specific concerns. The most common ones are:

#### *Minimum Size Threshold*

A minimum size threshold sets a building size over which fees are in effect. Many programs have no such threshold as has been the case with the San Diego program. In general, the programs with the higher fees tend to have more significant thresholds. Programs with low fees often have no thresholds and all construction is subject to the fee.

#### *Geographic Area Variations*

Some cities with linkage fee programs exclude specific areas such as redevelopment areas and enterprise or empowerment zones. The San Diego program has exempted some major zones in the past.

It has been previously suggested in this analysis that the South Bay Enterprise Zone be treated differently from the rest of the city based on the very different land value and development cost structure in that part of the city.

City staff has assembled information on the enterprise zones and is putting forth options for consideration.

#### *Specific Use Exemptions*

A city, in its ordinance, may choose to exempt specific uses. The most common exemption is for child care centers due to public policy objectives.

### ***Other Jurisdiction Housing Linkage Programs***

It is always of interest to policy makers to know what other cities and counties have in place in the way of similar programs. As a generality, compared to inclusionary programs, linkage programs are far fewer in number and are far less complex.

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Table V-3 is a three-page chart summarizing the programs in California jurisdictions. The organization of the chart is by fee amount. The top tier is cities with fees of \$10 per square foot or more — San Francisco, Palo Alto, and Menlo Park, all cities with very powerful market conditions, the current recession notwithstanding.

The second tier is jurisdictions that have programs in the \$4 to \$9 per square foot range. Several Silicon Valley cities are in this category. A number of jurisdictions have update programs underway and will likely move into this tier.

The third tier is the lower fee jurisdictions, of which the San Diego program is currently one.

The chart provides information on a number of program features in addition to the fee amount.

### **Summary**

This section of the report has provided materials to assist in deliberating an adjustment to the San Diego program fee levels. All fee levels likely to be considered are far below the “total nexus cost,” the only legal constraint to setting the fees. Fees should be established based on the nexus and any combination of policy considerations that the City wishes to bring to bear.

In San Diego, some of the choices could be:

- Increase past fees by a consistent amount across the board, such as doubling or tripling them;
- Apply a percentage to the total nexus cost;
- Apply a percentage to the total development costs estimates; and
- Select fee levels independently based on policy considerations, using no formula.

All approaches have validity; there is no one correct way to select fees, beyond a careful consideration of local policies and goals. As can be seen from the chart on other jurisdictions, cities go about their fees in different ways. Some combine similar nexus amounts on building types to a single fee – such as all commercial at \$4.00 per square foot.

**TABLE V-1  
TOTAL NEXUS COSTS AND POTENTIAL FEE LEVELS BY INCOME CATEGORIES  
HOUSING IMPACT FEE NEXUS ANALYSIS  
CITY OF SAN DIEGO, CA**

| INCOME CATEGORY                 | Nexus Cost/Fees Per Sq. Ft. |         |                       |                       |                               |                          |             |
|---------------------------------|-----------------------------|---------|-----------------------|-----------------------|-------------------------------|--------------------------|-------------|
|                                 | OFFICE                      | HOTEL   | RETAIL /<br>ENTRTNMNT | HOSPITAL /<br>MEDICAL | MANUFACTURING /<br>INDUSTRIAL | WAREHOUSING /<br>STORAGE | EDUCATIONAL |
| <b>Up to 80% Median Income</b>  |                             |         |                       |                       |                               |                          |             |
| Full Nexus Cost                 | \$14.92                     | \$29.51 | \$37.53               | \$18.51               | \$11.83                       | \$3.47                   | \$6.62      |
| Fee @ 10%                       | \$1.49                      | \$2.95  | \$3.75                | \$1.85                | \$1.18                        | \$0.35                   | \$0.66      |
| Fee @ 20%                       | \$2.98                      | \$5.90  | \$7.51                | \$3.70                | \$2.37                        | \$0.69                   | \$1.32      |
| Fee @ 30%                       | \$4.48                      | \$8.85  | \$11.26               | \$5.55                | \$3.55                        | \$1.04                   | \$1.98      |
| <b>Up to 120% Median Income</b> |                             |         |                       |                       |                               |                          |             |
| Full Nexus Cost                 | \$45.67                     | \$36.84 | \$54.60               | \$41.38               | \$26.02                       | \$7.79                   | \$16.12     |
| Fee @ 10%                       | \$4.57                      | \$3.68  | \$5.46                | \$4.14                | \$2.60                        | \$0.78                   | \$1.61      |
| Fee @ 20%                       | \$9.13                      | \$7.37  | \$10.92               | \$8.28                | \$5.20                        | \$1.56                   | \$3.22      |
| <b>Up to 150% Median Income</b> |                             |         |                       |                       |                               |                          |             |
| Full Nexus Cost                 | \$53.32                     | \$37.94 | \$56.86               | \$46.53               | \$29.23                       | \$8.63                   | \$18.91     |
| Fee @ 5%                        | \$2.67                      | \$1.90  | \$2.84                | \$2.33                | \$1.46                        | \$0.43                   | \$0.95      |
| Fee @ 10%                       | \$5.33                      | \$3.79  | \$5.69                | \$4.65                | \$2.92                        | \$0.86                   | \$1.89      |
| Fee @ 20%                       | \$10.66                     | \$7.59  | \$11.37               | \$9.31                | \$5.85                        | \$1.73                   | \$3.78      |

**TABLE V-2  
DEVELOPMENT PROTOTYPES  
HOUSING IMPACT FEE NEXUS ANALYSIS  
CITY OF SAN DIEGO, CA**

| <u>Project Description</u>   | <u>Prototype 6</u>         |             | <u>Prototype 7</u>             |              | <u>Prototype 8</u>           |              |
|------------------------------|----------------------------|-------------|--------------------------------|--------------|------------------------------|--------------|
|                              | <u>Strip Retail Center</u> |             | <u>Community Retail Center</u> |              | <u>"Urban" Retail Center</u> |              |
| Site Size (Acres)            | 2.50                       |             | 10.00                          |              | 4.00                         |              |
| Floor Area Ratio (FAR)       | 0.30                       |             | 0.25                           |              | 0.50                         |              |
| Gross Building Area (GBA)    | 33,000                     |             | 109,000                        |              | 87,000                       |              |
| Density                      | N/A                        |             | N/A                            |              | N/A                          |              |
| Number of Stories            | 1                          |             | 1                              |              | 1                            |              |
| Number of Rooms              | N/A                        |             | N/A                            |              | N/A                          |              |
| Parking Spaces               | 170                        |             | 550                            |              | 440                          |              |
| Parking Ratio (per 1,000 SF) | 5.0                        |             | 5.0                            |              | 5.0                          |              |
| Type                         | Surface                    |             | Surface                        |              | Deck/Structured              |              |
| <u>Development Costs</u>     |                            |             |                                |              |                              |              |
| Land                         | \$20 /SF                   | \$2,178,000 | \$20 /SF                       | \$8,712,000  | \$40 /SF                     | \$6,970,000  |
| Sitework / Amenities         | \$5 /SF                    | \$545,000   | \$5 /SF                        | \$2,178,000  | \$8 /SF                      | \$1,394,000  |
| Parking                      | \$1,500 /Space             | \$255,000   | \$1,500 /Space                 | \$825,000    | \$10,000 /Space              | \$4,400,000  |
| Shell Construction           | \$60 /SF GBA               | \$1,980,000 | \$65 /SF GBA                   | \$7,085,000  | \$75 /SF GBA                 | \$6,525,000  |
| Tenant Improvements/FF&E     | \$15 /SF GBA               | \$495,000   | \$25 /SF GBA                   | \$2,725,000  | \$30 /SF GBA                 | \$2,610,000  |
| Subtotal, Direct Costs       | \$99 /SF GBA               | \$3,275,000 | \$118 /SF GBA                  | \$12,813,000 | \$172 /SF GBA                | \$14,929,000 |
| Add: Indirects/Financing (1) | 30% of Directs             | \$983,000   | 30% of Directs                 | \$3,844,000  | 30% of Directs               | \$4,479,000  |
| Add: Permits and Fees        | \$7 /SF GBA                | \$231,000   | \$7 /SF GBA                    | \$763,000    | \$7 /SF GBA                  | \$609,000    |
| Total Development Costs      | \$202 /SF GBA              | \$6,667,000 | \$240 /SF GBA                  | \$26,132,000 | \$310 /SF GBA                | \$26,987,000 |

(1) Excludes permits and fees.

(2) Per Building Industry Association 2002-2003

Fee Survey for City of San Diego.

**TABLE V-2  
DEVELOPMENT PROTOTYPES  
HOUSING IMPACT FEE NEXUS ANALYSIS  
CITY OF SAN DIEGO, CA**

| <u>Project Description</u>   | <u>Prototype 1</u>   |              | <u>Prototype 2</u>              |              | <u>Prototype 6</u>            |              |
|------------------------------|----------------------|--------------|---------------------------------|--------------|-------------------------------|--------------|
|                              | <u>Garden Office</u> |              | <u>Suburban Mid-Rise Office</u> |              | <u>Urban High-Rise Office</u> |              |
| Site Size (Acres)            | 3.50                 |              | 2.00                            |              | 1.00                          |              |
| Floor Area Ratio (FAR)       | 0.40                 |              | 1.50                            |              | 4.00                          |              |
| Gross Building Area (GBA)    | 61,000               |              | 131,000                         |              | 174,000                       |              |
| Density                      | N/A                  |              | N/A                             |              | N/A                           |              |
| Number of Stories            | 3                    |              | 5                               |              | 10                            |              |
| Number of Rooms              | N/A                  |              | N/A                             |              | N/A                           |              |
| Parking Spaces               | 240                  |              | 520                             |              | 440                           |              |
| Parking Ratio (per 1,000 SF) | 4.0                  |              | 4.0                             |              | 2.5                           |              |
| Type                         | Surface              |              | Deck/Structured                 |              | Subterranean                  |              |
| <u>Development Costs</u>     |                      |              |                                 |              |                               |              |
| Land                         | \$20 /SF             | \$3,049,000  | \$50 /SF                        | \$4,356,000  | \$200 /SF                     | \$8,712,000  |
| Sitework / Amenities         | \$5 /SF              | \$762,000    | \$5 /SF                         | \$436,000    | \$10 /SF                      | \$436,000    |
| Parking                      | \$1,500 /Space       | \$360,000    | \$10,000 /Space                 | \$5,200,000  | \$18,000 /Space               | \$7,920,000  |
| Shell Construction           | \$70 /SF GBA         | \$4,270,000  | \$85 /SF GBA                    | \$11,135,000 | \$100 /SF GBA                 | \$17,400,000 |
| Tenant Improvements/FF&E     | \$25 /SF GBA         | \$1,525,000  | \$35 /SF GBA                    | \$4,585,000  | \$35 /SF GBA                  | \$6,090,000  |
| Subtotal, Direct Costs       | \$113 /SF GBA        | \$6,917,000  | \$163 /SF GBA                   | \$21,356,000 | \$183 /SF GBA                 | \$31,846,000 |
| Add: Indirects/Financing (1) | 30% of Directs       | \$2,075,000  | 30% of Directs                  | \$6,407,000  | 30% of Directs                | \$9,554,000  |
| Add: Permits and Fees        | \$6 /SF GBA          | \$366,000    | \$6 /SF GBA                     | \$786,000    | \$6 /SF GBA                   | \$1,044,000  |
| Total Development Costs      | \$203 /SF GBA        | \$12,407,000 | \$251 /SF GBA                   | \$32,905,000 | \$294 /SF GBA                 | \$51,156,000 |

(1) Excludes permits and fees.

(2) Per Building Industry Association 2002-2003

Fee Survey for City of San Diego.

**TABLE V-2  
DEVELOPMENT PROTOTYPES  
HOUSING IMPACT FEE NEXUS ANALYSIS:  
CITY OF SAN DIEGO, CA**

| <u>Project Description</u>   | <u>Prototype 11</u>      |              | <u>Prototype 9</u>     |              | <u>Prototype 10</u>         |              |
|------------------------------|--------------------------|--------------|------------------------|--------------|-----------------------------|--------------|
|                              | <u>Warehouse/Storage</u> |              | <u>Flex Industrial</u> |              | <u>High-Tech Industrial</u> |              |
| Site Size (Acres)            | 5.00                     |              | 3.50                   |              |                             | 4.00         |
| Floor Area Ratio (FAR)       | 0.35                     |              | 0.35                   |              |                             | 0.35         |
| Gross Building Area (GBA)    | 76,000                   |              | 53,000                 |              |                             | 61,000       |
| Density                      | N/A                      |              | N/A                    |              |                             | N/A          |
| Number of Stories            | 1                        |              | 1 + Mezzanine          |              |                             | 3            |
| Number of Rooms              | N/A                      |              | N/A                    |              |                             | N/A          |
| Parking Spaces               | 190                      |              | 210                    |              |                             | 240          |
| Parking Ratio (per 1,000 SF) | 2.5                      |              | 4.0                    |              |                             | 4.0          |
| Type                         | Surface                  |              | Surface                |              |                             | Surface      |
| <u>Development Costs</u>     |                          |              |                        |              |                             |              |
| Land                         | \$15 /SF                 | \$3,267,000  | \$20 /SF               | \$3,049,000  | \$30 /SF                    | \$5,227,000  |
| Sitework / Amenities         | \$5 /SF                  | \$1,089,000  | \$5 /SF                | \$762,000    | \$5 /SF                     | \$871,000    |
| Parking                      | \$1,500 /Space           | \$285,000    | \$1,500 /Space         | \$315,000    | \$1,500 /Space              | \$360,000    |
| Shell Construction           | \$50 /SF GBA             | \$3,800,000  | \$60 /SF GBA           | \$3,180,000  | \$90 /SF GBA                | \$5,490,000  |
| Tenant Improvements/FF&E     | \$10 /SF GBA             | \$760,000    | \$25 /SF GBA           | \$1,325,000  | \$40 /SF GBA                | \$2,440,000  |
| Subtotal, Direct Costs       | \$78 /SF GBA             | \$5,934,000  | \$105 /SF GBA          | \$5,582,000  | \$150 /SF GBA               | \$9,161,000  |
| Add: Indirects/Financing (1) | 30% of Directs           | \$1,780,000  | 30% of Directs         | \$1,675,000  | 30% of Directs              | \$2,748,000  |
| Add: Permits and Fees        | \$5 /SF GBA              | \$380,000    | \$6 /SF GBA            | \$318,000    | \$6 /SF GBA                 | \$366,000    |
| Total Development Costs      | \$149 /SF GBA            | \$11,361,000 | \$200 /SF GBA          | \$10,624,000 | \$287 /SF GBA               | \$17,502,000 |

(1) Excludes permits and fees.

(2) Per Building Industry Association 2002-2003

Fee Survey for City of San Diego.

**TABLE V-2  
DEVELOPMENT PROTOTYPES  
HOUSING IMPACT FEE NEXUS ANALYSIS  
CITY OF SAN DIEGO, CA**

| <u>Project Description</u>   | <u>Prototype 4</u>         |              | <u>Prototype 5</u>                 |              |
|------------------------------|----------------------------|--------------|------------------------------------|--------------|
|                              | <u>Extended-Stay Hotel</u> |              | <u>Full-Service Mid-Rise Hotel</u> |              |
| Site Size (Acres)            | 3.00                       |              |                                    | 2.00         |
| Floor Area Ratio (FAR)       | 0.80                       |              |                                    | 2.50         |
| Gross Building Area (GBA)    | 105,000                    |              |                                    | 218,000      |
| Density                      | N/A                        |              |                                    | N/A          |
| Number of Stories            | 3                          |              |                                    | 7            |
| Number of Rooms              | 150                        |              |                                    | 250          |
| Parking Spaces               | 180                        |              |                                    | 250          |
| Parking Ratio (per 1,000 SF) | 1.2                        |              |                                    | 1.0          |
| Type                         | Surface                    |              |                                    | Structured   |
| <u>Development Costs</u>     |                            |              |                                    |              |
| Land                         | \$30 /SF                   | \$3,920,000  | \$50 /SF                           | \$4,356,000  |
| Sitework / Amenities         | \$8 /SF                    | \$1,045,000  | \$8 /SF                            | \$697,000    |
| Parking                      | \$1,500 /Space             | \$270,000    | \$15,000 /Space                    | \$3,750,000  |
| Shell Construction           | \$80 /SF GBA               | \$8,400,000  | \$120 /SF GBA                      | \$26,160,000 |
| Tenant Improvements/FF&E     | \$10,000 Per Room          | \$1,500,000  | \$25,000 Per Room                  | \$6,250,000  |
| Subtotal, Direct Costs       | \$107 /SF GBA              | \$11,215,000 | \$169 /SF GBA                      | \$36,857,000 |
| Add: Indirects/Financing (1) | 30% of Directs             | \$3,365,000  | 30% of Directs                     | \$11,057,000 |
| Add: Permits and Fees        | \$7 /SF GBA                | \$735,000    | \$7 /SF GBA                        | \$1,526,000  |
| Total Development Costs      | \$183 /SF GBA              | \$19,235,000 | \$247 /SF GBA                      | \$53,796,000 |

(1) Excludes permits and fees.

(2) Per Building Industry Association 2002-2003  
Fee Survey for City of San Diego.

**TABLE V-3  
OTHER JOBS HOUSING LINKAGE PROGRAMS  
HOUSING IMPACT FEE NEXUS ANALYSIS  
CITY OF SAN DIEGO**

| HIGH FEE CITIES                  |                                |   |  |  |                  |  |
|----------------------------------|--------------------------------|---|--|--|------------------|--|
| Jurisdiction                     | Yr. Adopted /Updated           | Current Fee Levels per SF   | Thresholds & Exemptions  | Build Option/ Other  | Market Strength  | Comments   |
| City of Palo Alto                | 1984<br>Updated in March 2002. | <ul style="list-style-type: none"> <li>Commercial &amp; Industrial \$15.58</li> </ul>   | No Minimum Threshold<br>Churches; colleges and universities; comm'l recreation; hospitals, convalescent facilities; private clubs, lodges. fraternal org 's; private educational facilities; and public facilities are exempt. | Yes  | Very Substantial | Fee is adjusted annually based on CPI.   |
| City and County of San Francisco | 1981<br>Updated fees in 2002   | <ul style="list-style-type: none"> <li>Office \$14.96</li> <li>Hotel \$11.21</li> <li>Retail \$13.95</li> </ul>   | 25,000 gross SF threshold.<br>Excludes: redevelopment areas and Port.  | Yes, may contribute land for housing.                        | Very Substantial | \$40 million raised  |
| City of Menlo Park               | 1998                           | <ul style="list-style-type: none"> <li>Commercial &amp; Industrial \$10.00.</li> <li>Warehousing, printing, assembly \$5.45</li> </ul>  | 10,000 gross SF Threshold<br>Churches, private clubs, lodges, fraternal orgs and public facilities are exempt.   | Yes, may provide housing on- or off-site.                    | Very Substantial | Fee is adjusted annually based on CPI.   |
| MEDIUM FEE CITIES                |                                |   |  |  |                  |  |
| Jurisdiction                     | Yr. Adopted /Updated           | Current Fee Levels per SF   | Thresholds & Exemptions  | Build Option/ Other  | Market Strength  | Comments   |
| City of Mountain View            | 2001                           | <ul style="list-style-type: none"> <li>Office/Industrial \$6.00</li> <li>Hotel \$2.00</li> <li>Retail \$2.00</li> </ul>   | Fee is 50% less if building meets thresholds:<br>Office <10,000 sf<br>Hotel <25,000 sf<br>Retail <25,000 sf  | Yes  | Very Substantial |  |
| County of Marin                  | 2003                           | <ul style="list-style-type: none"> <li>Office/R&amp;D \$7.19</li> <li>Retail/Rest \$5.40</li> <li>Warehouse \$1.95</li> <li>Hotel/Motel \$1,746/room</li> <li>Manufacturing \$3.74</li> </ul>   | No minimum threshold.  | Yes, preferred   | Substantial      |  |
| City of St. Helena               | 2004                           | <ul style="list-style-type: none"> <li>Office \$3.40 *</li> <li>Comm /Retail \$4.30 *</li> <li>Hotel \$3.14 *</li> <li>Winery/Industrial \$1.05 * (See comments).</li> </ul>  | Small childcare facilities, churches, non-profits, vineyards, and public facilities are exempt   | Yes, subject to City Council approval.                       | Substantial      | * Fee will be phased-in over 3 time periods. Fees listed are full fees, starting in October 2005   |
| City of Oakland                  | 2002                           | <ul style="list-style-type: none"> <li>Office/ Warehouse \$4.00</li> </ul>  | 25,000 sf exemption  | Yes - Can build units equal to total eligible sf times .0004 | Moderate         | Fee will be effective July 1, 2005 Fee due in 3 installments. Fee will be adjusted with an annual escalator tied to residential construction cost increases. |
| Town of Corte Madera             | 2001                           | <ul style="list-style-type: none"> <li>Office \$4.79</li> <li>R&amp;D lab \$3.20</li> <li>Light Industrial \$2.79</li> <li>Warehouse \$0.40</li> <li>Retail \$8.38</li> <li>Com Services \$1.20</li> <li>Restaurant \$4.39</li> <li>Hotel \$1.20</li> </ul> | No Minimum Threshold.  | NA   | Substantial      |  |

**TABLE V-3 (cont'd)**  
**OTHER JOBS HOUSING LINKAGE PROGRAMS**  
**HOUSING IMPACT FEE NEXUS ANALYSIS**  
**CITY OF SAN DIEGO**

| City of Berkeley                   | 1993  | <ul style="list-style-type: none"> <li>All Commercial \$4.00</li> <li>Industrial \$2.00</li> </ul>  | 7,500 SF threshold   | Yes  | Substantial           | Fee has not changed since 1993; may negotiate fee downward based on hardship or reduced impact.   |
|------------------------------------|---|---|--|--|-----------------------|---|
| City of Sunnyvale                  | 1984<br>Updated in 2003                                   | <ul style="list-style-type: none"> <li>Industrial &amp; Office \$8</li> </ul>   | Applies only to the portion of the project that is in excess of allowable FAR (typically 0.35:1) | NA   | Very Substantial      | Fee had not changed since the 1980's. until fee was recently raised from \$7.19.  |
| City of Santa Monica               | 1984<br>Updated fees in 2002.                             | <ul style="list-style-type: none"> <li>Office only</li> <li>\$3.87 per square foot for first 15,000 sf</li> <li>\$8.61 per square foot in excess of 15,000 sf.</li> </ul>   | 15,000 sf exemption for new construction. 10,000 sf exemption for additions.                     | N/A  | Very Substantial      |   |
| City of Walnut Creek               | 2005  | <ul style="list-style-type: none"> <li>Office, retail, hotel and medical \$5.00</li> </ul>  | First 500 sq ft No fee applied.  | Yes  | Very Substantial      | Recommendation of Planning Commission going to Council January 2005.  |
| <b>LOW FEE CITIES</b>              |   |   |  |  |                       |   |
| Jurisdiction                       | Yr. Adopted /Updated                                      | Current Fee Levels per SF   | Thresholds & Exemptions  | Build Option/ Other  | Market Strength       | Comments  |
| City of Alameda                    | 1989  | <ul style="list-style-type: none"> <li>Office \$3.63</li> <li>Retail \$1.84</li> <li>Warehouse \$0.63</li> <li>Hotel/Motel \$931 per room</li> </ul>  | No Minimum Threshold   | Yes. Program specifies number of units per 100,000 square feet.              | Moderate              | Fee may be adjusted by CPI  |
| City of Petaluma                   | 2003  | <ul style="list-style-type: none"> <li>Commercial \$2.08 *</li> <li>Industrial \$2.15 *</li> <li>Retail \$3.59 *</li> </ul> (See Comments)  | Fee is 50% less if located in redevelopment project area   | NA   | Moderate/ Substantial | * Fee will be phased-in over 3 years beginning 2005. Fees listed are full fees, starting in 2007.   |
| City of San Diego                  | 1990<br>Fees reduced in mid 90s; have not been readjusted | <ul style="list-style-type: none"> <li>Office \$1.06</li> <li>Hotel \$0.64</li> <li>R&amp;D \$0.80</li> <li>Retail \$0.64</li> <li>Manufacturing \$0.64</li> <li>Warehouse \$0.27</li> </ul>                                      | No Minimum Threshold.<br><br>No exempted uses. Does not exclude some geographic areas.           | Can dedicate land or air rights in lieu of fee.                              | Substantial           | Since 1990, \$33 million raised. Update in process.   |
| County of Napa (Also City of Napa) | County – Updated 2004<br>City 1999                        | <ul style="list-style-type: none"> <li>Office \$2.00</li> <li>Hotel \$3.00</li> <li>Retail \$2.00</li> <li>Industrial \$1.00</li> <li>Warehouse \$0.80</li> </ul>   | No Minimum Threshold<br><br>Non-profits are exempt.  | Units or land dedication; on a case by case basis.                           | Moderate/ Substantial | There is a companion fee of 1% of construction costs on all residential construction. Napa City rates not updated to these levels yet.            |
| City and County of Sacramento      | 1989  | <ul style="list-style-type: none"> <li>Office \$0.99</li> <li>Hotel \$0.94</li> <li>R&amp;D \$0.84</li> <li>Commercial \$0.79</li> <li>Manufacturing \$0.62</li> <li>Warehouse/Office \$0.36</li> <li>Warehouse \$0.27</li> </ul> | No Minimum Threshold.<br><br>Service uses operated by non-profits are exempt.                    | Pay 20% fee plus build at reduced nexus (Not meaningful given amount of fee) | Moderate              | Applies to all non-residential construction; alternate fees for North Natomas area. Since 1989, raised more than \$11 million. Update in process. |
| City of Livermore                  | 1999  | <ul style="list-style-type: none"> <li>Retail \$0.81</li> <li>Service Retail \$0.61</li> <li>Office \$0.52</li> <li>Hotel \$397 per room</li> <li>Manufacturing \$0.25</li> <li>Warehouse \$0.07</li> </ul>                       | No Minimum Threshold<br><br>Church; private or public schools.                                   | Yes; negotiated on a case-by-case basis.                                     | Moderate              |   |

TABLE V-3 (cont'd)  
 OTHER JOBS HOUSING LINKAGE PROGRAMS  
 HOUSING IMPACT FEE NEXUS ANALYSIS  
 CITY OF SAN DIEGO

|                    |      |  |                      |    |                  |   |
|--------------------|------|--|----------------------|----|------------------|---|
|                    |      | <ul style="list-style-type: none"> <li>• Business Park \$0.52</li> <li>• Heavy Industrial \$0.26</li> <li>• Light Industrial \$0.16</li> </ul> |                      |    |                  |   |
| City of Pleasanton |      | <ul style="list-style-type: none"> <li>• Commercial, Office &amp; Industrial \$2.31 sq. ft.</li> </ul>   | No Minimum Threshold | NA | Moderate         | Fee increased in 2003.                                    |
| City of Cupertino  | 1993 | <ul style="list-style-type: none"> <li>• Office &amp; Industrial \$2.25</li> </ul>   | No Minimum Threshold | NA | Very Substantial | Fee is adjusted annually based on CPI. Update in process. |

Programs Pending: San Mateo  
 San Rafael

## Appendices

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APPENDIX TABLE 1  
 2002 NATIONAL OFFICE WORKER DISTRIBUTION BY OCCUPATION  
 HOUSING IMPACT FEE NEXUS ANALYSIS  
 CITY OF SAN DIEGO, CA

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| Major Occupations (3% or more)                    | 2002 National<br>Office Industry<br>Occupation Distribution |             |
|---|---|-------------|
| Management Occupations                            | 1,719,290   | 9.0%        |
| Business and Financial Operations Occupations     | 1,981,360   | 10.4%       |
| Computer and Mathematical Science Occupations     | 1,529,750   | 8.0%        |
| Architecture and Engineering Occupations          | 806,100   | 4.2%        |
| Legal Occupations                                 | 616,570   | 3.2%        |
| Healthcare Practitioner and Technical Occupations | 1,478,010   | 7.7%        |
| Healthcare Support Occupations                    | 751,610   | 3.9%        |
| Sales and Related Occupations                     | 1,231,970   | 6.4%        |
| Office and Administrative Support Occupations     | 6,792,620   | 35.5%       |
| Installation, Maintenance, and Repair Occupations | 579,000   | 3.0%        |
| All Other Office Related Occupations              | <u>1,621,130</u>  | <u>8.5%</u> |
| <b>INDUSTRY TOTAL</b>                             | 19,107,410  | 100.0%      |

APPENDIX TABLE 2  
 AVERAGE ANNUAL COMPENSATION, 2003  
 OFFICE WORKER OCCUPATIONS  
 HOUSING IMPACT FEE NEXUS ANALYSIS  
 CITY OF SAN DIEGO, CA

| Occupation <sup>3</sup>  | 2003 Avg.<br>Compensation <sup>1</sup> | % of Total<br>Occupation<br>Group <sup>2</sup> | % of Total<br>Office<br>Workers |
|--|--|--|---------------------------------|
| <i>Management Occupations</i>  |  |  |                                 |
| Chief Executives   | \$153,000                              | 7.7%   | 0.7%                            |
| General and Operations Managers  | \$106,100                              | 23.2%  | 2.1%                            |
| Marketing Managers   | \$102,300                              | 4.7%   | 0.4%                            |
| Sales Managers   | \$97,100                               | 4.8%   | 0.4%                            |
| Administrative Services Managers   | \$67,300                               | 4.8%   | 0.4%                            |
| Computer and Information Systems Managers                                    | \$94,100                               | 7.8%   | 0.7%                            |
| Financial Managers   | \$91,400                               | 14.0%  | 1.3%                            |
| Property, Real Estate, and Community Association Managers                    | \$55,900                               | 7.4%   | 0.7%                            |
| All Other Management Occupations   | <u>\$87,600</u>                        | <u>25.6%</u>                                   | <u>2.3%</u>                     |
| <i>Weighted Mean Annual Wage</i>   | <b>\$95,800</b>                        | <b>100.0%</b>                                  | <b>9.0%</b>                     |
| <i>Business and Financial Operations Occupations</i>                         |  |  |                                 |
| Claims Adjusters, Examiners, and Investigators                               | \$41,700                               | 9.4%   | 1.0%                            |
| Management Analysts  | \$62,800                               | 11.0%  | 1.1%                            |
| Accountants and Auditors   | \$54,100                               | 21.1%  | 2.2%                            |
| Financial Analysts   | \$75,500                               | 4.9%   | 0.5%                            |
| Insurance Underwriters   | \$50,100                               | 4.6%   | 0.5%                            |
| Loan Officers  | \$57,900                               | 9.2%   | 1.0%                            |
| All Other Business and Financial Operations Occupations (avg all categories) | <u>\$55,400</u>                        | <u>39.7%</u>                                   | <u>4.1%</u>                     |
| <i>Weighted Mean Annual Wage</i>   | <b>\$55,600</b>                        | <b>100.0%</b>                                  | <b>10.4%</b>                    |
| <i>Computer and Mathematical Science Occupations</i>                         |  |  |                                 |
| Computer Programmers   | \$69,400                               | 17.4%  | 1.4%                            |
| Computer Software Engineers, Applications                                    | \$78,100                               | 15.8%  | 1.3%                            |
| Computer Software Engineers, Systems Software                                | \$77,900                               | 10.0%  | 0.8%                            |
| Computer Support Specialists   | \$43,500                               | 15.0%  | 1.2%                            |
| Computer Systems Analysts  | \$67,900                               | 15.8%  | 1.3%                            |
| Network and Computer Systems Administrators                                  | \$61,200                               | 8.0%   | 0.6%                            |
| Network Systems and Data Communications Analysts                             | \$65,200                               | 5.0%   | 0.4%                            |
| All Other Computer and Mathematical Occupations (avg all categories)         | <u>\$67,700</u>                        | <u>12.9%</u>                                   | <u>1.0%</u>                     |
| <i>Weighted Mean Annual Wage</i>   | <b>\$66,400</b>                        | <b>100.0%</b>                                  | <b>8.0%</b>                     |
| <i>Architecture and Engineering Occupations</i>                              |  |  |                                 |
| Architects, Except Landscape and Naval                                       | \$66,200                               | 9.4%   | 0.4%                            |
| Surveyors  | \$54,500                               | 5.2%   | 0.2%                            |
| Civil Engineers  | \$70,700                               | 13.3%  | 0.6%                            |
| Electrical Engineers   | \$79,800                               | 5.5%   | 0.2%                            |
| Electronics Engineers, Except Computer                                       | \$81,200                               | 4.1%   | 0.2%                            |
| Mechanical Engineers   | \$69,800                               | 5.2%   | 0.2%                            |
| Architectural and Civil Drafters   | \$42,800                               | 9.4%   | 0.4%                            |
| Civil Engineering Technicians  | \$49,800                               | 4.7%   | 0.2%                            |
| Electrical and Electronic Engineering Technicians                            | \$46,900                               | 4.8%   | 0.2%                            |
| Surveying and Mapping Technicians  | \$41,600                               | 4.8%   | 0.2%                            |
| All Other Architecture and Engineering Occupations (avg all categories)      | <u>\$64,200</u>                        | <u>33.5%</u>                                   | <u>1.4%</u>                     |
| <i>Weighted Mean Annual Wage</i>   | <b>\$62,000</b>                        | <b>100.0%</b>                                  | <b>4.2%</b>                     |
| <i>Legal Occupations</i>   |  |  |                                 |
| Lawyers  | \$110,800                              | 61.0%  | 2.0%                            |
| Paralegals and Legal Assistants  | \$48,000                               | 25.8%  | 0.8%                            |
| Title Examiners, Abstractors, and Searchers                                  | \$47,100                               | 6.9%   | 0.2%                            |
| All Other Legal and Related Occupations                                      | <u>\$48,300</u>                        | <u>6.3%</u>                                    | <u>0.2%</u>                     |
| <i>Weighted Mean Annual Wage</i>   | <b>\$86,300</b>                        | <b>100.0%</b>                                  | <b>3.2%</b>                     |

| Occupation <sup>3</sup>  | 2003 Avg.<br>Compensation <sup>1</sup> | % of Total<br>Occupation<br>Group <sup>2</sup> | % of Total<br>Office<br>Workers |
|--|--|--|---------------------------------|
| <i>Healthcare Practitioner and Technical Occupations</i>                                     |  |  |                                 |
| Dentists   | \$84,400                               | 5.8%   | 0.5%                            |
| Family and General Practitioners   | \$131,300                              | 5.0%   | 0.4%                            |
| Registered Nurses  | \$59,000                               | 16.7%  | 1.3%                            |
| Dental Hygienists  | \$81,600                               | 9.7%   | 0.8%                            |
| Radiologic Technologists and Technicians   | \$46,400                               | 4.1%   | 0.3%                            |
| Licensed Practical and Licensed Vocational Nurses  | \$36,900                               | 6.7%   | 0.5%                            |
| All Other Healthcare Practitioners and Technical Occupations (avg all categories)            | <u>\$61,800</u>                        | <u>51.9%</u>                                   | <u>4.0%</u>                     |
| <i>Weighted Mean Annual Wage</i>   | <b>\$65,800</b>                        | <b>100.0%</b>                                  | <b>7.7%</b>                     |
| <i>Healthcare Support Occupations</i>  |  |  |                                 |
| Dental Assistants  | \$33,200                               | 34.0%  | 1.3%                            |
| Medical Assistants   | \$26,900                               | 34.6%  | 1.4%                            |
| Medical Transcriptionists  | \$32,700                               | 5.4%   | 0.2%                            |
| Veterinary Assistants and Laboratory Animal Caretakers                                       | \$19,200                               | 7.3%   | 0.3%                            |
| All Other Health Care Support Occupations (avg all categories)                               | <u>\$25,500</u>                        | <u>18.6%</u>                                   | <u>0.7%</u>                     |
| <i>Weighted Mean Annual Wage</i>   | <b>\$28,500</b>                        | <b>100.0%</b>                                  | <b>3.9%</b>                     |
| <i>Sales and Related Occupations</i>   |  |  |                                 |
| First-Line Supervisors/Managers of Non-Retail Sales Workers                                  | \$62,000                               | 5.0%   | 0.3%                            |
| Retail Salespersons  | \$25,100                               | 5.1%   | 0.3%                            |
| Insurance Sales Agents   | \$50,600                               | 21.8%  | 1.4%                            |
| Securities, Commodities, and Financial Services Sales Agents                                 | \$76,300                               | 4.4%   | 0.3%                            |
| Sales Representatives, Wholesale and Manufacturing, Technical and Scientific Products        | \$67,400                               | 4.3%   | 0.3%                            |
| Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products | \$53,800                               | 7.2%   | 0.5%                            |
| Real Estate Sales Agents   | \$53,200                               | 8.1%   | 0.5%                            |
| Telemarketers  | \$23,600                               | 7.1%   | 0.5%                            |
| All Other Sales and Related Occupations (avg all categories)                                 | <u>\$33,900</u>                        | <u>37.1%</u>                                   | <u>2.4%</u>                     |
| <i>Weighted Mean Annual Wage</i>   | <b>\$44,000</b>                        | <b>100.0%</b>                                  | <b>6.4%</b>                     |
| <i>Office and Administrative Support Occupations</i>   |  |  |                                 |
| First-Line Supervisors/Managers of Office and Administrative Support Workers                 | \$44,400                               | 7.3%   | 2.6%                            |
| Bookkeeping, Accounting, and Auditing Clerks   | \$32,000                               | 7.1%   | 2.5%                            |
| Tellers  | \$22,500                               | 7.3%   | 2.6%                            |
| Customer Service Representatives   | \$29,800                               | 11.0%  | 3.9%                            |
| Receptionists and Information Clerks   | \$23,700                               | 6.9%   | 2.4%                            |
| Executive Secretaries and Administrative Assistants  | \$38,700                               | 6.6%   | 2.3%                            |
| Secretaries, Except Legal, Medical, and Executive  | \$30,000                               | 6.7%   | 2.4%                            |
| Office Clerks, General   | \$24,600                               | 10.7%  | 3.8%                            |
| All Other Office and Admin Support Occupations (avg all categories)                          | <u>\$29,700</u>                        | <u>36.6%</u>                                   | <u>13.0%</u>                    |
| <i>Weighted Mean Annual Wage</i>   | <b>\$30,100</b>                        | <b>100.0%</b>                                  | <b>35.5%</b>                    |
| <i>Installation, Maintenance, and Repair Occupations</i>                                     |  |  |                                 |
| First-Line Supervisors/Managers of Mechanics, Installers, and Repairers                      | \$55,800                               | 7.6%   | 0.2%                            |
| Telecommunications Equipment Installers and Repairers, Except Line Installers                | \$46,900                               | 19.7%  | 0.6%                            |
| Maintenance and Repair Workers, General  | \$31,300                               | 40.4%  | 1.2%                            |
| Telecommunications Line Installers and Repairers   | \$43,200                               | 10.9%  | 0.3%                            |
| All Other Installation, Maintenance, and Repair Occupations (avg all categories)             | <u>\$39,100</u>                        | <u>21.3%</u>                                   | <u>0.6%</u>                     |
| <i>Weighted Mean Annual Wage</i>   | <b>\$39,200</b>                        | <b>100.0%</b>                                  | <b>3.0%</b>                     |
|  |  |  | <hr/> <hr/> 91.5%               |

<sup>1</sup> The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

<sup>2</sup> Occupation percentages are based on the 2002 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages have been updated to 3rd Quarter 2003. OES 2002 - San Diego MSA (San Diego County).

<sup>3</sup> Including Occupations representing 4% or more of the major occupation group.

APPENDIX TABLE 3  
 2002 NATIONAL HOTEL WORKER DISTRIBUTION BY OCCUPATION  
 HOUSING IMPACT FEE NEXUS ANALYSIS  
 CITY OF SAN DIEGO, CA

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| Major Occupations (3% or more)                            | 2002 National<br>Hotel Industry<br>Occupation Distribution |              |
|---|--|--------------|
| Management Occupations                                    | 81,980   | 5.0%         |
| Food Preparation and Serving Related Occupations          | 475,690  | 29.1%        |
| Building and Grounds Cleaning and Maintenance Occupations | 493,760  | 30.2%        |
| Personal Care and Service Occupations                     | 66,600   | 4.1%         |
| Office and Administrative Support Occupations             | 281,830  | 17.2%        |
| Installation, Maintenance, and Repair Occupations         | 65,080   | 4.0%         |
| All Other Hotel Related Occupations                       | <u>172,290</u>   | <u>10.5%</u> |
| <b>INDUSTRY TOTAL</b>                                     | 1,637,230  | 100.0%       |

APPENDIX TABLE 4  
 AVERAGE ANNUAL COMPENSATION, 2003  
 HOTEL WORKER OCCUPATIONS  
 HOUSING IMPACT FEE NEXUS ANALYSIS  
 CITY OF SAN DIEGO, CA

| Occupation <sup>3</sup>   | 2003 Avg.<br>Compensation <sup>1</sup> | % of Total<br>Occupation<br>Group <sup>2</sup> | % of Total<br>Hotel<br>Workers |
|---|--|--|--------------------------------|
| <i>Management Occupations</i>   |  |  |                                |
| General and Operations Managers   | \$106,100                              | 18.8%  | 0.9%                           |
| Sales Managers  | \$97,100                               | 10.8%  | 0.5%                           |
| Financial Managers  | \$91,400                               | 5.4%   | 0.3%                           |
| Food Service Managers   | \$43,900                               | 14.7%  | 0.7%                           |
| Lodging Managers  | \$64,100                               | 31.5%  | 1.6%                           |
| All Other Management Occupations  | <u>\$87,600</u>                        | <u>18.8%</u>                                   | <u>0.9%</u>                    |
|   | <b>Weighted Mean Annual Wage</b>       | <b>100.0%</b>                                  | <b>5.0%</b>                    |
|   | <b>\$78,500</b>                        |  |                                |
| <i>Food Preparation and Serving Related Occupations</i>                 |  |  |                                |
| First-Line Supervisors/Managers of Food Preparation and Serving Workers | \$27,100                               | 4.2%   | 1.2%                           |
| Cooks, Restaurant   | \$20,200                               | 11.5%  | 3.3%                           |
| Food Preparation Workers  | \$18,400                               | 4.1%   | 1.2%                           |
| Bartenders  | \$16,900                               | 8.2%   | 2.4%                           |
| Waiters and Waitresses  | \$18,000                               | 29.3%  | 8.5%                           |
| Food Servers, Nonrestaurant   | \$16,700                               | 8.5%   | 2.5%                           |
| Dining Room and Cafeteria Attendants and Bartender Helpers              | \$17,000                               | 9.4%   | 2.7%                           |
| Dishwashers   | \$16,500                               | 8.3%   | 2.4%                           |
| Hosts and Hostesses, Restaurant, Lounge, and Coffee Shop                | \$17,300                               | 4.6%   | 1.3%                           |
| Food Preparation and Serving Related Workers, All Other                 | <u>\$19,600</u>                        | <u>11.9%</u>                                   | <u>3.5%</u>                    |
|   | <b>Weighted Mean Annual Wage</b>       | <b>100.0%</b>                                  | <b>29.1%</b>                   |
|   | <b>\$18,400</b>                        |  |                                |
| <i>Building and Grounds Cleaning and Maintenance Occupations</i>        |  |  |                                |
| First-Line Supervisors/Managers of Housekeeping and Janitorial Workers  | \$32,400                               | 6.5%   | 2.0%                           |
| Janitors and Cleaners, Except Maids and Housekeeping Cleaners           | \$21,300                               | 9.9%   | 3.0%                           |
| Maids and Housekeeping Cleaners   | \$18,200                               | 78.7%  | 23.7%                          |
| All Other Building and Grounds Cleaning and Maintenance Workers         | <u>\$27,700</u>                        | <u>4.9%</u>                                    | <u>1.5%</u>                    |
|   | <b>Weighted Mean Annual Wage</b>       | <b>100.0%</b>                                  | <b>30.2%</b>                   |
|   | <b>\$19,900</b>                        |  |                                |
| <i>Personal Care and Service Occupations</i>                            |  |  |                                |
| First-Line Supervisors/Managers of Personal Service Workers             | \$34,700                               | 5.0%   | 0.2%                           |
| Amusement and Recreation Attendants                                     | \$17,500                               | 12.6%  | 0.5%                           |
| Baggage Porters and Bellhops  | \$18,500                               | 36.1%  | 1.5%                           |
| Concierges  | \$28,700                               | 10.6%  | 0.4%                           |
| Fitness Trainers and Aerobics Instructors                               | \$34,200                               | 4.4%   | 0.2%                           |
| Recreation Workers  | \$21,500                               | 4.8%   | 0.2%                           |
| Personal Care and Service Workers, All Other                            | <u>\$27,000</u>                        | <u>26.5%</u>                                   | <u>1.1%</u>                    |
|   | <b>Weighted Mean Annual Wage</b>       | <b>100.0%</b>                                  | <b>4.1%</b>                    |
|   | <b>\$23,400</b>                        |  |                                |

| Occupation <sup>3</sup>  | 2003 Avg.<br>Compensation <sup>1</sup> | % of Total<br>Occupation<br>Group <sup>2</sup> | % of Total<br>Hotel<br>Workers |
|--|--|--|--------------------------------|
| <i>Office and Administrative Support Occupations</i>                         |  |  |                                |
| First-Line Supervisors/Managers of Office and Administrative Support Workers | \$44,400                               | 6.5%   | 1.1%                           |
| Switchboard Operators, Including Answering Service                           | \$22,500                               | 4.1%   | 0.7%                           |
| Bookkeeping, Accounting, and Auditing Clerks                                 | \$32,000                               | 7.6%   | 1.3%                           |
| Hotel, Motel, and Resort Desk Clerks   | \$21,300                               | 58.1%  | 10.0%                          |
| Reservation and Transportation Ticket Agents and Travel Clerks               | \$30,400                               | 4.4%   | 0.8%                           |
| All Other Office and Admin Support Occupations (avg all categories)          | <u>\$29,700</u>                        | <u>19.2%</u>                                   | <u>3.3%</u>                    |
| <b>Weighted Mean Annual Wage</b>   | <b>\$25,700</b>                        | <b>100.0%</b>                                  | <b>17.2%</b>                   |
| <i>Installation, Maintenance, and Repair Occupations</i>                     |  |  |                                |
| First-Line Supervisors/Managers of Mechanics, Installers, and Repairers      | \$55,800                               | 6.8%   | 0.3%                           |
| Maintenance and Repair Workers, General                                      | \$31,300                               | 82.3%  | 3.3%                           |
| Installation, Maintenance, and Repair Workers, All Other                     | <u>\$36,700</u>                        | <u>10.9%</u>                                   | <u>0.4%</u>                    |
| <b>Weighted Mean Annual Wage</b>   | <b>\$33,500</b>                        | <b>100.0%</b>                                  | <b>4.0%</b>                    |
|  |  |  | 89.5%                          |

<sup>1</sup> The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

<sup>2</sup> Occupation percentages are based on the 2002 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages have been updated to 3rd Quarter 2003. OES 2002 - San Diego MSA (San Diego County).

<sup>3</sup> including Occupations representing 4% or more of the major occupation group.

APPENDIX TABLE 5  
 2002 NATIONAL RETAIL WORKER DISTRIBUTION BY OCCUPATION  
 HOUSING IMPACT FEE NEXUS ANALYSIS  
 CITY OF SAN DIEGO, CA

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| Major Occupations (3% or more)                            | 2002 National Retail Industry Occupation Distribution |             |
|---|---|-------------|
| Management Occupations                                    | 1,177,680   | 3.5%        |
| Food Preparation and Serving Related Occupations          | 7,911,860   | 23.7%       |
| Building and Grounds Cleaning and Maintenance Occupations | 1,665,580   | 5.0%        |
| Sales and Related Occupations                             | 9,206,490   | 27.6%       |
| Office and Administrative Support Occupations             | 4,610,860   | 13.8%       |
| Installation, Maintenance, and Repair Occupations         | 1,512,290   | 4.5%        |
| Production Occupations                                    | 1,465,640   | 4.4%        |
| Transportation and Material Moving Occupations            | 3,053,480   | 9.1%        |
| All Other Retail Related Occupations                      | <u>2,804,390</u>                                      | <u>8.4%</u> |
| <b>INDUSTRY TOTAL</b>                                     | 33,408,270  | 100.0%      |

APPENDIX TABLE 6  
AVERAGE ANNUAL COMPENSATION, 2003  
RETAIL WORKER OCCUPATIONS  
HOUSING IMPACT FEE NEXUS ANALYSIS  
CITY OF SAN DIEGO, CA

| Occupation <sup>3</sup>  | 2003 Avg.<br>Compensation <sup>1</sup> | % of Total<br>Occupation<br>Group <sup>2</sup> | % of Total<br>Retail<br>Workers |
|--|--|--|---------------------------------|
| <i>Management Occupations</i>  |  |  |                                 |
| Chief Executives   | \$153,000                              | 5.9%   | 0.2%                            |
| General and Operations Managers  | \$106,100                              | 47.4%  | 1.7%                            |
| Sales Managers   | \$97,100                               | 7.2%   | 0.3%                            |
| Food Service Managers  | \$43,900                               | 16.5%  | 0.6%                            |
| All Other Management Occupations   | <u>\$87,600</u>                        | <u>22.9%</u>                                   | <u>0.8%</u>                     |
| <i>Weighted Mean Annual Wage</i>   | <b>\$93,700</b>                        | <b>100.0%</b>                                  | <b>3.5%</b>                     |
| <i>Food Preparation and Serving Related Occupations</i>                          |  |  |                                 |
| First-Line Supervisors/Managers of Food Preparation and Serving Workers          | \$27,100                               | 6.5%   | 1.5%                            |
| Cooks, Fast Food   | \$16,300                               | 7.2%   | 1.7%                            |
| Cooks, Restaurant  | \$20,200                               | 7.9%   | 1.9%                            |
| Food Preparation Workers   | \$18,400                               | 6.7%   | 1.6%                            |
| Bartenders   | \$16,900                               | 4.2%   | 1.0%                            |
| Combined Food Preparation and Serving Workers, Including Fast Food               | \$16,200                               | 22.9%  | 5.4%                            |
| Counter Attendants, Cafeteria, Food Concession, and Coffee Shop                  | \$17,400                               | 4.5%   | 1.1%                            |
| Waiters and Waitresses   | \$18,000                               | 22.6%  | 5.4%                            |
| Dishwashers  | \$16,500                               | 4.9%   | 1.2%                            |
| All Other Food Preparation and Serving Related Occupations                       | <u>\$19,600</u>                        | <u>12.7%</u>                                   | <u>3.0%</u>                     |
| <i>Weighted Mean Annual Wage</i>   | <b>\$18,300</b>                        | <b>100.0%</b>                                  | <b>23.7%</b>                    |
| <i>Building and Grounds Cleaning and Maintenance Occupations</i>                 |  |  |                                 |
| Janitors and Cleaners, Except Maids and Housekeeping Cleaners                    | \$21,300                               | 51.2%  | 2.6%                            |
| Maids and Housekeeping Cleaners  | \$18,200                               | 8.7%   | 0.4%                            |
| Landscaping and Groundskeeping Workers   | \$21,700                               | 24.9%  | 1.2%                            |
| All Other Building and Grounds Occupations (avg all categories)                  | <u>\$22,200</u>                        | <u>15.2%</u>                                   | <u>0.8%</u>                     |
| <i>Weighted Mean Annual Wage</i>   | <b>\$21,300</b>                        | <b>100.0%</b>                                  | <b>5.0%</b>                     |
| <i>Sales and Related Occupations</i>   |  |  |                                 |
| First-Line Supervisors/Managers of Retail Sales Workers                          | \$40,200                               | 11.6%  | 3.2%                            |
| Cashiers   | \$20,400                               | 33.6%  | 9.2%                            |
| Retail Salespersons  | \$25,100                               | 39.4%  | 10.8%                           |
| All Other Sales and Related Occupations (avg all categories)                     | <u>\$33,900</u>                        | <u>15.5%</u>                                   | <u>4.3%</u>                     |
| <i>Weighted Mean Annual Wage</i>   | <b>\$26,600</b>                        | <b>100.0%</b>                                  | <b>27.6%</b>                    |
| <i>Office and Administrative Support Occupations</i>                             |  |  |                                 |
| First-Line Supervisors/Managers of Office and Administrative Support Workers     | \$44,400                               | 4.7%   | 0.7%                            |
| Bookkeeping, Accounting, and Auditing Clerks                                     | \$32,000                               | 7.8%   | 1.1%                            |
| Customer Service Representatives   | \$29,800                               | 9.8%   | 1.4%                            |
| Receptionists and Information Clerks   | \$23,700                               | 4.3%   | 0.6%                            |
| Shipping, Receiving, and Traffic Clerks  | \$25,300                               | 4.9%   | 0.7%                            |
| Stock Clerks and Order Fillers   | \$23,100                               | 23.5%  | 3.2%                            |
| Secretaries, Except Legal, Medical, and Executive                                | \$30,000                               | 4.7%   | 0.6%                            |
| Office Clerks, General   | \$24,600                               | 12.1%  | 1.7%                            |
| All Other Office and Administrative Support Occupations (avg all categories)     | <u>\$29,700</u>                        | <u>28.1%</u>                                   | <u>3.9%</u>                     |
| <i>Weighted Mean Annual Wage</i>   | <b>\$28,000</b>                        | <b>100.0%</b>                                  | <b>13.8%</b>                    |
| <i>Installation, Maintenance, and Repair Occupations</i>                         |  |  |                                 |
| First-Line Supervisors/Managers of Mechanics, Installers, and Repairers          | \$55,800                               | 7.7%   | 0.3%                            |
| Automotive Body and Related Repairers  | \$41,700                               | 10.7%  | 0.5%                            |
| Automotive Service Technicians and Mechanics                                     | \$38,000                               | 37.8%  | 1.7%                            |
| Bus and Truck Mechanics and Diesel Engine Specialists                            | \$43,800                               | 4.1%   | 0.2%                            |
| Tire Repairers and Changers  | \$20,800                               | 4.8%   | 0.2%                            |
| Maintenance and Repair Workers, General  | \$31,300                               | 7.0%   | 0.3%                            |
| All Other Installation, Maintenance, and Repair Occupations (avg all categories) | <u>\$39,100</u>                        | <u>28.0%</u>                                   | <u>1.3%</u>                     |
| <i>Weighted Mean Annual Wage</i>   | <b>\$39,000</b>                        | <b>100.0%</b>                                  | <b>4.5%</b>                     |

| Occupation <sup>3</sup>                                  | 2003 Avg. Compensation <sup>1</sup> | % of Total Occupation Group <sup>2</sup> | % of Total Retail Workers |
|--|-------------------------------------|--|---------------------------|
| <i>Production Occupations</i>                            |                                     |  |                           |
| Team Assemblers  | \$21,900                            | 6.0%                                     | 0.3%                      |
| Bakers   | \$23,600                            | 6.8%                                     | 0.3%                      |
| Butchers and Meat Cutters                                | \$31,300                            | 7.3%                                     | 0.3%                      |
| Laundry and Dry-Cleaning Workers                         | \$18,700                            | 7.8%                                     | 0.3%                      |
| Pressers, Textile, Garment, and Related Materials        | \$17,400                            | 4.8%                                     | 0.2%                      |
| Inspectors, Testers, Sorters, Samplers, and Weighers     | \$31,000                            | 4.0%                                     | 0.2%                      |
| Packaging and Filling Machine Operators and Tenders      | \$20,200                            | 6.3%                                     | 0.3%                      |
| Helpers--Production Workers                              | \$18,300                            | 8.5%                                     | 0.4%                      |
| All Other Production Occupations (avg all categories)    | <u>\$26,700</u>                     | <u>48.5%</u>                             | <u>2.1%</u>               |
| <i>Weighted Mean Annual Wage</i>                         | <b>\$24,500</b>                     | <b>100.0%</b>                            | <b>4.4%</b>               |
| <i>Transportation and Material Moving Occupations</i>    |                                     |  |                           |
| Driver/Sales Workers                                     | \$24,400                            | 6.3%                                     | 0.6%                      |
| Truck Drivers, Heavy and Tractor-Trailer                 | \$35,000                            | 4.8%                                     | 0.4%                      |
| Truck Drivers, Light Or Delivery Services                | \$25,400                            | 16.2%                                    | 1.5%                      |
| Cleaners of Vehicles and Equipment                       | \$18,800                            | 7.9%                                     | 0.7%                      |
| Laborers and Freight, Stock, and Material Movers, Hand   | \$20,300                            | 30.5%                                    | 2.8%                      |
| Packers and Packagers, Hand                              | \$17,700                            | 15.5%                                    | 1.4%                      |
| All Other Transportation and Material Moving Occupations | <u>\$29,100</u>                     | <u>18.8%</u>                             | <u>1.7%</u>               |
| <i>Weighted Mean Annual Wage</i>                         | <b>\$23,200</b>                     | <b>100.0%</b>                            | <b>9.1%</b>               |
|  |                                     |  | <b>91.6%</b>              |

<sup>1</sup> The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

<sup>2</sup> Occupation percentages are based on the 2002 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages have been updated to 3rd Quarter 2003. OES 2002 - San Diego MSA (San Diego County)

<sup>3</sup> Including Occupations representing 4% or more of the major occupation group.

APPENDIX TABLE 7  
 2002 NATIONAL MEDICAL WORKER DISTRIBUTION BY OCCUPATION  
 HOUSING IMPACT FEE NEXUS ANALYSIS  
 CITY OF SAN DIEGO, CA

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| Major Occupations (3% or more)                            | 2002 National<br>Medical Industry<br>Occupation Distribution |             |
|---|--|-------------|
| Management Occupations                                    | 266,060  | 3.7%        |
| Community and Social Services Occupations                 | 224,250  | 3.2%        |
| Healthcare Practitioner and Technical Occupations         | 3,098,000  | 43.6%       |
| Healthcare Support Occupations                            | 1,344,220  | 18.9%       |
| Food Preparation and Serving Related Occupations          | 340,610  | 4.8%        |
| Building and Grounds Cleaning and Maintenance Occupations | 327,960  | 4.6%        |
| Office and Administrative Support Occupations             | 938,770  | 13.2%       |
| All Other Medical Related Occupations                     | <u>562,530</u>   | <u>7.9%</u> |
| <b>INDUSTRY TOTAL</b>                                     | 7,102,400  | 100.0%      |

APPENDIX TABLE B  
 AVERAGE ANNUAL COMPENSATION, 2003  
 MEDICAL WORKER OCCUPATIONS  
 HOUSING IMPACT FEE NEXUS ANALYSIS  
 CITY OF SAN DIEGO, CA

| Occupation <sup>3</sup>  | 2003 Avg.<br>Compensation <sup>1</sup> | % of Total<br>Occupation<br>Group <sup>2</sup> | % of Total<br>Medical<br>Workers |
|--|--|--|----------------------------------|
| <i>Management Occupations</i>  |  |  |                                  |
| Chief Executives   | \$153,000                              | 4.4%   | 0.2%                             |
| General and Operations Managers  | \$106,100                              | 11.6%  | 0.4%                             |
| Administrative Services Managers   | \$67,300                               | 6.7%   | 0.3%                             |
| Financial Managers   | \$91,400                               | 5.0%   | 0.2%                             |
| Medical and Health Services Managers   | \$88,700                               | 43.5%  | 1.6%                             |
| Social and Community Service Managers  | \$57,300                               | 4.3%   | 0.2%                             |
| All Other Management Occupations   | <u>\$87,600</u>                        | <u>24.6%</u>                                   | <u>0.9%</u>                      |
| <b>Weighted Mean Annual Wage</b>   | <b>\$90,600</b>                        | <b>100.0%</b>                                  | <b>3.7%</b>                      |
| <i>Community and Social Services Occupations</i>                                 |  |  |                                  |
| Substance Abuse and Behavioral Disorder Counselors                               | \$24,500                               | 8.2%   | 0.3%                             |
| Mental Health Counselors   | \$38,200                               | 12.1%  | 0.4%                             |
| Rehabilitation Counselors  | \$30,400                               | 5.0%   | 0.2%                             |
| Child, Family, and School Social Workers   | \$37,200                               | 5.9%   | 0.2%                             |
| Medical and Public Health Social Workers   | \$44,700                               | 22.0%  | 0.7%                             |
| Mental Health and Substance Abuse Social Workers                                 | \$32,600                               | 14.4%  | 0.5%                             |
| Health Educators   | \$42,500                               | 5.2%   | 0.2%                             |
| Social and Human Service Assistants  | \$25,200                               | 14.0%  | 0.4%                             |
| All Other Community and Social Service Occupations (avg all categories)          | <u>\$37,200</u>                        | <u>13.4%</u>                                   | <u>0.4%</u>                      |
| <b>Weighted Mean Annual Wage</b>   | <b>\$35,500</b>                        | <b>100.0%</b>                                  | <b>3.2%</b>                      |
| <i>Healthcare Practitioner and Technical Occupations</i>                         |  |  |                                  |
| Registered Nurses  | \$59,000                               | 49.2%  | 21.5%                            |
| Licensed Practical and Licensed Vocational Nurses                                | \$36,900                               | 12.7%  | 5.5%                             |
| All Other Healthcare Practitioner and Technical Occupations (avg all categories) | <u>\$61,800</u>                        | <u>38.1%</u>                                   | <u>16.6%</u>                     |
| <b>Weighted Mean Annual Wage</b>   | <b>\$57,300</b>                        | <b>100.0%</b>                                  | <b>43.6%</b>                     |
| <i>Healthcare Support Occupations</i>  |  |  |                                  |
| Home Health Aides  | \$20,400                               | 4.0%   | 0.8%                             |
| Nursing Aides, Orderlies, and Attendants   | \$22,600                               | 71.5%  | 13.5%                            |
| Medical Assistants   | \$26,900                               | 5.3%   | 1.0%                             |
| All Other Healthcare Support Occupations (avg all categories)                    | <u>\$25,500</u>                        | <u>19.2%</u>                                   | <u>3.6%</u>                      |
| <b>Weighted Mean Annual Wage</b>   | <b>\$23,300</b>                        | <b>100.0%</b>                                  | <b>18.9%</b>                     |
| <i>Food Preparation and Serving Related Occupations</i>                          |  |  |                                  |
| First-Line Supervisors/Managers of Food Preparation and Serving Workers          | \$27,100                               | 6.6%   | 0.3%                             |
| Cooks, Institution and Cafeteria   | \$23,700                               | 24.0%  | 1.2%                             |
| Food Preparation Workers   | \$18,400                               | 28.5%  | 1.4%                             |
| Combined Food Preparation and Serving Workers, Including Fast Food               | \$16,200                               | 4.7%   | 0.2%                             |
| Food Servers, Nonrestaurant  | \$16,700                               | 17.9%  | 0.9%                             |
| Dining Room and Cafeteria Attendants and Bartender Helpers                       | \$17,000                               | 4.6%   | 0.2%                             |
| Dishwashers  | \$16,500                               | 5.4%   | 0.3%                             |
| All Other Food Preparation and Serving Related Occupations (avg all categories)  | <u>\$18,000</u>                        | <u>8.3%</u>                                    | <u>0.4%</u>                      |
| <b>Weighted Mean Annual Wage</b>   | <b>\$19,600</b>                        | <b>100.0%</b>                                  | <b>4.8%</b>                      |

| Occupation <sup>3</sup>  | 2003 Avg.<br>Compensation <sup>1</sup> | % of Total<br>Occupation<br>Group <sup>2</sup> | % of Total<br>Medical<br>Workers |
|--|--|--|----------------------------------|
| <i>Building and Grounds Cleaning and Maintenance Occupations</i>             |  |  |                                  |
| First-Line Supervisors/Managers of Housekeeping and Janitorial Workers       | \$32,400                               | 6.6%   | 0.3%                             |
| Janitors and Cleaners, Except Maids and Housekeeping Cleaners                | \$21,300                               | 25.0%  | 1.2%                             |
| Maids and Housekeeping Cleaners  | \$18,200                               | 63.9%  | 3.0%                             |
| All Other Building and Grounds Occupations (avg all categories)              | <u>\$22,200</u>                        | <u>4.4%</u>                                    | <u>0.2%</u>                      |
| <b>Weighted Mean Annual Wage</b>   | <b>\$20,100</b>                        | <b>100.0%</b>                                  | <b>4.6%</b>                      |
| <i>Office and Administrative Support Occupations</i>                         |  |  |                                  |
| First-Line Supervisors/Managers of Office and Administrative Support Workers | \$44,400                               | 6.2%   | 0.8%                             |
| Billing and Posting Clerks and Machine Operators                             | \$29,000                               | 5.2%   | 0.7%                             |
| Bookkeeping, Accounting, and Auditing Clerks                                 | \$32,000                               | 4.6%   | 0.6%                             |
| Interviewers, Except Eligibility and Loan                                    | \$25,100                               | 7.7%   | 1.0%                             |
| Receptionists and Information Clerks   | \$23,700                               | 7.4%   | 1.0%                             |
| Executive Secretaries and Administrative Assistants                          | \$38,700                               | 5.7%   | 0.7%                             |
| Medical Secretaries  | \$28,500                               | 9.6%   | 1.3%                             |
| Secretaries, Except Legal, Medical, and Executive                            | \$30,000                               | 9.5%   | 1.3%                             |
| Office Clerks, General   | \$24,600                               | 15.0%  | 2.0%                             |
| All Other Office and Admin Support Occupations (avg all categories)          | <u>\$29,700</u>                        | <u>29.3%</u>                                   | <u>3.9%</u>                      |
| <b>Weighted Mean Annual Wage</b>   | <b>\$29,500</b>                        | <b>100.0%</b>                                  | <b>13.2%</b>                     |
|  |  |  | <b>92.1%</b>                     |

<sup>1</sup> The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

<sup>2</sup> Occupation percentages are based on the 2002 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages have been updated to 3rd Quarter 2003. OES 2002 - San Diego MSA (San Diego County)

<sup>3</sup> including Occupations representing 4% or more of the major occupation group

APPENDIX TABLE 9  
 2002 NATIONAL INDUSTRIAL / MANUFACTURING WORKER DISTRIBUTION BY OCCUPATION  
 HOUSING IMPACT FEE NEXUS ANALYSIS  
 CITY OF SAN DIEGO, CA

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| Major Occupations (3% or more)                           | 2002 National<br>Industrial / Manufact. Industry<br>Occupation Distribution |             |
|--|---|-------------|
|  | Management Occupations  | 402,830     |
| Business and Financial Operations Occupations            | 255,090   | 5.0%        |
| Computer and Mathematical Science Occupations            | 264,960   | 5.2%        |
| Architecture and Engineering Occupations                 | 597,410   | 11.7%       |
| Life, Physical, and Social Science Occupations           | 235,800   | 4.6%        |
| Office and Administrative Support Occupations            | 583,240   | 11.4%       |
| Installation, Maintenance, and Repair Occupations        | 199,730   | 3.9%        |
| Production Occupations                                   | 2,021,140   | 39.5%       |
| Transportation and Material Moving Occupations           | 217,150   | 4.2%        |
| All Other Industrial / Manufacturing Related Occupations | <u>337,020</u>  | <u>6.6%</u> |
| <b>INDUSTRY TOTAL</b>                                    | 5,114,370   | 100.0%      |

APPENDIX TABLE 10  
 AVERAGE ANNUAL COMPENSATION, 2003  
 INDUSTRIAL / MANUFACTURING WORKER OCCUPATIONS  
 HOUSING IMPACT FEE NEXUS ANALYSIS  
 CITY OF SAN DIEGO, CA

| Occupation <sup>4</sup>  | 2003 Avg.<br>Compensation <sup>1</sup> | % of Total<br>Occupation<br>Group <sup>2</sup> | % of Total<br>Industrial<br>Workers |
|--|--|--|-------------------------------------|
| <i>Management Occupations</i>  |  |  |                                     |
| Chief Executives   | \$153,000                              | 5.7%   | 0.4%                                |
| General and Operations Managers  | \$106,100                              | 20.4%  | 1.6%                                |
| Marketing Managers   | \$102,300                              | 6.3%   | 0.5%                                |
| Sales Managers   | \$97,100                               | 5.9%   | 0.5%                                |
| Computer and Information Systems Managers                                    | \$94,100                               | 6.5%   | 0.5%                                |
| Financial Managers   | \$91,400                               | 7.2%   | 0.6%                                |
| Human Resources Managers   | \$75,300                               | 4.3%   | 0.3%                                |
| Industrial Production Managers   | \$79,100                               | 12.9%  | 1.0%                                |
| Engineering Managers   | \$106,700                              | 13.9%  | 1.1%                                |
| All Other Management Occupations   | <u>\$87,600</u>                        | <u>17.0%</u>                                   | <u>1.3%</u>                         |
|  | <b>Weighted Mean Annual Wage</b>       | <b>100.0%</b>                                  | <b>7.9%</b>                         |
| <i>Business and Financial Operations Occupations</i>                         |  |  |                                     |
| Purchasing Agents, Except Wholesale, Retail, and Farm Products               | \$53,700                               | 18.7%  | 0.9%                                |
| Cost Estimators  | \$56,800                               | 4.3%   | 0.2%                                |
| Training and Development Specialists   | \$50,700                               | 4.0%   | 0.2%                                |
| Management Analysts  | \$62,800                               | 9.8%   | 0.5%                                |
| Accountants and Auditors   | \$54,100                               | 15.1%  | 0.8%                                |
| Financial Analysts   | \$75,500                               | 4.8%   | 0.2%                                |
| All Other Business and Financial Operations Occupations (avg all categories) | <u>\$55,400</u>                        | <u>43.2%</u>                                   | <u>2.2%</u>                         |
|  | <b>Weighted Mean Annual Wage</b>       | <b>100.0%</b>                                  | <b>5.0%</b>                         |
| <i>Computer and Mathematical Science Occupations</i>                         |  |  |                                     |
| Computer Programmers   | \$69,400                               | 8.3%   | 0.4%                                |
| Computer Software Engineers, Applications                                    | \$78,100                               | 17.8%  | 0.9%                                |
| Computer Software Engineers, Systems Software                                | \$77,900                               | 15.6%  | 0.8%                                |
| Computer Support Specialists   | \$43,500                               | 10.7%  | 0.6%                                |
| Computer Systems Analysts  | \$67,900                               | 9.6%   | 0.5%                                |
| Network and Computer Systems Administrators                                  | \$61,200                               | 5.4%   | 0.3%                                |
| All Other Computer and Mathematical Occupations (avg all categories)         | <u>\$67,700</u>                        | <u>32.6%</u>                                   | <u>1.7%</u>                         |
|  | <b>Weighted Mean Annual Wage</b>       | <b>100.0%</b>                                  | <b>5.2%</b>                         |
| <i>Architecture and Engineering Occupations</i>                              |  |  |                                     |
| Aerospace Engineers <sup>3</sup>   | \$69,800                               | 8.2%   | 1.0%                                |
| Computer Hardware Engineers  | \$83,600                               | 4.9%   | 0.6%                                |
| Electrical Engineers   | \$79,800                               | 8.4%   | 1.0%                                |
| Electronics Engineers, Except Computer                                       | \$81,200                               | 7.6%   | 0.9%                                |
| Industrial Engineers   | \$65,800                               | 9.2%   | 1.1%                                |
| Mechanical Engineers   | \$69,800                               | 10.1%  | 1.2%                                |
| Electrical and Electronic Engineering Technicians                            | \$46,900                               | 12.0%  | 1.4%                                |
| Industrial Engineering Technicians   | \$52,700                               | 4.3%   | 0.5%                                |
| All Other Architecture and Engineering Occupations (avg all categories)      | <u>\$64,200</u>                        | <u>35.4%</u>                                   | <u>4.1%</u>                         |
|  | <b>Weighted Mean Annual Wage</b>       | <b>100.0%</b>                                  | <b>11.7%</b>                        |
| <i>Life, Physical, and Social Science Occupations</i>                        |  |  |                                     |
| Biochemists and Biophysicists  | \$63,900                               | 5.7%   | 0.3%                                |
| Medical Scientists, Except Epidemiologists                                   | \$74,800                               | 14.7%  | 0.7%                                |
| Chemists   | \$56,800                               | 18.5%  | 0.9%                                |
| Market Research Analysts   | \$62,700                               | 6.5%   | 0.3%                                |
| Biological Technicians   | \$38,200                               | 11.8%  | 0.5%                                |
| Chemical Technicians   | \$39,900                               | 9.5%   | 0.4%                                |
| All Other Life Science Occupations   | <u>\$56,300</u>                        | <u>33.3%</u>                                   | <u>1.5%</u>                         |
|  | <b>Weighted Mean Annual Wage</b>       | <b>100.0%</b>                                  | <b>4.6%</b>                         |

| Occupation <sup>4</sup>  | 2003 Avg. Compensation <sup>1</sup> | % of Total Occupation Group <sup>2</sup> | % of Total Industrial Workers |
|--|-------------------------------------|--|-------------------------------|
| <i>Office and Administrative Support Occupations</i>                         |                                     |  |                               |
| First-Line Supervisors/Managers of Office and Administrative Support Workers | \$44,400                            | 5.8%                                     | 0.7%                          |
| Bookkeeping, Accounting, and Auditing Clerks                                 | \$32,000                            | 8.3%                                     | 0.9%                          |
| Customer Service Representatives   | \$29,800                            | 6.9%                                     | 0.8%                          |
| Production, Planning, and Expediting Clerks                                  | \$36,000                            | 8.9%                                     | 1.0%                          |
| Shipping, Receiving, and Traffic Clerks                                      | \$25,300                            | 11.8%                                    | 1.3%                          |
| Stock Clerks and Order Fillers   | \$23,100                            | 6.8%                                     | 0.8%                          |
| Executive Secretaries and Administrative Assistants                          | \$38,700                            | 11.5%                                    | 1.3%                          |
| Secretaries, Except Legal, Medical, and Executive                            | \$30,000                            | 8.1%                                     | 0.9%                          |
| Office Clerks, General   | \$24,600                            | 10.6%                                    | 1.2%                          |
| All Other Office and Admin Support Occupations (avg all categories)          | <u>\$29,700</u>                     | <u>21.3%</u>                             | <u>2.4%</u>                   |
| <i>Weighted Mean Annual Wage</i>   | <b>\$30,900</b>                     | <b>100.0%</b>                            | <b>11.4%</b>                  |
| <i>Installation, Maintenance, and Repair Occupations</i>                     |                                     |  |                               |
| First-Line Supervisors/Managers of Mechanics, Installers, and Repairers      | \$55,800                            | 7.0%                                     | 0.3%                          |
| Electrical and Electronics Repairers, Commercial and Industrial Equipment    | \$42,400                            | 7.1%                                     | 0.3%                          |
| Aircraft Mechanics and Service Technicians                                   | \$43,800                            | 7.1%                                     | 0.3%                          |
| Industrial Machinery Mechanics   | \$41,900                            | 10.8%                                    | 0.4%                          |
| Maintenance and Repair Workers, General                                      | \$31,300                            | 32.7%                                    | 1.3%                          |
| Maintenance Workers, Machinery   | \$36,000                            | 6.3%                                     | 0.2%                          |
| All Other Installation, Maintenance, and Repair Occupations                  | <u>\$36,700</u>                     | <u>29.0%</u>                             | <u>1.1%</u>                   |
| <i>Weighted Mean Annual Wage</i>   | <b>\$37,700</b>                     | <b>100.0%</b>                            | <b>3.9%</b>                   |
| <i>Production Occupations</i>  |                                     |  |                               |
| First-Line Supervisors/Managers of Production and Operating Workers          | \$48,700                            | 7.1%                                     | 2.8%                          |
| Electrical and Electronic Equipment Assemblers                               | \$22,800                            | 9.8%                                     | 3.9%                          |
| Team Assemblers  | \$21,900                            | 11.5%                                    | 4.6%                          |
| Machinists   | \$34,200                            | 8.4%                                     | 3.3%                          |
| Inspectors, Testers, Sorters, Samplers, and Weighers                         | \$31,000                            | 6.2%                                     | 2.5%                          |
| All Other Production Occupations (avg all categories)                        | <u>\$26,700</u>                     | <u>57.0%</u>                             | <u>22.5%</u>                  |
| <i>Weighted Mean Annual Wage</i>   | <b>\$28,200</b>                     | <b>100.0%</b>                            | <b>39.5%</b>                  |
| <i>Transportation and Material Moving Occupations</i>                        |                                     |  |                               |
| Driver/Sales Workers   | \$24,400                            | 4.4%                                     | 0.2%                          |
| Truck Drivers, Heavy and Tractor-Trailer                                     | \$35,000                            | 7.4%                                     | 0.3%                          |
| Truck Drivers, Light Or Delivery Services                                    | \$25,400                            | 8.9%                                     | 0.4%                          |
| Industrial Truck and Tractor Operators                                       | \$28,400                            | 13.1%                                    | 0.6%                          |
| Laborers and Freight, Stock, and Material Movers, Hand                       | \$20,300                            | 30.2%                                    | 1.3%                          |
| Machine Feeders and Offbearers   | \$19,100                            | 6.9%                                     | 0.3%                          |
| Packers and Packagers, Hand  | \$17,700                            | 15.9%                                    | 0.7%                          |
| All Transportation and Material Moving Occupations (avg all categories)      | <u>\$26,000</u>                     | <u>13.3%</u>                             | <u>0.6%</u>                   |
| <i>Weighted Mean Annual Wage</i>   | <b>\$23,300</b>                     | <b>100.0%</b>                            | <b>4.2%</b>                   |

93.4%

<sup>1</sup> The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

<sup>2</sup> Occupation percentages are based on the 2002 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages have been updated to 3rd Quarter 2003. OES 2002 - San Diego MSA (San Diego County).

<sup>3</sup> Wage data for aerospace engineers was unavailable. data for mechanical engineers was substituted.

<sup>4</sup> including Occupations representing 4% or more of the major occupation group.

APPENDIX TABLE 11  
 2002 NATIONAL WAREHOUSING AND STORAGE WORKER DISTRIBUTION BY OCCUPATION  
 HOUSING IMPACT FEE NEXUS ANALYSIS  
 CITY OF SAN DIEGO, CA

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| Major Occupations (3% or more)                      | 2002 National<br>Warehousing & Storage Industry<br>Occupation Distribution |             |
|---|--|-------------|
| Management Occupations                              | 337,680  | 6.7%        |
| Business and Financial Operations Occupations       | 153,690  | 3.0%        |
| Sales and Related Occupations                       | 1,097,850  | 21.8%       |
| Office and Administrative Support Occupations       | 1,247,380  | 24.7%       |
| Installation, Maintenance, and Repair Occupations   | 351,650  | 7.0%        |
| Production Occupations                              | 337,920  | 6.7%        |
| Transportation and Material Moving Occupations      | 1,142,020  | 22.6%       |
| All Other Warehousing & Storage Related Occupations | <u>374,670</u>   | <u>7.4%</u> |
| <b>INDUSTRY TOTAL</b>                               | 5,042,860  | 100.0%      |

APPENDIX TABLE 12  
 AVERAGE ANNUAL COMPENSATION, 2003  
 WAREHOUSING AND STORAGE WORKER OCCUPATIONS  
 HOUSING IMPACT FEE NEXUS ANALYSIS  
 CITY OF SAN DIEGO, CA

| Occupation <sup>3</sup>  | 2003 Avg. Compensation <sup>1</sup> | % of Total Occupation Group <sup>2</sup> | % of Total Warehouse / Storage Workers |
|--|-------------------------------------|--|--|
| <i>Management Occupations</i>  |                                     |  |  |
| Chief Executives   | \$153,000                           | 6.6%                                     | 0.4%                                   |
| General and Operations Managers  | \$106,100                           | 41.4%                                    | 2.8%                                   |
| Sales Managers   | \$97,100                            | 12.5%                                    | 0.8%                                   |
| Computer and Information Systems Managers  | \$94,100                            | 4.4%                                     | 0.3%                                   |
| Financial Managers   | \$91,400                            | 8.6%                                     | 0.6%                                   |
| Purchasing Managers  | \$79,100                            | 4.8%                                     | 0.3%                                   |
| Transportation, Storage, and Distribution Managers   | \$65,100                            | 4.5%                                     | 0.3%                                   |
| All Other Management Occupations   | <u>\$87,600</u>                     | <u>17.2%</u>                             | <u>1.2%</u>                            |
|  | <b>Weighted Mean Annual Wage</b>    | <b>\$100,000</b>                         | <b>100.0%</b>                          |
| <i>Business and Financial Operations Occupations</i>   |                                     |  |  |
| Wholesale and Retail Buyers, Except Farm Products  | \$46,000                            | 29.7%                                    | 0.9%                                   |
| Purchasing Agents, Except Wholesale, Retail, and Farm Products                               | \$53,700                            | 6.1%                                     | 0.2%                                   |
| Accountants and Auditors   | \$54,100                            | 23.3%                                    | 0.7%                                   |
| All Other Business and Financial Operations Occupations (avg all categories)                 | <u>\$55,400</u>                     | <u>40.8%</u>                             | <u>1.2%</u>                            |
|  | <b>Weighted Mean Annual Wage</b>    | <b>\$52,200</b>                          | <b>100.0%</b>                          |
| <i>Sales and Related Occupations</i>   |                                     |  |  |
| First-Line Supervisors/Managers of Non-Retail Sales Workers                                  | \$62,000                            | 7.7%                                     | 1.7%                                   |
| Parts Salespersons   | \$31,500                            | 5.1%                                     | 1.1%                                   |
| Retail Salespersons  | \$25,100                            | 6.0%                                     | 1.3%                                   |
| Sales Representatives, Wholesale and Manufacturing, Technical and Scientific Products        | \$67,400                            | 13.8%                                    | 3.0%                                   |
| Sales Representatives, Wholesale and Manufacturing, Except Technical and Scientific Products | \$53,800                            | 52.9%                                    | 11.5%                                  |
| All Other Sales and Related Occupations (avg all categories)                                 | <u>\$33,900</u>                     | <u>14.4%</u>                             | <u>3.1%</u>                            |
|  | <b>Weighted Mean Annual Wage</b>    | <b>\$50,600</b>                          | <b>100.0%</b>                          |
| <i>Office and Administrative Support Occupations</i>   |                                     |  |  |
| First-Line Supervisors/Managers of Office and Administrative Support Workers                 | \$44,400                            | 6.1%                                     | 1.5%                                   |
| Bookkeeping, Accounting, and Auditing Clerks   | \$32,000                            | 9.2%                                     | 2.3%                                   |
| Customer Service Representatives   | \$29,800                            | 7.9%                                     | 2.0%                                   |
| Order Clerks   | \$28,300                            | 6.3%                                     | 1.6%                                   |
| Shipping, Receiving, and Traffic Clerks  | \$25,300                            | 14.5%                                    | 3.6%                                   |
| Stock Clerks and Order Fillers   | \$23,100                            | 18.3%                                    | 4.5%                                   |
| Secretaries, Except Legal, Medical, and Executive  | \$30,000                            | 4.4%                                     | 1.1%                                   |
| Office Clerks, General   | \$24,600                            | 10.6%                                    | 2.6%                                   |
| All Other Office and Administrative Support Occupations (avg all categories)                 | <u>\$29,700</u>                     | <u>22.7%</u>                             | <u>5.6%</u>                            |
|  | <b>Weighted Mean Annual Wage</b>    | <b>\$28,300</b>                          | <b>100.0%</b>                          |
| <i>Installation, Maintenance, and Repair Occupations</i>                                     |                                     |  |  |
| First-Line Supervisors/Managers of Mechanics, Installers, and Repairers                      | \$55,800                            | 8.3%                                     | 0.6%                                   |
| Computer, Automated Teller, and Office Machine Repairers                                     | \$38,400                            | 13.7%                                    | 1.0%                                   |
| Automotive Service Technicians and Mechanics   | \$38,000                            | 4.5%                                     | 0.3%                                   |
| Bus and Truck Mechanics and Diesel Engine Specialists  | \$43,800                            | 9.8%                                     | 0.7%                                   |
| Farm Equipment Mechanics   | \$35,900                            | 6.6%                                     | 0.5%                                   |
| Mobile Heavy Equipment Mechanics, Except Engines   | \$46,300                            | 10.5%                                    | 0.7%                                   |
| Maintenance and Repair Workers, General  | \$31,300                            | 14.4%                                    | 1.0%                                   |
| All Other Installation, Maintenance, and Repair Occupations (avg all categories)             | <u>\$39,100</u>                     | <u>32.2%</u>                             | <u>2.2%</u>                            |
|  | <b>Weighted Mean Annual Wage</b>    | <b>\$40,200</b>                          | <b>100.0%</b>                          |

| Occupation <sup>3</sup>   | 2003 Avg.<br>Compensation <sup>1</sup> | % of Total<br>Occupation<br>Group <sup>2</sup> | % of Total<br>Warehouse / Storage<br>Workers |
|---|--|--|--|
| <i>Production Occupations</i>   |  |  |  |
| First-Line Supervisors/Managers of Production and Operating Workers           | \$48,700                               | 7.9%   | 0.5%   |
| Team Assemblers   | \$21,900                               | 24.4%  | 1.6%   |
| Machinists  | \$34,200                               | 5.3%   | 0.4%   |
| Welders, Cutters, Solderers, and Brazers                                      | \$32,000                               | 5.0%   | 0.3%   |
| Inspectors, Testers, Sorters, Samplers, and Weighers                          | \$31,000                               | 7.9%   | 0.5%   |
| Packaging and Filling Machine Operators and Tenders                           | \$20,200                               | 8.5%   | 0.6%   |
| All Other Production Occupations (avg all categories)                         | <u>\$26,700</u>                        | <u>40.9%</u>                                   | <u>2.7%</u>                                  |
| <b>Weighted Mean Annual Wage</b>  | <b>\$27,700</b>                        | <b>100.0%</b>                                  | <b>6.7%</b>                                  |
| <i>Transportation and Material Moving Occupations</i>                         |  |  |  |
| Driver/Sales Workers  | \$24,400                               | 8.2%   | 1.8%   |
| Truck Drivers, Heavy and Tractor-Trailer                                      | \$35,000                               | 13.7%  | 3.1%   |
| Truck Drivers, Light Or Delivery Services                                     | \$25,400                               | 14.1%  | 3.2%   |
| Industrial Truck and Tractor Operators  | \$28,400                               | 12.8%  | 2.9%   |
| Laborers and Freight, Stock, and Material Movers, Hand                        | \$20,300                               | 33.2%  | 7.5%   |
| Packers and Packers, Hand   | \$17,700                               | 8.4%   | 1.9%   |
| All Other Transportation and Material Moving Occupations (avg all categories) | <u>\$26,000</u>                        | <u>9.6%</u>                                    | <u>2.2%</u>                                  |
| <b>Weighted Mean Annual Wage</b>  | <b>\$24,700</b>                        | <b>100.0%</b>                                  | <b>22.6%</b>                                 |
|   |  |  | <hr/> <hr/> 92.6%                            |

<sup>1</sup> The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

<sup>2</sup> Occupation percentages are based on the 2002 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages have been updated to 3rd Quarter 2003. OES 2002 - San Diego MSA (San Diego County)

<sup>3</sup> including Occupations representing 4% or more of the major occupation group

APPENDIX TABLE 13  
 2002 NATIONAL EDUCATION WORKER DISTRIBUTION BY OCCUPATION  
 HOUSING IMPACT FEE NEXUS ANALYSIS  
 CITY OF SAN DIEGO, CA

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| Major Occupations (3% or more)                            | 2002 National<br>Education Industry<br>Occupation Distribution |              |
|---|--|--------------|
| Management Occupations                                    | 537,100  | 4.7%         |
| Education, Training, and Library Occupations              | 6,741,190  | 58.6%        |
| Food Preparation and Serving Related Occupations          | 478,480  | 4.2%         |
| Building and Grounds Cleaning and Maintenance Occupations | 553,580  | 4.8%         |
| Office and Administrative Support Occupations             | 1,237,620  | 10.8%        |
| All Other Education Related Occupations                   | <u>1,957,820</u>   | <u>17.0%</u> |
| <b>INDUSTRY TOTAL</b>                                     | 11,505,790   | 100.0%       |

APPENDIX TABLE 14  
 AVERAGE ANNUAL COMPENSATION, 2003  
 EDUCATION WORKER OCCUPATIONS  
 HOUSING IMPACT FEE NEXUS ANALYSIS  
 CITY OF SAN DIEGO, CA

| Occupation <sup>3</sup>  | 2003 Avg. Compensation <sup>1</sup> | % of Total Occupation Group <sup>2</sup> | % of Total Education Workers |
|--|-------------------------------------|--|------------------------------|
| <i>Management Occupations</i>  |                                     |  |                              |
| Chief Executives   | \$153,000                           | 4.3%                                     | 0.2%                         |
| General and Operations Managers  | \$106,100                           | 9.8%                                     | 0.5%                         |
| Administrative Services Managers   | \$67,300                            | 5.0%                                     | 0.2%                         |
| Financial Managers   | \$91,400                            | 4.0%                                     | 0.2%                         |
| Education Administrators, Elementary and Secondary School                    | \$91,500 <sup>4</sup>               | 37.4%                                    | 1.7%                         |
| Education Administrators, Postsecondary                                      | \$78,300                            | 17.6%                                    | 0.8%                         |
| All Other Management Occupations   | <u>\$87,600</u>                     | <u>21.8%</u>                             | <u>1.0%</u>                  |
| <b>Weighted Mean Annual Wage</b>   | <b>\$91,200</b>                     | <b>100.0%</b>                            | <b>4.7%</b>                  |
| <i>Education, Training, and Library Occupations</i>                          |                                     |  |                              |
| Elementary School Teachers, Except Special Education                         | \$49,500 <sup>4</sup>               | 21.1%                                    | 12.4%                        |
| Middle School Teachers, Except Special and Vocational Education              | \$48,700 <sup>4</sup>               | 8.6%                                     | 5.0%                         |
| Secondary School Teachers, Except Special and Vocational Education           | \$53,100 <sup>4</sup>               | 14.5%                                    | 8.5%                         |
| Teacher Assistants   | \$21,200 <sup>4</sup>               | 15.3%                                    | 9.0%                         |
| All Other Education, Training, and Library Occupations (avg all categories)  | <u>\$45,200</u>                     | <u>40.4%</u>                             | <u>23.7%</u>                 |
| <b>Weighted Mean Annual Wage</b>   | <b>\$43,900</b>                     | <b>100.0%</b>                            | <b>58.6%</b>                 |
| <i>Food Preparation and Serving Related Occupations</i>                      |                                     |  |                              |
| First-Line Supervisors/Managers of Food Preparation and Serving Workers      | \$27,100                            | 10.0%                                    | 0.4%                         |
| Cooks, Institution and Cafeteria   | \$23,700                            | 38.1%                                    | 1.6%                         |
| Food Preparation Workers   | \$18,400                            | 17.9%                                    | 0.7%                         |
| Combined Food Preparation and Serving Workers, Including Fast Food           | \$16,200                            | 12.6%                                    | 0.5%                         |
| Counter Attendants, Cafeteria, Food Concession, and Coffee Shop              | \$17,400                            | 10.5%                                    | 0.4%                         |
| Dining Room and Cafeteria Attendants and Bartender Helpers                   | \$17,000                            | 5.4%                                     | 0.2%                         |
| All Other Food Preparation and Serving Occupations (avg all categories)      | <u>\$18,000</u>                     | <u>5.5%</u>                              | <u>0.2%</u>                  |
| <b>Weighted Mean Annual Wage</b>   | <b>\$20,800</b>                     | <b>100.0%</b>                            | <b>4.2%</b>                  |
| <i>Building and Grounds Cleaning and Maintenance Occupations</i>             |                                     |  |                              |
| First-Line Supervisors/Managers of Housekeeping and Janitorial Workers       | \$32,400                            | 7.6%                                     | 0.4%                         |
| Janitors and Cleaners, Except Maids and Housekeeping Cleaners                | \$21,300                            | 81.7%                                    | 3.9%                         |
| Landscaping and Groundskeeping Workers                                       | \$21,700                            | 7.3%                                     | 0.4%                         |
| All Other Building and Grounds Occupations (avg all categories)              | <u>\$22,200</u>                     | <u>3.3%</u>                              | <u>0.2%</u>                  |
| <b>Weighted Mean Annual Wage</b>   | <b>\$22,200</b>                     | <b>100.0%</b>                            | <b>4.8%</b>                  |
| <i>Office and Administrative Support Occupations</i>                         |                                     |  |                              |
| First-Line Supervisors/Managers of Office and Administrative Support Workers | \$44,400                            | 4.4%                                     | 0.5%                         |
| Bookkeeping, Accounting, and Auditing Clerks                                 | \$32,000                            | 6.1%                                     | 0.7%                         |
| Executive Secretaries and Administrative Assistants                          | \$38,700                            | 12.9%                                    | 1.4%                         |
| Secretaries, Except Legal, Medical, and Executive                            | \$30,000                            | 27.9%                                    | 3.0%                         |
| Office Clerks, General   | \$24,600                            | 22.3%                                    | 2.4%                         |
| All Other Office and Admin Support Occupations (avg all categories)          | <u>\$29,700</u>                     | <u>26.3%</u>                             | <u>2.8%</u>                  |
| <b>Weighted Mean Annual Wage</b>   | <b>\$30,600</b>                     | <b>100.0%</b>                            | <b>10.8%</b>                 |
|  |                                     |  | 83.0%                        |

<sup>1</sup> The methodology utilized by the California Employment Development Department (EDD) assumes that hourly paid employees are employed full-time. Annual compensation is calculated by EDD by multiplying hourly wages by 40 hours per work week by 52 weeks.

<sup>2</sup> Occupation percentages are based on the 2002 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages have been updated to 3rd Quarter 2003. OES 2002 - San Diego MSA (San Diego County)

<sup>3</sup> Including Occupations representing 4% or more of the major occupation group

<sup>4</sup> Income distribution data was not available for these education related occupations. Income distribution was estimated assuming the 25th percentile income is 85% of the mean, and the 75th percentile income is 115% of the mean.

APPENDIX TABLE 15  
OCCUPATIONS INCLUDED IN ANALYSIS  
HOUSING IMPACT FEE ANALYSIS  
CITY OF SAN DIEGO, CA

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The occupational breakdown of employment by land use is based on the  
2002 National Industry-Specific Occupational Employment and Wage Estimates  
For these industries/North American Industry Classification System (NAICS) codes:

Office

*General Industry Categories:*  
Information

- Finance and Insurance
- Real Estate and Rental and Leasing
- Professional, Scientific, and Technical Services
- Management of Companies and Enterprises
- Health Care and Social Assistance

*Specific North American Industry Classification System (NAICS) codes:*

- 511200 - Software Publishers
- 516100 - Internet Publishing and Broadcasting
- 517100 - Wired Telecommunications Carriers
- 517200 - Wireless Telecommunications Carriers (except Satellite)
- 517300 - Telecommunications Resellers
- 517900 - Other Telecommunications
- 518100 - Internet Service Providers and Web Search Portals
- 518200 - Data Processing, Hosting, and Related Services
- 519100 - Other Information Services
  
- 522100 - Depository Credit Intermediation
- 522200 - Nondepository Credit Intermediation
- 523900 - Other Financial Investment Activities
- 524100 - Insurance Carriers
- 524200 - Agencies, Brokerages, and Other Insurance Related Activities
  
- 531100 - Lessors of Real Estate
- 531200 - Offices of Real Estate Agents and Brokers
- 531300 - Activities related to Real Estate
  
- 541100 - Legal Services
- 541200 - Accounting, Tax Preparation, Bookkeeping, and Payroll Services
- 541300 - Architectural, Engineering, and Related Services
- 541400 - Specialized Design Services
- 541500 - Computer Systems Design and Related Services
- 541600 - Management, Scientific, and Technical Consulting Services
- 541800 - Advertising and Related Services
- 541900 - Other Professional, Scientific, and Technical Services
  
- 551100 - Management of Companies and Enterprises
  
- 621100 - Offices of Physicians
- 621200 - Offices of Dentists
- 621300 - Offices of Other Health Practitioners
- 621500 - Medical and Diagnostic Laboratories

Hotel

*Specific North American Industry Classification System (NAICS) codes:*

- 721100 - Traveler Accommodation  
(gambling related occupations excluded)

Retail / Entertainment / Services

*General Industry Categories*

Retail Trade  
Transportation and Warehousing  
Information  
Real Estate and Rental and Leasing  
Administrative and Support and Waste Management and Remediation Services  
Arts Entertainment and Recreation  
Accommodation and Food Services  
Other Services

*Specific North American Industry Classification System (NAICS) codes:*

441100 - Automobile Dealers  
441200 - Other Motor Vehicle Dealers  
441300 - Automotive Parts, Accessories, and Tire Stores  
442100 - Furniture Stores  
442200 - Home Furnishings Stores  
443100 - Electronics and Appliance Stores  
444100 - Building Material and Supplies Dealers  
444200 - Lawn and Garden Equipment and Supplies Stores  
445100 - Grocery Stores  
445200 - Specialty Food Stores  
445300 - Beer, Wine, and Liquor Stores  
446100 - Health and Personal Care Stores  
447100 - Gasoline Stations  
448100 - Clothing Stores  
448200 - Shoe Stores  
448300 - Jewelry, Luggage, and Leather Goods Stores  
451100 - Sporting Goods, Hobby, and Musical Instrument Stores  
451200 - Book, Periodical, and Music Stores  
452100 - Department Stores  
452900 - Other General Merchandise Stores  
453100 - Florists  
453200 - Office Supplies, Stationery, and Gift Stores  
453300 - Used Merchandise Stores  
453900 - Other Miscellaneous Store Retailers  
  
492100 - Couriers  
492200 - Local Messengers and Local Delivery  
  
512100 - Motion Picture and Video Industries  
512200 - Sound Recording Industries  
515100 - Radio and Television Broadcasting  
  
532100 - Automotive Equipment Rental and Leasing  
532200 - Consumer Goods Rental  
532300 - General Rental Centers  
532400 - Commercial and Industrial Machinery and Equipment Rental and Leasing  
  
561200 - Facilities Support Services  
561300 - Employment Services  
561400 - Business Support Services  
561500 - Travel Arrangement and Reservation Services  
561700 - Services to Buildings and Dwellings  
561900 - Other Support Services  
  
722100 - Full-Service Restaurants  
722200 - Limited-Service Eating Places  
722300 - Special Food Services  
722400 - Drinking Places (Alcoholic Beverages)  
  
811100 - Automotive Repair and Maintenance  
811200 - Electronic and Precision Equipment Repair and Maintenance  
811400 - Personal and Household Goods Repair and Maintenance  
812100 - Personal Care Services  
812200 - Death Care Services  
812300 - Drycleaning and Laundry Services  
812900 - Other Personal Services

## Medical

### *General Industry Categories:*

Health Care and Social Assistance

### *Specific North American Industry Classification System (NAICS) codes:*

621400 - Outpatient Care Centers  
622100 - General Medical and Surgical Hospitals  
622200 - Psychiatric and Substance Abuse Hospitals  
622300 - Specialty Hospitals  
623100 - Nursing Care Facilities

## Manufacturing / Industrial

### *General Industry Categories:*

Manufacturing

### *Specific North American Industry Classification System (NAICS) codes:*

312100 - Beverage Manufacturing  
325400 - Pharmaceutical and Medicine Manufacturing  
331200 - Steel Product Manufacturing from Purchased Steel  
332500 - Hardware Manufacturing  
332700 - Machine Shops; Turned Product; and Screw, Nut, and Bolt Manufacturing  
332800 - Coating, Engraving, Heat Treating, and Allied Activities  
332900 - Other Fabricated Metal Product Manufacturing  
333500 - Metalworking Machinery Manufacturing  
333600 - Engine, Turbine, and Power Transmission Equipment Manufacturing  
334100 - Computer and Peripheral Equipment Manufacturing  
334200 - Communications Equipment Manufacturing  
334300 - Audio and Visual Equipment Manufacturing  
334400 - Semiconductor and Other Electronic Component Manufacturing  
334500 - Navigational, Measuring, Electromedical, and Control Instruments Manufacturing  
334600 - Manufacturing and Reproducing Magnetic and Optical Media  
335300 - Electrical Equipment Manufacturing  
335900 - Other Electrical Equipment and Component Manufacturing  
336400 - Aerospace Product and Parts Manufacturing  
336600 - Ship and Boat Building  
336900 - Other Transportation Equipment Manufacturing  
339100 - Medical Equipment and Supplies Manufacturing

541700 - Scientific Research and Development Services

## Warehousing and Storage

### *General Industry Categories:*

Wholesale Trade  
Transportation and Warehousing

### *Specific North American Industry Classification System (NAICS) codes:*

423100 - Motor Vehicle and Motor Vehicle Parts and Supplies Merchant Wholesalers  
423200 - Furniture and Home Furnishing Merchant Wholesalers  
423300 - Lumber and Other Construction Materials Merchant Wholesalers  
423400 - Professional and Commercial Equipment and Supplies Merchant Wholesalers  
423600 - Electrical and Electronic Goods Merchant Wholesalers  
423700 - Hardware, and Plumbing and Heating Equipment and Supplies Merchant Wholesalers  
423800 - Machinery, Equipment, and Supplies Merchant Wholesalers  
423900 - Miscellaneous Durable Goods Merchant Wholesalers  
424100 - Paper and Paper Product Merchant Wholesalers  
424200 - Drugs and Druggists' Sundries Merchant Wholesalers  
424300 - Apparel, Piece Goods, and Notions Merchant Wholesalers  
424400 - Grocery and Related Product Wholesalers  
424800 - Beer, Wine, and Distilled Alcoholic Beverage Merchant Wholesalers  
424900 - Miscellaneous Nondurable Goods Merchant Wholesalers

493100 - Warehousing and Storage

## Educational

### *General Industry Categories:*

Educational Services

### *Specific North American Industry Classification System (NAICS) codes:*

611100 - Elementary and Secondary Schools  
611200 - Junior Colleges  
611300 - Colleges, Universities, and Professional Schools  
611400 - Business Schools and Computer and Management Training  
611500 - Technical and Trade Schools  
611700 - Educational Support Services

Pharmaceutical and Medicine Manufacturing employment was double weighted to account for the concentration of this industry in the San Diego region in comparison with its percentage of total nationwide employment for the selected manufacturing / industrial industries

APPENDIX TABLE 16  
 DENSITY ASSUMPTIONS SUPPORT INFORMATION  
 HOUSING IMPACT FEE NEXUS ANALYSIS  
 CITY OF SAN DIEGO, CA

|  | Square Feet per Employee   |  |  |
|--|--|--|--|
|  | HOSPITAL / MEDICAL   | MANUFACTURING / INDUSTRIAL   | WAREHOUSING / STORAGE  |
| Square Feet per Employee   | 300  | 500  | 2000   |
| Source (s)   |  |  |  |
| 1. KMA Sacramento Nexus Analysis.  | Range of 157 to 338, average of 207. Based on survey of 5 hospitals.   | 300 - machinery equipment; 400 - electrical machinery/equipment; 420 - primary & fabricated metals; 700 - transportation equipment | 1,500 sq. ft. per employee. Based on information from the City of Sacramento.                                      |
| 2. Metro (Portland). 1999 Employment Density Study <sup>1</sup>          | 350 - health services (includes medical offices)   | 300 - machinery equipment; 400 - electrical machinery/equipment; 420 - primary & fabricated metals; 700 - transportation equipment | 740 - educational, social, membership services   |
| 3. Trip Generation - Institute for Transportation Engineers <sup>2</sup> | 325 - hospitals; 250 - clinics   | 430 - general light industrial; 540 - manufacturing; 450 - industrial park   | 1080 - elementary school; 1650 - high school; 890 - k-12 private school; 570 - junior/community college            |
| 4. Other   | KMA San Francisco Nexus Analysis. 300 sq. ft. based on UCSF medical center and Kaiser Permanente expansion EIRs. |  | Elementary School NOP, SD Unified School District. 920 Sq. Ft. per employee. (38,000 Sq. Ft. School, 35 employees) |

699 - mean density for training facilities / schools / child care. Employment and Parking in Suburban Business Parks - Gruen Gruen + Associates. 1986.

1 The 1999 Employment + Density Study prepared by the Growth Management Services Department estimated employment densities for a variety of geographic locations in the Greater Portland, OR area. For the businesses in each location, the analysis identified the number of employees per square foot by the SIC classification of the business. The study can be found at the Metro website, [www.metro-region.org](http://www.metro-region.org).  
 2 The Institute for Transportation Engineers publishes a regular "Trip Generation" Study based on surveys conducted for a variety of land uses. The study is widely used by local government planners and engineers across the county.  
 Source: Calculated by dividing average sq.ft. by average no. of employees.

**APPENDIX TABLE 17  
OWNERSHIP UNITS - AFFORDABLE PRICES AT VARYING INCOME LEVELS  
HOUSING IMPACT FEE NEXUS ANALYSIS  
CITY OF SAN DIEGO, CA**

|                                     | 120.0%           | 130.0%           | 140.0%           | 150.0%           |
|-------------------------------------|------------------|------------------|------------------|------------------|
| Percent of AMI                      |                  |                  |                  |                  |
| Family Size                         | 3                | 3                | 3                | 3                |
| Number of Bedrooms                  | 2                | 2                | 2                | 2                |
| Household Income (Rounded)          | \$64,700         | \$70,100         | \$75,500         | \$80,900         |
| Income Allocation to Housing        | 35.0%            | 35.0%            | 35.0%            | 35.0%            |
| Amount Available for Housing        | \$22,645         | \$24,535         | \$26,425         | \$28,315         |
| Annual HOA/Insurance/Utilities (1)  | \$3,500          | \$3,500          | \$3,500          | \$3,500          |
| Tax Rate                            | 1.12%            | 1.12%            | 1.12%            | 1.12%            |
| Annual Taxes (2)                    | \$2,520          | \$2,766          | \$3,013          | \$3,259          |
| Available for Mortgage              | \$16,625         | \$18,269         | \$19,912         | \$21,556         |
| Interest Rate                       | 6.5%             | 6.5%             | 6.5%             | 6.5%             |
| Down Payment                        | 5.0%             | 5.0%             | 5.0%             | 5.0%             |
| Closing Costs                       | 2.5%             | 2.5%             | 2.5%             | 2.5%             |
| Supportable Mortgage                | \$219,188        | \$240,858        | \$262,527        | \$284,197        |
| Add: Down Payment                   | \$11,250         | \$12,350         | \$13,450         | \$14,550         |
| (Less) Closing Costs                | <u>(\$5,625)</u> | <u>(\$6,175)</u> | <u>(\$6,725)</u> | <u>(\$7,275)</u> |
| <b>Maximum Unit Price (Rounded)</b> | <b>\$225,000</b> | <b>\$247,000</b> | <b>\$269,000</b> | <b>\$291,000</b> |

(1) Gross estimate.

(2) Based on affordable unit price. Property tax assessment may be based on market value of actual home.

## Attachment 2

**OTHER JOBS HOUSING LINKAGE PROGRAMS  
HOUSING IMPACT FEE NEXUS ANALYSIS  
CITY OF SAN DIEGO**

| HIGH FEE CITIES                  |                                |   |  |  |                  |   |
|----------------------------------|--------------------------------|---|--|--|------------------|---|
| Jurisdiction                     | Yr. Adopted /Updated           | Current Fee Levels per SF   | Thresholds & Exemptions  | Build Option/ Other  | Market Strength  | Comments  |
| City of Palo Alto                | 1984<br>Updated in March 2002. | <ul style="list-style-type: none"> <li>Commercial &amp; Industrial \$15.58</li> </ul>   | No Minimum Threshold. Churches; colleges and universities; comm'l recreation; hospitals, convalescent facilities; private clubs, lodges, fraternal org 's; private educational facilities; and public facilities are exempt. | Yes  | Very Substantial | Fee is adjusted annually based on CPI.  |
| City and County of San Francisco | 1981<br>Updated fees in 2002   | <ul style="list-style-type: none"> <li>Office \$14.96</li> <li>Hotel \$11.21</li> <li>Retail \$13.95</li> </ul>   | 25,000 gross SF threshold. Excludes: redevelopment areas and Port.   | Yes, may contribute land for housing.                        | Very Substantial | \$40 million raised   |
| City of Menlo Park               | 1998                           | <ul style="list-style-type: none"> <li>Commercial &amp; Industrial \$10.00</li> <li>Warehousing, printing, assembly \$5.45</li> </ul>   | 10,000 gross SF Threshold. Churches, private clubs, lodges, fraternal orgs and public facilities are exempt.   | Yes, may provide housing on- or off-site.                    | Very Substantial | Fee is adjusted annually based on CPI.  |
| MEDIUM FEE CITIES                |                                |   |  |  |                  |   |
| Jurisdiction                     | Yr. Adopted /Updated           | Current Fee Levels per SF   | Thresholds & Exemptions  | Build Option/ Other  | Market Strength  | Comments  |
| City of Mountain View            | 2001                           | <ul style="list-style-type: none"> <li>Office/Industrial \$6.00</li> <li>Hotel \$2.00</li> <li>Retail \$2.00</li> </ul>   | Fee is 50% less if building meets thresholds:<br>Office <10,000 sf<br>Hotel <25,000 sf<br>Retail <25,000 sf  | Yes  | Very Substantial |   |
| County of Marin                  | 2003                           | <ul style="list-style-type: none"> <li>Office/R&amp;D \$7.19</li> <li>Retail/Rest. \$5.40</li> <li>Warehouse \$1.95</li> <li>Hotel/Motel \$1,746/room</li> <li>Manufacturing \$3.74</li> </ul>  | No minimum threshold.  | Yes, preferred.  | Substantial      |   |
| City of Oakland                  | 2002                           | <ul style="list-style-type: none"> <li>Office/ Warehouse \$4.00</li> </ul>  | 25,000 sf exemption  | Yes - Can build units equal to total eligible sf times .0004 | Moderate         | Fee will be effective July 1, 2005. Fee due in 3 installments. Fee will be adjusted with an annual escalator tied to residential construction cost increases. |
| City of Berkeley                 | 1993                           | <ul style="list-style-type: none"> <li>All Commercial \$4.00</li> <li>Industrial \$2.00</li> </ul>  | 7,500 SF threshold.  | Yes.   | Substantial.     | Fee has not changed since 1993; may negotiate fee downward based on hardship or reduced impact.   |
| Town of Corte Madera             | 2001                           | <ul style="list-style-type: none"> <li>Office \$4.79</li> <li>R&amp;D lab \$3.20</li> <li>Light Industrial \$2.79</li> <li>Warehouse \$0.40</li> <li>Retail \$8.38</li> <li>Com Services \$1.20</li> <li>Restaurant \$4.39</li> <li>Hotel \$1.20</li> </ul> | No Minimum Threshold   | NA   | Substantial      |   |
| City of Sunnyvale                | 1984<br>Updated in 2003.       | <ul style="list-style-type: none"> <li>Industrial &amp; Office \$8</li> </ul>   | Applies only to the portion of the project that is in excess of allowable FAR (typically 0.35:1).  | NA   | Very Substantial | Fee had not changed since the 1980's, until fee was recently raised from \$7.19.  |

## Attachment 2

**OTHER JOBS HOUSING LINKAGE PROGRAMS  
HOUSING IMPACT FEE NEXUS ANALYSIS  
CITY OF SAN DIEGO**

| City of Santa Monica          | 1984<br>Updated fees in 2002.                              | <ul style="list-style-type: none"> <li>Office only</li> <li>\$3.87 per square foot for first 15,000 sf</li> <li>\$8.61 per square foot in excess of 15,000 sf.</li> </ul>   | 15,000 sf exemption for new construction, 10,000 sf exemption for additions.       | N/A  | Very Substantial      |   |
|-------------------------------|--|---|--|--|-----------------------|---|
| <b>LOW FEE CITIES</b>         |  |   |  |  |                       |   |
| Jurisdiction                  | Yr. Adopted /Updated                                       | Current Fee Levels per SF   | Thresholds & Exemptions  | Build Option/ Other  | Market Strength       | Comments  |
| City of Alameda               | 1989   | <ul style="list-style-type: none"> <li>Office \$3.63</li> <li>Retail \$1.84</li> <li>Warehouse \$0.63</li> <li>Hotel/Motel \$931 per room</li> </ul>  | No Minimum Threshold.  | Yes. Program specifies number of units per 100,000 square feet.              | Moderate              | Fee may be adjusted by CPI.   |
| City of Pleasanton            |  | <ul style="list-style-type: none"> <li>Commercial, Office &amp; Industrial \$2.31 sq. ft.</li> </ul>  | No Minimum Threshold   | NA   | Moderate              | Fee increased in 2003.  |
| City of Cupertino             | 1993   | <ul style="list-style-type: none"> <li>Office &amp; Industrial \$2.13.</li> </ul>   | No Minimum Threshold.  | NA   | Very Substantial      | Fee is adjusted annually based on CPI. Update in process  |
| City of Petaluma              | 2003   | <ul style="list-style-type: none"> <li>Commercial \$2.08 *</li> <li>Industrial \$2.15 *</li> <li>Retail \$3.59 *</li> <li>(See Comments)</li> </ul>   | Fee is 50% less if located in redevelopment project area                           | NA   | Moderate/ Substantial | * Fee will be phased-in over 3 years beginning 2005. Fees listed are full fees, starting in 2007.   |
| City of San Diego             | 1990<br>Fees reduced in mid 90s; have not been readjusted. | <ul style="list-style-type: none"> <li>Office \$1.06</li> <li>Hotel \$0.64</li> <li>R&amp;D \$0.80</li> <li>Retail \$0.64</li> <li>Manufacturing \$0.64</li> <li>Warehouse \$0.27</li> </ul>  | No Minimum Threshold.<br><br>No exempted uses. Does exclude some geographic areas. | Can dedicate land or air rights in lieu of fee.                              | Substantial           | Since 1990, \$33 million raised. Update in process.   |
| City and County of Napa       | County 1994<br>City 1999                                   | <ul style="list-style-type: none"> <li>Office \$1.00</li> <li>Hotel \$1.40</li> <li>R&amp;D \$0.80</li> <li>Industrial \$0.50</li> <li>Warehouse \$0.20/0.30</li> <li>Wine Production \$0.50</li> </ul>   | No Minimum Threshold.<br><br>Non-profits are exempt.                               | Units or land dedication; on a case by case basis.                           | Moderate/ Substantial | There is a companion fee of 1% of construction costs on all residential construction. Update in process; county fees will roughly double.         |
| City and County of Sacramento | 1989   | <ul style="list-style-type: none"> <li>Office \$0.99</li> <li>Hotel \$0.94</li> <li>R&amp;D \$0.84</li> <li>Commercial \$0.79</li> <li>Manufacturing \$0.62</li> <li>Warehouse/Office \$0.36</li> <li>Warehouse \$0.27</li> </ul>   | No Minimum Threshold.<br><br>Service uses operated by non-profits are exempt.      | Pay 20% fee plus build at reduced nexus. (No meaningful given amount of fee) | Moderate              | Applies to all non-residential construction; alternate fees for North Natomas area. Since 1989, raised more than \$11 million. Update in process. |
| City of Livermore             | 1999   | <ul style="list-style-type: none"> <li>Retail \$0.81</li> <li>Service Retail \$0.61</li> <li>Office \$0.52</li> <li>Hotel \$397 per room</li> <li>Manufacturing \$0.25</li> <li>Warehouse \$0.07</li> <li>Business Park \$0.52</li> <li>Heavy Industrial \$0.26</li> <li>Light Industrial \$0.16</li> </ul> | No Minimum Threshold.<br><br>Church; private or public schools.                    | Yes; negotiated on a case-by-case basis.                                     | Moderate              |   |

Programs Pending: San Mateo  
San Rafael  
Walnut Creek

| HOUSING TRUST FUND REVENUE TO DATE |           |            |               |           |              |                |            |  |
|------------------------------------|-----------|------------|---------------|-----------|--------------|----------------|------------|--|
|                                    | TOT       | Linkage    | Redevelopment | CDBG      | Fay Ave Sale | Rehabilitation | Total      |  |
| FY 91/92                           | 3,070,884 | 6,211,014  | -             |           |              |                | 9,281,898  |  |
| FY 93                              | -         | 1,899,406  | 3,238,765     |           |              |                | 5,138,171  |  |
| FY 94                              | -         | 1,432,139  | -             |           |              |                | 1,432,139  |  |
| FY95                               |           | 2,241,590  | 3,275,000     |           |              |                | 5,516,590  |  |
| FY96                               |           | 2,885,181  |               |           |              |                | 2,885,181  |  |
| FY97                               |           | 1,859,146  |               |           |              |                | 1,859,146  |  |
| FY98                               | 115,000   | 3,282,811  |               | 254,243   | 2,275,468    |                | 5,927,522  |  |
| FY99                               |           | 5,397,592  |               | 239,325   |              |                | 5,636,917  |  |
| FY00                               |           | 4,953,463  |               | 152,321   |              |                | 5,105,784  |  |
| FY01                               |           | 3,382,211  |               | 192,000   |              |                | 3,574,211  |  |
| FY02                               |           | 2,424,763  |               | 430,613   |              |                | 2,855,376  |  |
| FY03                               |           | 1,645,166  |               | 351,537   |              |                | 1,996,703  |  |
| FY04                               |           | 1,448,329  |               | 388,269   |              |                | 1,836,598  |  |
| FY05 (to date)                     |           | 1,313,250  |               |           |              |                | 1,313,250  |  |
|                                    |           |            |               |           |              |                | -          |  |
| Total Revenue                      | 3,185,884 | 40,376,061 | 6,513,765     | 2,008,308 | 2,275,468    | -              | 54,359,486 |  |

**Various Fee Assessment Scenarios Illustrating  
Alternative Income Beneficiaries and Potential Impact Mitigation Levels**

**Attachment 4**

|  | <b>1</b>   | <b>2</b>                                  | <b>3</b>                           | <b>4</b>                           | <b>5</b>                           | <b>6</b>                 | <b>7</b>                           | <b>8</b>                            |
|--|--|---|------------------------------------|------------------------------------|------------------------------------|--------------------------|------------------------------------|-------------------------------------|
|  | <b>Existing Fee Levels</b>   | <b>AHTF Recommendation to Double Fees</b> | <b>Mitigation of 10% @ 80% AMI</b> | <b>Mitigation of 15% @ 80% AMI</b> | <b>Mitigation of 20% @ 80% AMI</b> | <b>of 10% @ 120% AMI</b> | <b>Mitigation of 7% @ 150% AMI</b> | <b>Mitigation of 10% @ 150% AMI</b> |
| <b>Office</b>  | \$1.06   | \$2.12                                    | \$1.49                             | \$2.24                             | \$2.98                             | \$4.57                   | \$3.73                             | \$5.33                              |
| <b>Hotel</b>   | \$0.64   | \$1.28                                    | \$2.95                             | \$4.43                             | \$5.90                             | \$3.68                   | \$2.66                             | \$3.79                              |
| <b>Retail</b>  | \$0.64   | \$1.28                                    | \$3.75                             | \$5.63                             | \$7.51                             | \$5.46                   | \$3.98                             | \$5.69                              |
| <b>Manufacturing</b>   | \$0.64   | \$1.28                                    | \$1.18                             | \$1.77                             | \$2.37                             | \$2.60                   | \$2.05                             | \$2.92                              |
| <b>Warehouse</b>   | \$0.27   | \$0.54                                    | \$0.35                             | \$0.52                             | \$0.69                             | \$0.78                   | \$0.60                             | \$0.86                              |
| <b>R &amp; D</b>   | \$0.80   | \$1.60                                    | N/A                                | N/A                                | N/A                                | N/A                      | N/A                                | N/A                                 |
| <b>Education</b>   | N/A  | N/A                                       | \$0.66                             | \$0.99                             | \$1.32                             | \$1.61                   | \$1.32                             | \$1.89                              |
| <b>Medical</b>   | N/A  | N/A                                       | \$1.85                             | \$2.78                             | \$3.70                             | \$4.14                   | \$3.26                             | \$4.65                              |
| <b>REVENUE</b>   | <b>\$2,789,700*</b>  | <b>\$5,579,400†</b>                       | <b>\$5,786,500†</b>                | <b>\$8,682,900†</b>                | <b>\$11,591,400†</b>               | <b>\$11,496,000†</b>     | <b>\$8,922,000†</b>                | <b>\$12,729,400†</b>                |
|  | * This figure reflects the amount collected in the 2003 Calendar Year    |   |                                    |                                    |                                    |                          |                                    |                                     |
|  | † These amounts are based upon 2003 Calendar Year square footage figures |   |                                    |                                    |                                    |                          |                                    |                                     |
| To ascertain the full housing impact for low income (earning less than 80% of Area Median Income (AMI), moderate income (less than 120% of AMI), or workforce (less than 150% of AMI) households, multiply 10 times the amounts in columns 3, 6 or 8 (respectively). For example, 100% of housing impacts of office development on low income families (column 3, first line) is \$1.49 x 10 = \$14.90 per square foot. 100% impact of office development on workforce households (column 8, first line) is \$5.33 x 10 = \$53.30. |  |   |                                    |                                    |                                    |                          |                                    |                                     |

**COUNCIL POLICY****CURRENT**

SUBJECT: BUSINESS AND INDUSTRY INCENTIVE PROGRAM  
POLICY NO.: 900-12  
EFFECTIVE DATE: May 15, 2001

**BACKGROUND:**

Local residents depend on a sound and healthy economy for both the jobs and commercial services that provide the foundation for a high quality of life. The City of San Diego depends on the stability and growth of taxes and other revenues resulting from a sound and healthy economy to provide essential services to the community.

Auto malls, shopping centers, manufacturing facilities, research and development facilities, and large point of sale businesses are responsible for a substantial portion of the City's general fund revenues. A decline in these businesses' sales, number, or overall health will lead to a corresponding erosion in the tax base, jobs, revenues to the City, and public service levels. Other jurisdictions aggressively compete for these businesses' jobs and revenues by offering attractive incentives and subsidies for the purpose of inducing them to relocate from San Diego.

A further challenge to the City's quality of life is that certain parts of the City have declined in economic vitality because of their age, competition from newer retail centers, and disinvestment. This decline further reduces the City of San Diego's property and sales tax base as well as diminishing the quality and number of these areas' residents' desired commercial services.

The City of San Diego has programs aimed at specific economic development goals. For example, the Redevelopment Agency has the ability to provide financial assistance to businesses as part of a plan to eliminate blighting conditions; the Enterprise Zones promote job opportunities in low-income neighborhoods; targeted public improvements are used to stimulate new private investments; and the Business Improvement Districts provide a partnership between the City and merchants in certain designated commercial corridors to provide private sector revitalization solutions.

Despite these programs, the City must also have a program to offer financial or other assistance for major revenue and job generating projects that promote a sound and healthy economy, to promote the stability and growth of City taxes and other revenues, to encourage new business and other appropriate development in older parts of the City, and to respond to other jurisdictions' efforts to induce business to relocate from San Diego.

**PURPOSE:**

To provide for a Business and Industry Incentive Program designed to attract and retain major revenue, job generating, and revitalization projects throughout the City, along with criteria and procedures to ensure that the Program is equitably and efficiently administered.

**POLICY:**

It shall be the policy of the City Council as follows:

**A. Criteria for Business and Industry Incentives**

The City may provide assistance when necessary or appropriate to attract, retain, expand, or assist projects or businesses which meet both following criteria -

1. Either:
  - a. Provide significant revenues and/or jobs that contribute to a sound and healthy economy;
  - b. Promote the stability and growth of City taxes and other revenues;
  - c. Encourage new business and other appropriate development in older parts of the City; or
  - d. Respond to other jurisdictions' efforts to induce businesses to relocate from San Diego;

and

2. Are consistent with the City's current adopted Community and Economic Development Strategy.

**B. Authorized Business and Industry Incentives**

The City may provide one or more of the following incentives, as necessary or appropriate, for projects or businesses that meet the criteria of A. above -

1. The City Manager or his designee may exercise administrative discretion to authorize one or more of the following incentives:
  - a. The provision of assistance in securing required City permits and approvals;
  - b. The provision of due diligence assistance in advance as a potentially valuable project is under consideration, and the provision of preliminary reviews;
  - c. The expediting of required Development Review Department permits;
  - d. Crediting up to 45% of sales or use taxes paid by the business against City business license taxes and/or development related fees, or rebating up to 25% of sales or use taxes paid by the business, if such sales or use taxes constitute previously uncollectable revenue to the City and the business pays its sales or use taxes to the State Board of Equalization properly reporting San Diego as the situs of sale or use, consistent with the provisions of the Business Cooperation Program (Resolution R-288034); and/or
  - e. Reducing water and sewer capacity charges by \$1,000 per equivalent dwelling unit (Resolution R-287543).

2. The City Council must approve any one or more of the following incentives:
  - a. Reimbursing all or a portion of City permit processing fees. Development Impact Fees, Facilities Benefit Assessments, Housing Impact Fees, Water/Sewer Capacity fees; fees collected pursuant to Developer Reimbursement Agreements, and/or costs of public improvements that are a required condition of the development, from future revenues to the City generated directly from the project after the City's receipt thereof;
  - b. Rebating all or a part of the City's portion of real and personal property taxes paid to the County Assessor levied on real and personal property related to the project's manufacturing process after the City's receipt thereof, consistent with the provisions of authorizing the state law (Calif. Rev. & Taxation Code, Section 5108 et. seq. and 51298 et. seq.); and/or
  - c. Providing tax-exempt bond financing through issuance or approval of Industrial Development Bonds, Non-Profit Bonds, or Enterprise Zone Bonds, pursuant to Council Policy 100-12.

**PROCEDURE:**

An owner or authorized proponent of a business or project seeking assistance from the City of San Diego shall submit information to the City Manager or his designee detailing how the business or project meets the required criteria, the type of assistance requested, and how the assistance may affect the development decision.

The City Manager or his designee shall review the business or project information and may deny the requested assistance or negotiate an Incentive Agreement providing for assistance, as appropriate. If necessary, the Manager or his designee may request additional information, may refer the request and supporting information to a City financial consultant, or may require the applicant to assume the costs of an independent consultant selected by the City. If assistance pursuant to this Policy is justified, an agreement shall be drafted incorporating the recommended assistance among the incentives described in Paragraph B above, as appropriate.

An agreement that does not involve General Fund reimbursement of fees or rebate of taxes, or which authorizes reimbursement based on prior City Council authorization, may be approved by City Manager action. An agreement that requires General fund reimbursement of fees or rebate of taxes shall be presented to the City Council for its review and approval, along with a supporting Manager's Report. The Manager's Report shall include a cost/benefit analysis of the proposed incentive, including both the fiscal impact on the City as well as broader economic and social impacts, if any. General Fund obligations incurred as a result of Incentive Agreement approved by the City Council shall be included in the Annual Budget.

Incentive Agreements shall be comprehensive in scope, including all types of assistance necessary and appropriate for the business or project as well as appropriate requirements that the business or project must fulfill as conditions for receiving the assistance, including requirements involving City partnership agencies such as the Centre City Development Corporation, the San Diego Workforce

Partnership, etc. Approval of an Incentive Agreement, whether by City Manager action or by the City Council, does not imply approval of required development permits, including discretionary permits.

REFERENCE:

Council Policy 900-01 - Economic Development  
Council Policy 000-19 - Legislative Policy Guidelines  
Council Policy 100-12 - Industrial Development Bond Program  
Resolution R-287543 - Water/Sewer Capacity Fee Reductions  
Resolution R-286015 - Housing Impact Fee Waiver - Enterprise Zones  
Resolution R-288034 - Business Cooperation Program

HISTORY:

Added by Resolution R-282497 08/09/1993  
Amended by Resolution R-290241 06/15/1998  
Amended by Resolution R-294831 05/15/2001

**Fee Schedule for All Uses**

**Attachment 6**

| 1   | 2                          | 3               | 4               | 5                 |
|---|----------------------------|-----------------|-----------------|-------------------|
|   | <b>Existing Fee Levels</b> | <b>Year One</b> | <b>Year Two</b> | <b>Year Three</b> |
| <b>Office</b>   | \$1.06                     | \$1.49          | \$1.49          | \$1.49            |
| <b>Hotel</b>  |                            |                 |                 |                   |
| <b>Under 500 Rooms</b>                                | \$0.64                     | \$1.82          | \$1.87          | \$1.92            |
| <b>Over 500 Rooms</b>                                 | \$0.64                     | \$1.90          | \$2.42          | \$2.95            |
| <b>Retail</b>   |                            |                 |                 |                   |
| <b>Under 10,000/SF</b>                                | \$0.64                     | \$1.28          | \$1.28          | \$1.28            |
| <b>10,001 - 20,000/SF</b>                             | \$0.64                     | \$1.28          | \$1.89          | \$2.51            |
| <b>20,001/SF and Above</b>                            | \$0.64                     | \$1.67          | \$2.71          | \$3.75            |
| <b>Manufacturing<br/>(and some R&amp;D functions)</b> | \$0.64                     | \$1.18          | \$1.18          | \$1.18            |
| <b>Warehouse</b>                                      | \$0.27                     | \$0.35          | \$0.35          | \$0.35            |
| <b>R &amp; D</b>                                      | \$0.80                     | N/A             | N/A             | N/A               |
| <b>Education</b>                                      | N/A                        | \$0.66          | \$0.66          | \$0.66            |
| <b>Medical</b>  | N/A                        | \$1.85          | \$1.85          | \$1.85            |