



CITY COUNCIL  
**Staff Report**

**Meeting Date:** March 24, 2020  
**To:** Mayor and City Council  
**From:** Scott Chadwick, City Manager  
**Staff Contact:** Corey Funk, Associate Planner  
[corey.funk@carlsbadca.gov](mailto:corey.funk@carlsbadca.gov) or 760-434-4645  
**Subject:** 2019 Housing Element Annual Progress Report.

**Recommended Action**

Adopt a resolution accepting the 2019 Housing Element Annual Progress Report.

**Executive Summary**

The Housing Element Annual Progress Report is an information report prepared annually that details the status of the city's progress meeting its share of regional housing production goals and implementing the programs of its Housing Element. California Government Code Section 65400(a)(2) requires the City Council to consider this report at a public meeting.

**Discussion**

The attached 2019 Housing Element Annual Progress Report (Attachment A to Exhibit 1) has been prepared to fulfill the reporting requirements of the state (Government Code Section 65400(a)(2)) and the city's Housing Element Program 3.18. In addition, preparing and submitting the reports enables the city to apply for certain grants administered by the California Department of Housing and Community Development (HCD) and San Diego Association of Governments (SANDAG), including:

- SANDAG – Smart Growth Incentive Program
- SANDAG – Active Transportation Grant Program
- HCD – Infill Infrastructure Grant Program
- HCD – Housing-Related Parks Program
- HCD – SB2 Planning Grant

The 2019 Housing Element Annual Progress Report (Attachment A to Exhibit 1) includes:

- A list of housing development applications deemed complete in the reporting year, along with the number of units included, approved, and disapproved in each application (Table A of the report).

- A list of housing projects, and their respective number of units, that were issued a completed entitlement, a building permit, and/or an approved final inspection, in the reporting year (Table A2 of the report)
- The income category that each new housing unit satisfies in Tables A and A2 of the report, as defined by the federal Department of Housing and Urban Development and the state Department of Housing and Community Development (i.e., very low, low, moderate, and above-moderate income categories);
- Housing Production Status (Table B of the report) – Provides the status of housing production in the city and the city’s progress in meeting its share of regional housing needs during Calendar Year (CY) 2019.
- Program Implementation Status (Table D of the report) – Provides the status of and the city’s progress toward implementing the City of Carlsbad 2013-2021 Housing Element programs during CY 2019.
- Requirements that did not apply to Carlsbad and were left unreported (Tables C, E, F and G of the report)

Also included with this staff report is Exhibit 2 – Description of Terms and Methods, which provides additional information about the Regional Housing Needs Assessment and the housing income levels.

#### **Fiscal Analysis**

Accepting this informational report has no fiscal impact.

#### **Next Steps**

Staff will provide this report to the California Office of Planning and Research, HCD, SANDAG and the City of Carlsbad Planning Commission.

#### **Environmental Evaluation (CEQA)**

This report is categorically exempt from environmental review as per CEQA Guidelines Section 15306, which states that information collection activities are exempt from the provisions of CEQA.

#### **Public Notification and Outreach**

This item was noticed in accordance with the Ralph M. Brown Act and was available for public viewing and review at least 72 hours prior to scheduled meeting date.

#### **Exhibits**

1. City Council resolution
2. Description of Terms and Methods

**RESOLUTION NO. 2020-050**

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARLSBAD,  
CALIFORNIA, ACCEPTING THE 2019 HOUSING ELEMENT ANNUAL PROGRESS  
REPORT

WHEREAS, the Annual Housing Element Progress Report has been prepared to comply with Government Code Section 65400(a)(2), meet the grant funding requirements of certain San Diego Association of Governments, and California Department of Housing and Community Development programs, and implement Housing Element Program 3.18. The purpose of the report is to provide information to the City Council, the State Office of Planning and Research, the State Department of Housing and Community Development, San Diego Association of Governments and the public as to the status of the Housing Element programs, as well as mark the City’s progress in meeting its share of the region’s housing needs.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Carlsbad, California, as follows:

1. That the above recitations are true and correct.
2. That the report (Attachment A) is accepted, and the City Planner is directed to submit the report to the California Office of Planning and Research, the California Department of Housing and Community Development, and the San Diego Association of Governments.

PASSED, APPROVED AND ADOPTED at a Regular Meeting of the City Council of the City of Carlsbad on the 24<sup>th</sup> day of March 2020, by the following vote, to wit:

AYES: Hall, Blackburn, Bhat-Patel, Schumacher

NAYS: None

ABSENT: None

  
 \_\_\_\_\_  
 MATT HALL, Mayor

  
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 BARBARA ENGLERSON, City Clerk

(SEAL)





Jurisdiction	Carlsbad	
Reporting Year	2019	(Jan. 1 - Dec. 31)

**ANNUAL ELEMENT PROGRESS REPORT**  
**Housing Element Implementation**

Note: "+" indicates an optional field

Cells in grey contain auto-calculation formulas

(CCR Title 25 §6202)

**Table A**

**Housing Development Applications Submitted**

Project Identifier					Unit Types		Date Application Submitted	Proposed Units - Affordability by Household Incomes							Total Approved Units by Project	Total Disapproved Units by Project	Streamlining	Notes	
1					2	3	4	5							6	7	8	9	10
Prior APN*	Current APN	Street Address	Project Name*	Local Jurisdiction Tracking ID*	Unit Category (SFA,SFD,2 to 4,5+,ADU,MH)	Tenure R=Renter O=Owner	Date Application Submitted	Very Low-Income Deed Restricted	Very Low-Income Non Deed Restricted	Low-Income Deed Restricted	Low-Income Non Deed Restricted	Moderate-Income Deed Restricted	Moderate-Income Non Deed Restricted	Above Moderate-Income	Total PROPOSED Units by Project	Total APPROVED Units by project	Total DISAPPROVED Units by Project (Auto-calculated Can Be Overwritten)	Was APPLICATION SUBMITTED Pursuant to GC 65913.4(b)? (SB 35 Streamlining)	Notes*
Summary Row: Start Data Entry Below								0	0	86	1	0	31	318	436	30	0	0	
	2072304600	4816 Kelly Dr	HOOVER LEE	CDP 2019-0014	ADU	Renter	6/3/2019						1		1	1	0	No	
	2061601300	4269 Hillside Dr	MURRAY RESIDENCES	CDP 2019-0028	SFD	Owner	12/18/2019							3	3		0	No	Under review
	2155022000	1730 Cereus Ct	LEWISTON ADU	CDP 2019-0026	ADU	Renter	10/30/2019						1		1	1	0	No	
	2042320400	3677 Garfield ST	HERNANDEZ RESIDENCE	CDP 2019-0023	SFD	Owner	12/18/2019							1	1		0	No	Under review
	2041502600	3472 Garfield St	GARFIELD STREET ADU	CDP 2019-0022	ADU	Renter	8/28/2019						1		1	1	0	No	
	2061400800	1145 Harborview Ln	HALLBERG ADU	CDP 2019-0031	ADU	Renter	11/20/2019						1		1		0	No	Under review
	2033020400	786 Grand Ave	GRAND JEFFERSON	CT 2018-0008	5+	Owner	7/3/2019							6	6		0	No	Under review
	1552211200	570 Laguna Dr	LAGUNA DRIVE SUBDIVISION	CT 2018-0006	SFD	Owner	1/7/2019							13	13		0	No	Under review
	2120405600	1205 Aviara Pkwy	AVIARA APARTMENTS	EIR 2018-0001	5+	Renter	9/30/2019			82				247	329		0	No	Under review
	2042100300	3535 Harding St	HARDING & PALM TOWNHOUSE	CT 2017-0008	SFA	Owner	1/11/2019							6	6	6	0	No	
	2040310100	Madison St	MADISON FIVE	CT 2019-0002	5+	Owner	5/10/2019							5	5	5	0	No	
	2153702800	El Fuerte St	EL FUERTE VIEW	MS 2018-0010	SFD	Owner	11/4/2019							4	4		0	No	Under review
	2033031600	2975 JEFFERSON ST	2975 JEFFERSON STREET	RP 2018-0009	2/4/2020	Renter	2/14/2019							1	1	1	0	No	
	2040911300	540 Chestnut	540 CHESTNUT SFR + ADU	V 2018-0010	SFD	Owner	11/7/2019						1	1	2	2	0	No	
	2161701400	Viejo Castilla Wy	RESORT VIEW APARTMENTS	SDP 2018-0022	5+	Renter	11/21/2019			4				22	26		0	No	Under review
	1560511200	2297 HIGHLAND DR		CBR2019-0898	ADU	Renter	4/17/2019						1		1	1	0	No	
	2154202200	2719 OBELISCO CT		CBR2019-1032	ADU	Renter	4/30/2019				1				1	1	0	No	
	2073503300	4810 REFUGIO AVE 100		CBR2019-0633	ADU	Renter	3/20/2019						1		1	1	0	No	
	1671220600	3510 CHARTER OAK DR		CBR2019-0016	ADU	Renter	1/4/2019						1		1	1	0	No	
	2051203600	1389 BASSWOOD AVE		CBR2019-0046	ADU	Renter	1/8/2019						1		1	1	0	No	
	1675632400	4373 TUOLUMNE PL		CBR2019-2191	ADU	Renter	8/15/2019						1		1	1	0	No	
	1562313600	1330 KNOWLES AVE	FERRI RESIDENCE	CBR2019-0409	SFD	Owner	2/21/2019							1	1	1	0	No	
	1672803400	3744 LONGVIEW DR 150		CBR2019-2407	ADU	Renter	9/3/2019						1		1	1	0	No	
	2231405100	3213 LA COSTA AVE		CBR2019-0499	ADU	Renter	3/5/2019						1		1	1	0	No	
	2061924900	4575 PARK DR		CBR2019-1257	SFD	Owner	5/20/2019							1	1	1	0	No	
	2052204100	3516 HIGHLAND DR		CBR2019-2740	ADU	Renter	10/1/2019						1		1	1	0	No	
	2042702800	333 REDWOOD AVE		CBR2019-2950	ADU	Renter	10/18/2019						1		1	1	0	No	



Prior APN*	Current APN	Street Address	Project Name*	Local Jurisdiction Tracking ID*	Unit Category (SFA, SFD, 2 to 4, 5+, ADU, MH)	Tenure R=Renter O=Owner	Date Application Submitted	Very Low-Income Deed Restricted	Very Low-Income Non Deed Restricted	Low-Income Deed Restricted	Low-Income Non Deed Restricted	Moderate-Income Deed Restricted	Moderate-Income Non Deed Restricted	Above Moderate-Income	Total PROPOSED Units by Project	Total APPROVED Units by project	Total DISAPPROVED Units by Project (Auto-calculated Can Be Overwritten)	Was APPLICATION SUBMITTED Pursuant to GC 65913.4(b)? (SB 35 Streamlining)	Notes*
	2162403300	2405 TORREJON PL		CBR2019-3028	ADU	Renter	10/25/2019						1		1	1	0	No	
	2232500100	7553 ESFERA ST		CBR2019-1049	ADU	Renter	5/1/2019						1		1		0	No	Under review
	2081603200	5067 ASHBERRY RD		CBR2019-2622	ADU	Renter	9/19/2019						1		1		0	No	Under review
	2071202600	3872 VALLEY ST		CBRA2019-0038	ADU	Renter	1/30/2019						1		1		0	No	Under review
	2156102900	7129 AVIARA DR	SEHGAL RESIDENCE	CBR2019-0014	SFD	Owner	1/3/2019							1	1		0	No	Under review
	2054303200	3832 MARGARET WAY		CBR2019-3427	ADU	Renter	12/4/2019						1		1		0	No	Under review
	2644812100	3561 CORTE ESPERANZA		CBR2019-1352	ADU	Renter	5/30/2019						1		1		0	No	Under review
	2154600500	2700 ARGONAUTA ST	2700 ARGONAUTA RESIDENCE	CBR2019-0988	SFD	Owner	4/25/2019							1	1		0	No	Under review
	2050201800	1389 OAK AVE	OAK AVENUE PARCEL MAP	CBR2019-2901	SFD	Owner	10/15/2019							1	1		0	No	Under review
	1562317400	1463 BUENA VISTA WAY		CBRA2019-0332	SFD	Owner	11/15/2019							1	1		0	No	Under review
	2050511100	3293 HIGHLAND DR		CBRA2019-0275	ADU	Renter	9/18/2019						1		1		0	No	Under review
	2050809700	3217 MAEZEL LN		CBR2019-3686	ADU	Renter	12/30/2019						1		1		0	No	Under review
	2225923900	2813 VIA CONQUISTADOR		CBR2019-2012	ADU	Renter	7/31/2019						1		1		0	No	Under review
	2053303500	2073 LEE CT		CBR2019-1436	ADU	Renter	6/6/2019						1		1		0	No	Under review
	2050805400	1892 BASSWOOD AVE		CBRA2019-0343	ADU	Renter	12/2/2019						1		1		0	No	Under review
	1562317400	1465 BUENA VISTA WAY		CBRA2019-0333	ADU	Renter	11/15/2019						1		1		0	No	Under review
	2050522500	1310 BASSWOOD AVE		CBR2019-2961	ADU	Renter	10/21/2019						1		1		0	No	Under review
	2156901500	1305 CASSINS ST		CBR2019-0577	ADU	Renter	3/14/2019						1		1		0	No	Under review
	2050205700	1286 PINE AVE	1284 PINE AV LOT SPLIT	CBRA2019-0141	ADU	Renter	5/7/2019						1		1		0	No	Under review
	2152311200	7287 ALMADEN LN		CBR2019-3120	SFD	Owner	11/4/2019							1	1		0	No	Under review
	2154600600	2670 ARGONAUTA ST	ABEDI MOGHADDAM FAMILY RESIDENCE	CBR2019-1401	SFD	Owner	6/4/2019							1	1		0	No	Under review
	1551603700	1112 BUENA VISTA WAY		CBR2019-3369	ADU	Renter	11/26/2019						1		1		0	No	Under review
	2050205700	1284 PINE AVE	1284 PINE AV LOT SPLIT	CBRA2019-0140	SFD	Owner	5/7/2019							1	1		0	No	Under review
	2051900900	1082 PALM AVE	THIRKELL ADU	CBR2019-1940	ADU	Renter	7/23/2019						1		1		0	No	Under review

Jurisdiction	Carlsbad	
Reporting Year	2019	(Jan. 1 - Dec. 31)

**ANNUAL ELEMENT PROGRESS REPORT**  
**Housing Element Implementation**  
 (CCR Title 25 §6202)

Note: "+" indicates an optional field  
 Cells in grey contain auto-calculation formulas

**Table A2**  
 Annual Building Activity Report Summary - New Construction, Entitled, Permits and Completed Units

Project Identifier				Unit Types		Affordability by Household Incomes - Completed Entitlement								Streamlining	Infill	Housing with Financial Assistance and/or Deed Restrictions		Housing without Financial Assistance or Deed Restrictions	Term of Affordability or Deed Restriction	Demolished/Destroyed Units			Notes			
1				2	3	4								5	6	13	14	15	16	17	18	19	20			21
Prior APN*	Current APN	Street Address	Project Name*	Local Jurisdiction Tracking ID*	Unit Category (SFA, SFD 2 to 4.5+, ADU, MH)	Tenure R=Renter O=Owner	Very Low-Income Deed Restricted	Very Low-Income Non Deed Restricted	Low-Income Deed Restricted	Low-Income Non Deed Restricted	Moderate-Income Deed Restricted	Moderate-Income Non Deed Restricted	Above Moderate-Income	Entitlement Date Approved	# of Units issued Entitlements	How many of the units were Extremely Low Income?*	Was Project APPROVED using GC 65913.4(b)? (SB 35 Streamlining) Y/N	Infill Units? Y/N*	Assistance Programs for Each Development (see instructions)	Deed Restriction Type (see instructions)	For units affordable without financial assistance or deed restrictions, explain how the locality determined the units were affordable (see instructions)	Term of Affordability or Deed Restriction (years) (if affordable in perpetuity enter 1000)*	Number of Demolished/Destroyed Units*	Demolished or Destroyed Units*	Demolished/Destroyed Units Owner or Renter*	Notes*
Summary Row: Start Data Entry Below							0	0	0	0	0	5	41		46	0	0						5	0	0	
2033031600	2975 JEFFERSON ST	2975 JEFFERSON ST	RP2018-0009	2/4/2020	Renter							1	4/5/2019	1		N										
2033510300	3050 MADISON ST	4 PLUS 1 LUXURY LIVING	RP150016	2/4/2020	Renter							2	1/10/2019	2		N						2	Demolished			
2040911300	540 CHESTNUT ST	540 CHESTNUT SFR + ADU	V2018-0010	SFD	Owner						1	1	12/23/2019	2		N				Developer survey						
2041502600	3472 GARFIELD ST	GARFIELD ST ADU	CDP2019-0022	ADU	Renter						1		9/12/2019	1		N				Developer survey						
2042100300	3535 HARDING ST	HARDING AND PALM TOWNHOUSE PROJECT	CT2017-0008	SFA	Owner							5	9/4/2019	5		N						1	Demolished			
2070221100	4246 HILLSIDE DR	HILLSIDE DRIVE RESIDENTIAL	CDP2019-0002	SFD	Owner						1	1	12/23/2019	2		N				Developer survey						
2155022000	1730 CEREUS CT	LEWISTON ADU	CDP2019-0026	ADU	Renter						1		11/13/2019	1		N				Developer survey						
2040310100	MADISON ST	MADISON FIVE	CT2019-0002	5+	Owner							5	7/18/2019	5		N										
2052102200	1196 MAGNOLIA AV	NAYLOR JORDAN TPM	MS150001	SFD	Owner							1	7/25/2019	1		N										
2050201800	1391 OAK AVE	OAK AVENUE PARCEL MAP	MS2018-0002	SFD	Owner							1	8/5/2019	1		N										
2122720100	Twain Ave.	OCEAN VIEW POINT	GPA15002	SFD	Owner							13	8/20/2019	13		N										
2031013500	2569 ROOSEVELT ST	ROOSEVELT TOWNHOMES	CT2017-0006	SFA	Owner							4	4/3/2019	4		N						1	Demolished			
2070640200	3960 SUNNYHILL DR	SLOWIK ADU	CDP2017-0064	ADU	Renter						1		2/6/2019	1		N				Developer survey						
2031012000	2646 STATE ST	THE SEAGLASS	CT2018-0004	SFA	Owner							7	4/17/2019	7		N						1	Demolished			



**ANNUAL ELEMENT PROGRESS REPORT**  
**Housing Element Implementation**  
 (CCR Title 25 §6202)  
 Table A2

Note: "+" indicates an optional field  
 Cells in grey contain auto-calculation formulas

Project Identifier				Unit Types		Affordability by Household Incomes - Building Permits							Streamlining	Infill	Housing with Financial Assistance and/or Deed Restrictions		Housing without Financial Assistance or Deed Restrictions	Term of Affordability or Deed Restriction	Demolished/Destroyed Units			Notes				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22					
Prior APN*	Current APN	Street Address	Project Name*	Local Jurisdiction Tracking ID*	Unit Category (SFA, SFD, 2 to 4, 5+, ADU, MH)	Tenure R=Renter O=Owner	Very Low-Income Deed Restricted	Very Low-Income Non Deed Restricted	Low-Income Deed Restricted	Low-Income Non Deed Restricted	Moderate-Income Deed Restricted	Moderate-Income Non Deed Restricted	Above Moderate-Income	Building Permits Date Issued	# of Units Issued Building Permits	How many of the units were Extremely Low Income?*	Was Project APPROVED using GC 65913.4(b)? (SB 35 Streamlining) Y/N	Infill Units? Y/N*	Assistance Programs for Each Development (see instructions)	Deed Restriction Type (see instructions)	For units affordable without financial assistance or deed restrictions, explain how the locality determined the units were affordable. (see instructions)	Term of Affordability or Deed Restriction (years) (if affordable in perpetuity enter 1000)*	Number of Demolished/Destroyed Units*	Demolished or Destroyed Units*	Demolished/Destroyed Units Owner or Renter*	Notes*
Summary Row: Start Data Entry Below							0	2	47	2	0	59	212		322	0	0						13	0	0	
1562111800	1662 JAMES DR			CBR2018-2084	ADU	Renter							9/6/2019	1		N					Developer survey					
2154202200	2719 OBELISCO CT			CBR2019-1032	ADU	Renter			1				7/18/2019	1		N					Developer survey					
1561302000	2699 WILSON ST			CBRA2018-0205	ADU	Renter	1						5/13/2019	1		N					Developer survey					
2053300800	3572 DONNA DR			CBR2018-3057	ADU	Renter							10/22/2019	1		N					Developer survey					
2231405100	3213 LA COSTA AVE			CBR2019-0499	ADU	Renter							11/21/2019	1		N					Developer survey					
2073503300	4810 REFUGIO AVE 100			CBR2019-0633	ADU	Renter							6/4/2019	1		N					Developer survey					
2232840500	7437 TRIGO LN			CBRA2018-0209	ADU	Renter							10/22/2019	1		N					Developer survey					
1560511200	2297 HIGHLAND DR			CBR2019-0898	ADU	Renter							7/3/2019	1		N					Developer survey					
2060202400	392 CHINQUAPIN AVE			CBRA2018-0245	ADU	Renter							9/4/2019	1		N					Developer survey					
2072301200	4816 KELLY DR			CBRA2018-0193	ADU	Renter							9/17/2019	1		N					Developer survey					
2041502600	3474 GARFIELD ST			CBR2019-2647	ADU	Renter							11/20/2019	1		N					Developer survey					
2052204100	3516 HIGHLAND DR			CBR2019-2740	ADU	Renter							10/1/2019	1		N					Developer survey					
1672803400	3744 LONGVIEW DR 150			CBR2019-2407	ADU	Renter							11/22/2019	1		N					Developer survey					
2061924900	4575 PARK DR			CBR2019-1257	SFD	Owner						1	10/31/2019	1		N										
1675632400	4373 TUOLUMNE PL			CBR2019-2191	ADU	Renter							12/6/2019	1		N					Developer survey					
1671220600	3510 CHARTER OAK DR			CBR2019-0016	ADU	Renter							4/22/2019	1		N					Developer survey					
1670412100	3222 CANDELAS ST			CBRA2019-0337	SFD	Owner						4	12/19/2019	4		N										
2232831500	7458 TRIGO LN			CBR2019-1853	ADU	Renter							11/12/2019	1		N					Developer survey					
2033031600	2975 JEFFERSON ST D	2975 JEFFERSON ST		CBR2018-0292	2/4/2020	Renter							9/3/2019	1		N										
2031013816	2711 ROOSEVELT ST	BEACHWALK AT ROOSEVELT		CBRA2018-0238	SFA	Owner			2			7	1/11/2019	9		N			INC			4	Demolished			
1683601600	2615 CANNON RD	CASA ALDEA RR PA 22		CBR2017-2218	5+	Renter			20			35	2/14/2019	98		N			INC	Developer survey						
2052109600	1161 CHESTNUT AVE	CHESTNUT AVENUE RESIDENCE		CBR2018-2283	SFD	Owner							10/4/2019	1		N										
1562313600	1330 KNOWLES AVE	FERRI RESIDENCE		CBR2019-0409	SFD	Owner							12/18/2019	1		N										
1675113500	4373 YOSEMITE ST	GLAVANIC ADU		CBR2018-3415	ADU	Renter	1						3/29/2019	1		N					Developer survey					
2051203600	1389 BASSWOOD AVE	GROSSMAN ADU		CBR2019-0046	ADU	Renter							4/16/2019	1		N					Developer survey					
2032020301	859 HOME AVE	HOME AVENUE		CBRA2018-0027	SFD	Owner							1/24/2019	3		N										
2032020305	851 HOME AVE	HOME AVENUE		CBRA2018-0031	SFA	Owner							1/24/2019	2		N										
2101151000	5466 CARLSBAD BLVD	JAN RESIDENCE REMODEL ADU		CBRA2018-0211	ADU	Renter							1/31/2019	1		N					Developer survey					
2152205600	2155 ALGA RD	KAUFMAN ADU		CBR2018-3106	ADU	Renter							3/12/2019	1		N					Developer survey					
2162506300	2630 VISTOSA PL	KENNY RESIDENCE		CBRA2018-0206	SFD	Owner							5/9/2019	1		N										
2232113100	3260 PIRAGUA ST	LAS BRISIAS MS		CBR2018-1908	SFD	Owner							3/15/2019	1		N										
2040310400	3130 MADISON ST	MADISON ST APARTMENTS		CBR2018-2135	2/4/2020	Renter							10/31/2019	3		N						1	Demolished			
2052210300	1649 BRADY CIR	MAGNOLIA-BRADY		CBRA2019-0312	ADU	Renter			1				11/4/2019	1		N				INC						
2052210300	1647 BRADY CIR	MAGNOLIA-BRADY		CBRA2019-0176	SFD	Owner							11/4/2019	6		N						1	Demolished			
2062000300	4469 ADAMS ST	MARTIN RESIDENCE		CB142333	SFD	Owner							1/7/2019	1		N										
1551702500	2637 JEFFERSON ST	MFD-01		CBR2018-3291	2/4/2020	Renter							3/6/2019	3		N					Developer survey		1	Demolished		
1562200200	1841 BUENA VISTA WAY	MILES BUENA VISTA		CBRA2018-0039	SFD	Owner							1/10/2019	3		N										
2071306000	3928 HIGHLAND DR	MINICILLI ADDITION ADU		CBR2018-3523	ADU	Renter							4/8/2019	1		N					Developer survey					
2070640300	4012 SUNNYHILL DR	NAUGLER ADU		CBR2018-1869	ADU	Renter							3/26/2019	1		N					Developer survey					
2150530262	6640 ENCELIA PL	POINSETTIA 61		CBRA2019-0324	SFD	Owner							11/27/2019	42		N										
2150530215	6661 ENCELIA PL	POINSETTIA 61		CBRA2019-0295	ADU	Renter			5				11/27/2019	5		N				INC						
2061804000	4392 ADAMS ST	POLZIN RESIDENCE ADU		CBRA2018-0239	ADU	Renter							4/15/2019	1		N					Developer survey					
2150705200	1587 TRITON ST	RAUM HOUSE		CBR2019-0773	SFD	Owner							10/17/2019	1		N										
2060424700	3915 SHERIDAN PL	SHERIDAN PLACE SINGLE FAMILY RESIDENCE		CBRA2017-0153	ADU	Renter							3/22/2019	1		N					Developer survey					



Prior APN*	Current APN	Street Address	Project Name*	Local Jurisdiction Tracking ID*	Unit Category (SFA, SFD, 2 to 4.5+, ADU, MH)	Tenure R=Renter O=Owner	Very Low-Income Deed Restricted	Very Low-Income Non Deed Restricted	Low-Income Deed Restricted	Low-Income Non Deed Restricted	Moderate-Income Deed Restricted	Moderate-Income Non Deed Restricted	Above Moderate-Income	Building Permits Date Issued	# of Units Issued Building Permits	How many of the units were Extremely Low Income?*	Was Project APPROVED using GC 65913.4(b)? (SB 35 Streamlining) Y/N	Infill Units? Y/N*	Assistance Programs for Each Development (see instructions)	Deed Restriction Type (see instructions)	For units affordable without financial assistance or deed restrictions, explain how the locality determined the units were affordable (see instructions)	Term of Affordability or Deed Restriction (years) (if affordable in perpetuity enter 1000)*	Number of Demolished/Destroyed Units*	Demolished or Destroyed Units*	Demolished/Destroyed Units Owner or Renter*	Notes*
	2060424700	3913 SHERIDAN PL	SHERIDAN PLACE SINGLE FAMILY RESIDENCE	CBRA2017-0152	SFD	Owner							1	3/22/2019	1		N									
	2042804505	430 TAMARACK AVE	TAMARACK BEACH HOMES	CBRA2018-0244	SFD	Owner							3	4/15/2019	3		N					2	Demolished			
	2070731000	4054 SKYLINE RD	THOMPSON GEESBREGHT ADU	CBR2018-3474	ADU	Renter					1		8/28/2019	1		N			Developer survey							
	2040701100	3355 TYLER ST	TYLER STREET RESIDENCES	CBRA2019-0053	SFA	Owner							6	9/12/2019	6		N					2	Demolished			
	2132621858	6066 COLT PL 105	UPTOWN BRESSI RANCH	CBRA2019-0120	SFA	Owner			17				62	4/23/2019	79		N		INC							
	2041321709	350 WALNUT AVE	WALNUT BEACH HOMES	CBRA2018-0220	SFA	Owner							8	9/18/2019	8		N					2	Demolished			
	1562205900	1760 YADA PL	YADA FARM	CBRA2018-0055	SFD	Owner							11	6/27/2019	11		N									
	1562200100	1732 YADA PL	YADA FARM	CBRA2018-0077	ADU	Renter			2					4/17/2019	2		N		INC							



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Note: "\*" indicates an optional field  
 Cells in grey contain auto-calculation formulas

Table A2

Annual Building Activity Report Summary - New Construction, Entitled, Permits and Completed Units

Project Identifier				Unit Types		Affordability by Household Incomes - Certificates of Occupancy										Streamlining	Infill	Housing with Financial Assistance and/or Deed Restrictions		Housing without Financial Assistance or Deed Restrictions	Term of Affordability or Deed Restriction	Demolished/Destroyed Units			Notes			
1				2	3	10										11	12	13	14	15	16	17	18	19	20			21
Prior APN*	Current APN	Street Address	Project Name*	Local Jurisdiction Tracking ID*	Unit Category (SFA,SFD,2 to 4,5+,ADU,MH)	Tenure R=Renter O=Owner	Very Low-Income Deed Restricted	Very Low-Income Non Deed Restricted	Low-Income Deed Restricted	Low-Income Non Deed Restricted	Moderate-Income Deed Restricted	Moderate-Income Non Deed Restricted	Above Moderate-Income	Certificates of Occupancy or other forms of readiness (see instructions) Date Issued	# of Units issued Certificates of Occupancy or other forms of readiness	How many of the units were Extremely Low Income?*	Was Project APPROVED using GC 65913.4(b)? (SB 35 Streamlining) Y/N	Infill Units? Y/N*	Assistance Programs for Each Development (see instructions)	Deed Restriction Type (see instructions)	For units affordable without financial assistance or deed restrictions, explain how the locality determined the units were affordable (see instructions)	Term of Affordability or Deed Restriction (years) (if affordable in perpetuity enter 1000)*	Number of Demolished/Destroyed Units*	Demolished or Destroyed Units*	Demolished/Destroyed Units Owner or Renter*	Notes*		
Summary Row: Start Data Entry Below							0	0	111	0	56	22	359		548	0	0							6	0	0		
	1562310100	1289 BUENA VISTA WAY		CBR2017-1350	ADU	Renter								1	4/23/2019	1	N				Developer survey							
	1561522900	2605 CREST DR		CBRA2017-0123	SFD	Owner							1	3/6/2019	1	N												
	1561522900	2607 CREST DR		CBRA2017-0124	ADU	Renter							1	3/6/2019	1	N					Developer survey							
	2050804700	3237 MAEZEL LN		CBR2018-2110	ADU	Renter							1	2/14/2019	1	N					Developer survey							
	2146312500	6760 STRAWBERRY PL		CB183973	SFD	Owner							1	1/30/2019	1	N												
	2042703200	392 TAMARACK AVE		CBR2018-2113	ADU	Renter							1	4/1/2019	1	N					Developer survey							
	2231700700	7722 FAROL PL 102		CBR2018-0407	ADU	Renter							1	1/31/2019	1	N					Developer survey							
	1670531600	3357 RIDGECREST DR		CBRA2018-0145	ADU	Renter							1	10/22/2019	1	N					Developer survey							
	1562314500	2552 GREGORY DR		CBR2018-0526	ADU	Renter							1	7/30/2019	1	N					Developer survey							
	1673920300	2726 NAPLES CT 102		CBR2018-0785	ADU	Renter							1	4/23/2019	1	N					Developer survey							
	2052209700	3687 VALLEY ST		CBRA2018-0023	SFD	Owner							1	2/1/2019	1	N												
	2073503300	4810 REFUGIO AVE 100		CBR2019-0633	ADU	Renter							1	8/9/2019	1	N					Developer survey							
	2152205600	2155 ALGA RD		CBR2018-3106	ADU	Renter							1	10/17/2019	1	N					Developer survey							
	2232840500	7437 TRIGO LN		CBRA2018-0209	ADU	Renter							1	10/29/2019	1	N					Developer survey							
	1560511200	2297 HIGHLAND DR		CBR2019-0898	ADU	Renter							1	11/18/2019	1	N					Developer survey							
	1560320800	2362 CIPRIANO LN		CBR2018-2692	ADU	Renter							1	11/18/2019	1	N					Developer survey							
	2054401900	1642 BRADY CIR		CBR2018-2044	ADU	Renter							1	8/12/2019	1	N					Developer survey							
	1671220600	3510 CHARTER OAK DR		CBR2019-0016	ADU	Renter							1	10/17/2019	1	N					Developer survey							
	2070532400	3910 MONROE ST		CBR2018-1656	ADU	Renter							1	3/19/2019	1	N					Developer survey							
	2152205900	2139 ALGA RD	2139 ALGA ROAD	CBR2017-1415	SFD	Owner							1	3/11/2019	1	N					Developer survey							
	2041111100	906 PINE AVE	906 PINE AVENUE	CBR2016-0348	2/4/2020	Renter							2	12/30/2019	2	N						2	Demolished					
	1670406134	3125 SALINA RD	ACACIA AT THE PRESERVES	CBRA2017-0337	SFA	Owner							12	11/20/2019	12	N												
	2042310600	163 ACACIA AV	ACACIA ESTATES	CB161771	2/4/2020	Owner							1	8/16/2019	1	N						2	Demolished					
	1675314500	3108 AFTON WAY	AFTON WAY	CBRA2017-0070	SFD	Owner							7	4/22/2019	7	N						1	Demolished					
	1675315200	3110 AFTON WAY	AFTON WAY	CBRA2017-0249	ADU	Renter								4/23/2019	1	N			INC									
	1670404524	3394 CAMPO AZUL CT	AGAVE AT THE PRESERVE	CBRA2017-0231	SFA	Owner							22	4/8/2019	22	N												
	1670406221	3281 VESTRA WAY	BLUE SAGE CONDOS	CBRA2017-0343	SFA	Owner							19	11/7/2019	19	N												
	1670404600	3066 VILLETA AVE	CYPRESS AT THE PRESERVE	CBRA2017-0139	SFD	Owner							17	8/7/2019	17	N												
	2033032101	741 GRAND AVE	GRAND MADISON THE	CBRA2017-0322	5+	Owner							11	6/3/2019	11	N												
	2042341500	157 CHESTNUT AVE	KIM RESIDENCE REMODEL	CBRA2018-0042	ADU	Renter							1	4/4/2019	1	N					Developer survey							
	1561426000	1610 BUENA VISTA WAY	KING PROPERTY	CBR2017-2481	SFD	Owner							1	9/19/2019	1	N												
	2061804100	4422 ADAMS ST	KLOVANISH RESIDENCE	CBR2017-1231	SFD	Owner							1	12/17/2019	1	N												
	2071206600	3987 PARK	KOBAYASHI SDU	CBR2017-0589	ADU	Renter							1	3/5/2019	1	N					Developer survey							
	2232500700	3325 VENADO ST	LO RESIDENCE	CB161829	SFD	Owner							1	7/16/2019	1	N												
	2060423500	3998 LONG PL	LONG PLACE ACCESSORY DWELLING UNIT	CBR2018-1561	ADU	Renter							1	5/28/2019	1	N					Developer survey							
	2231305000	3111 CADENCIA ST	LOT 213 LA COSTA AVE	CBR2018-0464	SFD	Owner							1	7/19/2019	1	N												
	2042804401	707 MAGNOLIA AVE	MAGNOLIA TOWNHOMES	CB162031	SFA	Owner							7	12/9/2019	7	N						1	Demolished					
	1563512500	1228 LANAI CT	MILES PACIFIC SUBDIVISION	CB152653	SFD	Owner							1	3/7/2019	1	N												
	1563512500	1230 LANAI CT	MILES PACIFIC SUBDIVISION	CB160932	ADU	Renter							1	3/7/2019	1	N			INC									
	2070640300	4012 SUNNYHILL DR	NAUGLER ADU	CBR2018-1869	ADU	Renter							1	8/29/2019	1	N					Developer survey							
	2052208600	1655 CHESTNUT AVE	OZAKI PARCEL 2	CB163118	SFD	Owner							1	8/12/2019	1	N												
	2030230400	250 NORMANDY LN	RANCHO PARADISO	CBRA2017-0018	ADU	Renter							1	10/23/2019	1	N					Developer survey							
	2030230400	252 NORMANDY LN	RANCHO PARADISO	CBRA2017-0016	SFD	Owner							1	10/23/2019	1	N												
	2081951100	2600 GAGE DR	ROBERTSON RANCH WEST VILLAGE	CB153566	5+	Renter							101	3/25/2019	101	N			INC									
	2081951000	2514 WEST RANCH ST	ROBERTSON RANCH WEST VILLAGE	CB160131	5+	Renter							207	1/2/2019	207	N			INC									
	2150431600	6659 PEREGRINE PL	SEASCAPE	CB160500	SFD	Owner							5	3/18/2019	5	N												



Prior APN*	Current APN	Street Address	Project Name*	Local Jurisdiction Tracking ID*	Unit Category (SFA,SFD,2 to 4.5+,ADU,MH)	Tenure R=Renter O=Owner	Very Low-Income Deed Restricted	Very Low-Income Non Deed Restricted	Low-Income Deed Restricted	Low-Income Non Deed Restricted	Moderate-Income Deed Restricted	Moderate-Income Non Deed Restricted	Above Moderate-Income	Certificates of Occupancy or other forms of readiness (see instructions) Date Issued	# of Units issued Certificates of Occupancy or other forms of readiness	How many of the units were Extremely Low Income?*	Was Project APPROVED using GC 65913.4(b)? (SB 35 Streamlining) Y/N	Infill Units? Y/N*	Assistance Programs for Each Development (see instructions)	Deed Restriction Type (see instructions)	For units affordable without financial assistance or deed restrictions, explain how the locality determined the units were affordable (see instructions)	Term of Affordability or Deed Restriction (years) (if affordable in perpetuity enter 1000)*	Number of Demolished/Destroyed Units*	Demolished or Destroyed Units*	Demolished/Destroyed Units Owner or Renter*	Notes*
	2150432200	6684 PEREGRINE PL	SEASCAPE	CB160515	ADU	Renter			1					3/5/2019	1	N			INC							
	2081910100	2558 GLASGOW DR	THE BLUFFS	CBRA2016-0036	SFD	Owner							1	6/24/2019	1	N										
	2081922100	4844 NELSON CT	THE RIDGE	CBRA2017-0252	SFD	Owner							7	4/25/2019	7	N										
	2081934300	4734 CHASE CT	THE TERRACES	CBRA2018-0062	SFD	Owner							7	1/30/2019	7	N										
	2081915100	2519 WELLSRING ST	THE VISTAS	CBRA2017-0272	SFD	Owner							1	9/17/2019	1	N										
	2132622215	6082 COLT PL 104	UPTOWN BRESSI RANCH	CBRA2019-0113	SFA	Owner			5				17	12/16/2019	22	N			INC							
	2072301900	4812 KELLY DR	WHITE ADU	CBR2018-0119	ADU	Renter						1		3/26/2019	1	N				Developer survey						
	1562206100	1710 YADA PL	YADA FARM	CBRA2018-0057	SFD	Owner							5	11/6/2019	5	N										
	1562200100	1732 YADA PL	YADA FARM	CBRA2018-0077	ADU	Renter			2					11/5/2019	2	N			INC							



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This table is auto-populated once you enter your jurisdiction name and current year data. Past year information comes from previous APRs.  
 Please contact HCD if your data is different than the material supplied here

**Table B**  
**Regional Housing Needs Allocation Progress**  
**Permitted Units Issued by Affordability**

		1	2									3	4
Income Level		RHNA Allocation by Income Level	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total Units to Date (all years)	Total Remaining RHNA by Income Level
Very Low	Deed Restricted	912	35			7						44	868
	Non-Deed Restricted								2				
Low	Deed Restricted	693	27	6	9	163	8	4	47			272	421
	Non-Deed Restricted		2	1			2	1	2				
Moderate	Deed Restricted	1062				56						316	746
	Non-Deed Restricted		104	13	20	18	18	28	59				
Above Moderate		2332	1136	235	200	439	624	210	212			3056	0
<b>Total RHNA</b>		<b>4999</b>											
<b>Total Units</b>			<b>1304</b>	<b>255</b>	<b>229</b>	<b>683</b>	<b>652</b>	<b>243</b>	<b>322</b>			<b>3688</b>	<b>2035</b>

Note: units serving extremely low-income households are included in the very low-income permitted units totals  
 Cells in grey contain auto-calculation formulas





# ANNUAL ELEMENT PROGRESS REPORT

## Housing Element Implementation

(CCR Title 25 §6202)

<b>Jurisdiction</b>	Carlsbad	
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**Table D**

### Program Implementation Status pursuant to GC Section 65583

**Housing Programs Progress Report**

Describe progress of all programs including local efforts to remove governmental constraints to the maintenance, improvement, and development of housing as identified in the housing element.

1	2	3	4
Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
1.1 - Condominium Conversion	<p>The city will continue to discourage and/or restrict condominium conversions when such conversions would reduce the number of low or moderate income housing units available throughout the city. All condominium conversions are subject to the city's Inclusionary Housing Ordinance; the in-lieu fees or actual affordable units required by the ordinance would be used to mitigate the loss of affordable rental units from the city's housing stock.</p>	○	<p>The city considers condominium conversions on a case by case basis. In 2019, there were no condominium conversions approved.</p>
1.2 - Mobile Home Park Preservation	<p>The city will continue to implement the city's Residential Mobile Home Park zoning ordinance (Municipal Code Chapter 21.37) that sets conditions on changes of use or conversions of mobile home parks, consistent with Government Code Section 66427.5.</p> <p>The city will also assist lower income tenants of mobile home parks to research the financial feasibility of purchasing their mobile home parks so as to maintain the rents at levels affordable to its tenants.</p>	○	<p>The city continues to implement the mobile home zoning ordinance. No applications for change in use or conversion of a mobile home park were received in 2019.</p>
1.3 - Acquisition/ Rehabilitation of Rental Housing	<p>The city will continue to provide assistance on a case-by-case basis to preserve the existing stock of lower and moderate income rental housing, including:</p> <ul style="list-style-type: none"> <li>· Provide loans, grants, and/or rebates to owners of rental properties to make needed repairs and rehabilitation.</li> <li>· As financially feasible, acquire and rehabilitate rental housing that is substandard, deteriorating or in danger of being demolished. Set-aside at least 20 percent of the rehabilitated units for extremely- and/or very low income households.</li> </ul>	○	<p>Requests for acquisition/rehabilitation of rental properties are considered on a case by case basis.</p> <p>In Spring of 2019, the City Council approved the CDBG Annual Action Plan to authorize the purchase of existing affordable housing units in Carlsbad. In 2019, the city purchased three units with these funds in the Mulberry community of Bressi Ranch.</p>

Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
	<p>As appropriate and determined by City Council, provide deferral or subsidy of planning and building fees, and priority processing. Priority will be given to repair and rehabilitation of housing identified by the city's Building Division as being substandard or deteriorating, and which houses lower income and in some cases moderate income households.</p>		
1.4 - Rehabilitation of Owner-Occupied Housing	<p>As the housing stock ages, the need for rehabilitation assistance may increase. The city will provide assistance to homeowners to rehabilitate deteriorating housing. Eligible activities under this program include such things as repairing faulty plumbing and electrical systems, replacing broken windows, repairing termite and dry-rot damage, and installing home weatherization improvements. Assistance may include financial incentives in the form of low interest and deferred payment loans, and rebates. Households targeted for assistance include lower-income and special needs (disabled, large, and senior) households.</p>	O	<p>The city has implemented a Minor Home Repair Grant Program for low-income owner-occupied properties that provides loans of up to \$5,000, which are forgiven after five years. In 2019, the city assisted one household.</p>
1.5 - Preservation of At-Risk Housing	<p>One project within the city—Santa Fe Ranch Apartments—may be considered as at risk if the owner pays off bonds early. While this is unlikely since the current income at affordable levels is not substantially lower than the potential income at market rates, the city will nonetheless monitor its status. Through monitoring, the city will ensure tenants receive proper notification of any changes. The city will also contact nonprofit housing developers to solicit interest in acquiring and managing the property in the event this or any similar project becomes at risk of converting to market rate.</p>	C	<p>In 2016, the property owners of the Santa Fe Ranch Apartments paid off the bonds, removing the affordability provisions. Given that there are no more "at risk" housing units in the city, this program is considered to be completed.</p>
2.1 - Adequate Sites to Accommodate the RHNA	<p>The city will continue to monitor the absorption of residential acreage in all densities and, if needed, recommend the creation of additional residential acreage at densities sufficient to meet the city's housing need for current and future residents. Any such actions shall be undertaken only where consistent with the Growth Management Plan.</p>	O	<p>The city reviews residential development applications for compliance with meeting the minimum densities on which the city relies to meet its share of regional housing needs. Consistent with state law and the city's land use policies, the city shall not approve applications below the minimum densities established in the Housing Element unless it makes the following findings:</p>



Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
	<p>The analysis in Section 10.3 (Resources Available) identifies examples of how housing has been built on very small sites, such as in the Village and Barrio. However, to expand opportunities for additional affordable housing, the city will encourage the consolidation of small parcels in order to facilitate larger-scale developments that are compatible with existing neighborhoods. Specifically, the city will continue to make available an inventory of vacant and underutilized properties to interested developers, market infill and redevelopment opportunities throughout the city, including the Village and Barrio, and meet with developers to identify and discuss potential project sites.</p>		<p>a. The reduction is consistent with the adopted general plan, including the housing element.</p> <p>b. The remaining sites identified in the housing element are adequate to accommodate the city's share of the regional housing need pursuant to Government Code Section 65584.</p> <p>The city continues to make available an inventory of vacant and underutilized properties and works with interested developers on infill and redevelopment opportunities.</p>
<p>2.2 - Flexibility in Development Standards</p>	<p>The Planning Division, in its review of development applications, may recommend waiving or modifying certain development standards, or propose changes to the Municipal Code to encourage the development of low and moderate income housing. The city offers offsets to assist in the development of affordable housing citywide. Offsets include concessions or assistance including, but not limited to, direct financial assistance, density increases, standards modifications, or any other financial, land use, or regulatory concession that would result in an identifiable cost reduction.</p>	<p>O</p>	<p>The city considers density increases, waivers and modifications to development standards to assist in the development of affordable housing on a case by case basis.</p> <p>In 2019, the following projects were reviewed or approved and included density increases and/or modifications to development standards:</p> <ul style="list-style-type: none"> <li>The city is currently reviewing the EIR 2018-0001 – Aviara Apartments, which is proposing a density increase of 105 units above the General Plan allocation of 224 units, for a total of 329 units. The project is currently proposing 82 affordable units, which exceeds the requirements of the Inclusionary Housing ordinance. The Aviara Apartments project proposal includes a request for a modification to the following development standards: building height, fence/wall height, parking ratios, side yard setback for carport structures, and parking lot perimeter landscape buffer requirements.</li> </ul>
<p>2.3 - Mixed Use</p>	<p>The city will encourage mixed-use developments that include a residential component. Major commercial centers should incorporate, where appropriate, mixed commercial/residential uses.</p>	<p>O</p>	<p>The city considers mixed use developments on a case by case basis.</p> <p>The following mixed-use projects were under review or approved in the Village area in 2019:</p> <ul style="list-style-type: none"> <li>RP 15-16 4 Plus 1 Luxury Living was approved, which includes four residential units and 1,105 square feet of commercial space.</li> </ul>

Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
			<ul style="list-style-type: none"> <li>· SDP 2019-0015 Jefferson Street Apartments was under review, which proposes 15 residential units and 2,625 square feet of commercial space.</li> <li>· CT 2019-0003 Carlsbad Station was under review, which proposes 79 residential units and 9,777 square feet of commercial space.</li> <li>· CT 2018-0008 Grand Jefferson was under review, the city reviewed CT 2018-0008 Grand Jefferson, which proposes six residential units and 1,823 square feet of commercial space.</li> </ul> <p>Outside of the Village area, the following mixed-use projects were under review or approved in 2019:</p> <ul style="list-style-type: none"> <li>· EIR 2017-0001 – Marja Acres was under review, which proposes 248 townhomes, 46 senior affordable apartments, and 10,000 sf of commercial space and community recreation uses.</li> <li>· EIR 2018-0004 North County Plaza was under review, +which proposes to redevelop an existing shopping center by demolishing a portion of the center (approx. 40,000 sf of commercial space) and adding 272 apartment units, resulting in a mixed use site.</li> </ul>
2.4 - Energy Conservation	<p>The city has established requirements, programs, and actions to improve household energy efficiency, promote sustainability, and lower utility costs. The city shall enforce state requirements for energy conservation, including the latest green building standards, and promote and participate in regional water conservation and recycling programs.</p> <ul style="list-style-type: none"> <li>· Create a coordinated energy conservation strategy, including strategies for residential uses, as part of a citywide Climate Action Plan.</li> <li>· In the Village, encourage energy conservation and higher density development by the modification of development standards (e.g. parking standards, building setbacks, height, and increased density) as necessary to: <ul style="list-style-type: none"> <li>- Enable developments to qualify for silver level or higher LEED (Leadership in Energy and Environmental Design) Certification, or a comparable green building rating, and to maintain the financial feasibility of the development with such certification.</li> </ul> </li> </ul>	○	<p>The city continues to implement its 2015-adopted Climate Action Plan (CAP). In 2019, the City Council adopted ordinances identified in the CAP to promote energy efficiency and renewable energy use in new residential construction and in existing development undergoing major upgrades. The ordinances become fully enforceable on Jan. 1, 2020.</p> <p>In 2018, the California Building Standards Commission approved amendments to the California Energy Code requiring installation of photovoltaic systems in all new low-rise residential construction, beginning in January 2020. Carlsbad is enforcing this new Energy Code requirement as of Jan. 1, 2020.</p> <p>In 2019, 1,279 building permits for photovoltaic panels on residential structures were completed.</p>



Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
	<ul style="list-style-type: none"> <li>- Achieve densities at or above the minimum required if the applicant can provide acceptable evidence that application of the development standards precludes development at such densities.</li> <li>· Facilitate resource conservation for all households by making available, through a competitive process, CDBG funds to non-profit organizations that could use such funds to replace windows, plumbing fixtures, and other physical improvements in lower-income neighborhoods, shelters, and transitional housing.</li> <li>· Encourage infill development in urbanized areas, particularly in the Village and Barrio, through implementation of the Village Master Plan and Design Manual and the allowed density ranges in the Barrio.</li> </ul>		<p>In 2019, the city adopted the 2019 California Building Codes, which incorporates the latest energy efficiency standards as established by the CEC.</p> <p>In 2019, the city reviewed and approved several infill projects in the Village and Barrio areas (see comments in Programs 2.1 through 2.3 above.)</p>
3.1 - Inclusionary Housing Ordinance	<p>The city will continue to implement its Inclusionary Housing Ordinance, which requires a minimum of 15 percent of all ownership and qualifying rental residential projects of seven or more units be restricted and affordable to lower income households. This program requires an agreement between all residential developers subject to this inclusionary requirement and the city which stipulates:</p> <ul style="list-style-type: none"> <li>· The number of required lower income inclusionary units;</li> <li>· The designated sites for the location of the units;</li> <li>· A phasing schedule for production of the units; and</li> <li>· The term of affordability for the units.</li> </ul>	O	<p>On Dec. 17, 2019, the City Council introduced Ordinance No. CS-368 to restore the city's ability to apply inclusionary housing requirements to residential rental units. Prior to passage of AB 1505 in 2017, cities and counties were barred from imposing affordable housing requirements to rental projects, as a result of the appellate court decision in <i>Palmer/Sixth St. Properties, L.P. v. City of Los Angeles</i>. AB 1505 revoked the Palmer decision by allowing cities to impose affordability restriction to new rental housing again.</p> <p>The city continues to implement its Inclusionary Housing Ordinance. In 2019, building permits were issued for 47 dwelling units that were required to be affordable through Inclusionary requirements for the following projects:</p> <ul style="list-style-type: none"> <li>· Yada Farm – one low income ADU</li> <li>· Uptown Bressi Ranch – 17 low income condominiums</li> <li>· Poinsettia 61 – five low income ADUs</li> </ul>

Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
	<p>For all ownership and qualifying rental projects of fewer than seven units, payment of a fee in lieu of inclusionary units is permitted. The fee is based on a detailed study that calculated the difference in cost to produce a market rate rental unit versus a lower-income affordable unit. As of 2013, the in-lieu fee per market- rate dwelling unit was \$4,515. The fee amount may be modified by the City Council from time-to-time and is collected at the time of building permit issuance for the market rate units. The city will continue to utilize inclusionary in-lieu fees collected to assist in the development of affordable units.</p> <p>The city will apply Inclusionary Housing Ordinance requirements to rental projects if the project developer agrees by contract to limit rent as consideration for a "direct financial contribution" or other form of assistance specified in density bonus law; or if the project is at a density that exceeds the applicable GMCP density, thus requiring the use of "excess dwelling units," as described in Section 10.3 (Resources Available).</p>		<ul style="list-style-type: none"> <li>· Magnolia Brady – one low income ADU</li> <li>· Miles Buena Vista – one low income ADU</li> <li>· Casa Aldea – 20 low income senior apartments</li> <li>· Beachwalk at Roosevelt – two low income condominiums</li> </ul> <p>Work was completed on significant affordable housing projects that began construction in 2016:</p> <ul style="list-style-type: none"> <li>· Construction was completed for the 101 unit low income senior apartments (Portola Senior Apartments) and 56 moderate income apartments (Montecito Apartments) in Robertson Ranch West Village Master Plan.</li> </ul> <p>In 2019, building permits were issued for the following projects that were required to purchase Inclusionary Housing credits at existing affordable apartments:</p> <ul style="list-style-type: none"> <li>· EIR 15-03 Poinsettia 61 – four credits</li> <li>· CT 2018-0001 Walnut Beach Homes – two credits</li> <li>· CY 2017-0002 Tyler Street Residences – one credit</li> </ul> <p>In 2019, the in-lieu fee per market rate dwelling unit remained at \$4,515, which has not changed since 1996.</p>
3.2 - Excess Dwelling Units	<p>Pursuant to City Council Policy Statement 43, the city will continue to utilize "excess dwelling units," described in Section 10.3 (Resources Available), for the purpose of enabling density transfers, density increases/bonuses and General Plan amendments to increase allowed density.</p> <p>Based on analysis conducted in Section 10.4 (Constraints and Mitigating Opportunities), the city can accommodate its 2010-2020 RHNA without the need to utilize excess dwelling units to accommodate the RHNA at each household income level.</p>	○	<p>Through its continued implementation of the Growth Management Plan, the city tracks development and the Excess Dwelling Unit Bank in its monthly Development Monitoring Report. As of December 2019, the excess unit balance was 533 dwelling units inside the Village and 425 units outside of the Village. These units are available for qualifying projects, which include affordable housing and density bonuses.</p>



Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
3.3 - Density Bonus	<p>Consistent with state law (Government Code sections 65913.4 and 65915), the city continues to offer residential density bonuses as a means of encouraging affordable housing development. In exchange for setting aside a portion of the development as units affordable to lower and moderate income households, the city will grant a density bonus over the otherwise allowed maximum density, and up to three financial incentives or regulatory concessions. These units must remain affordable for a period of no less than 30 years and each project must enter into an agreement with the city to be monitored by the Housing and Neighborhood Services Division for compliance.</p> <p>The density bonus increases with the proportion of affordable units set aside and the depth of affordability (e.g. very low income versus low income, or moderate income). The maximum density bonus a developer can receive is 35 percent when a project provides 11 percent of the units for very low income households, 20 percent for low income households, or 40 percent for moderate income households.</p> <p>Financial incentives and regulatory concessions may include but are not limited to: fee waivers, reduction or waiver of development standards, in-kind infrastructure improvements, an additional density bonus above the requirement, mixed use development, or other financial contributions.</p> <p>The city is currently amending its density bonus regulations (Municipal Code Chapter 21.86) to ensure consistency with recent changes to state density bonus law.</p>	O/C	<p>The city continues to make available density bonuses in compliance with state density bonus law (SDBL). In 2019, six SDBL applications were either received or under review:</p> <ul style="list-style-type: none"> <li>- EIR 2017-0001 Marja Acres, which proposes 248 townhomes, 46 affordable senior apartments and 10,000 sf of commercial space.</li> <li>- SDP 2018-0004 Romeria Pointe Apartments, which proposes 3 very low units and 20 market rate units.</li> <li>- EIR 2018-0004 North County Plaza, which proposes to redevelop an existing shopping center by demolishing a portion of the center (approx. 40,000 sf of commercial space) and adding 272 apartment units, resulting in a mixed use site.</li> <li>- SDP 2018-0022 Resort View Apartments, which proposes 4 low income units and 22 market rate units.</li> <li>- CT 2019-0003 Carlsbad Station, which proposes 12 low income units and 67 market rate units.</li> <li>- SDP 2019-0015 Jefferson Street Apartments which proposes 3 low income and 15 market rate units.</li> </ul> <p>The city also offers density increases through its inclusionary housing program as provided for in Municipal Code Chapter 21.85, see Program 2.2 – Flexibility in Development Standards.</p>

Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
			The city's density bonus regulations (Municipal Code Chapter 21.86) have been amended consistent with state law through 2019. These amendments had their first reading on 12/17/19 and were approved by the city council 1/28/20. Additional revisions are being prepared for consistency with state law changes through 2020.
3.4 - City-Initiated Development	The city, through the Housing and Neighborhood Services Division, will continue to work with private developers (both for-profit and non-profit) to create housing opportunities for low, very low and extremely low income households.	○	The city continues to provide information and work with developers to assist them in creating additional housing opportunities for lower income households.
3.5 - Affordable Housing Incentives	<p>The city will consider using Housing Trust Funds on a case-by-case basis to offer a number of incentives to facilitate affordable housing development. Incentives may include:</p> <ul style="list-style-type: none"> <li>· Payment of public facility fees;</li> <li>· In-kind infrastructure improvements, including but not limited to street improvements, sewer improvements, other infrastructure improvements as needed;</li> <li>· Priority processing, including accelerated plan-check process, for projects that do not require extensive engineering or environmental review; and</li> <li>· Discretionary consideration of density increases above the maximum permitted by the General Plan through review and approval of a site development plan (SDP).</li> </ul>	○	The city continues to offer incentives to facilitate affordable housing, including those listed in Program 2.2 above and Program 3.5.
3.6 - Land Banking	The city will continue to implement a land banking program to acquire land suitable for development of housing affordable to lower and moderate income households. The land bank may accept contributions of land in-lieu of housing production required under an inclusionary requirement, surplus land from the city or other public entities, and land otherwise acquired by the city for its housing programs. This land would be used to reduce the land costs of producing lower and moderate income housing by the city or other parties.	○	The city continues to implement a land banking program to acquire land suitable for development of housing affordable to lower and moderate income households. In 2019, there were no offers to donate land for affordable housing.



Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
	<p>The city has identified a list of nonprofit developers active in the region. When a city-owned or acquired property is available, the city will solicit the participation of these nonprofits to develop affordable housing. Affordable housing funds will be made available to facilitate development and the city will assist in the entitlement process.</p>		
<p>3.7 - Housing Trust Fund</p>	<p>The city will continue to maintain the Housing Trust Fund for the fiduciary administration of monies dedicated to the development, preservation and rehabilitation of affordable housing in Carlsbad. The Housing Trust Fund will be the repository of all collected in-lieu fees, impact fees, housing credits, loan repayments, and related revenues targeted for proposed housing as well as other local, state and federal funds.</p> <p>The city will explore additional revenue opportunities to contribute to the Housing Trust Fund, particularly, the feasibility of a housing impact fee to generate affordable rental units when affordable units are not included in a rental development.</p>	<p>O</p>	<p>The city continues to maintain the Housing Trust Fund, which had a total balance of approximately \$17.8 million as of December 31, 2019. However, the available balance is approximately \$13.6 million as the city had committed \$4.25 million for the affordable Oak Veterans Housing and Harding Veterans Housing projects in 2017.</p> <p>In 2019, the city did not approve any requests for Housing Trust Fund money for affordable housing projects.</p>
<p>3.8 - Section 8 Housing Choice Vouchers</p>	<p>The Carlsbad Housing Authority will continue to administer the city's Section 8 Housing Choice Voucher program to provide rental assistance to very low income households.</p>	<p>O</p>	<p>The Housing Authority continues to operate Section 8 Housing Choice Voucher Program. The \$6.5 million federally funded program assisted approximately 600 households in 2019.</p>
<p>3.9 - Mortgage Credit Certificates</p>	<p>The city participates in the San Diego Regional Mortgage Credit Certificate (MCC) Program. By obtaining a MCC during escrow, a qualified homebuyer can qualify for an increased loan amount. The MCC entitles the homebuyer to take a federal income tax credit of 20 percent of the annual interest paid on the mortgage. This credit reduces the federal income taxes of the buyer, resulting in an increase in the buyer's net earnings.</p>	<p>C</p>	<p>The city no longer participates in the MCC Program.</p>
<p>3.10 - Senior Housing</p>	<p>The city will continue to encourage a wide variety of senior housing opportunities, especially for lower-income seniors with special needs, through the provision of financial assistance and regulatory incentives as specified in the city's Housing for Senior Citizens Ordinance (Municipal Code Chapter 21.84). Projects assisted with these incentives will be subjected to the monitoring and reporting requirements to assure compliance with approved project conditions.</p>	<p>O</p>	<p>The city continues to encourage senior housing opportunities through financial assistance and regulatory incentives.</p>

Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
	<p>In addition, the city has sought and been granted California Constitution Article 34 authority by its voters to produce up to 200 senior-only, low-income restricted housing units. The city would need to access its Article 34 authority only when it provides financial assistance and regulates more than 51 percent of the development.</p>		<p>In 2019, progress was made on the following senior housing projects:</p> <ul style="list-style-type: none"> <li>· Casa Aldea/Cannon Road Senior Housing (MP 02-03(H)/ SDP 15-19) - the city issued building permits in 2019 and the project is currently under construction. The project consists of 98 unit senior apartments, of which 20 units will be restricted to low income residents.</li> <li>· As part of the inclusionary requirement for the Robertson Ranch West Village Master Plan, construction was completed for the 101 unit Portola Senior Apartments. The project includes one and two bedroom units that are restricted to 70 percent of AMI, and is now open and completely leased up.</li> <li>· The city reviewed an application for EIR 2017-0001 – Marja Acres, which proposes 46 senior affordable apartments as part of a mixed use project.</li> </ul>
<p>3.11 - Housing for Persons with Disabilities</p>	<p>The city has an adopted ordinance to provide individuals with disabilities "reasonable accommodation" in land use, zoning and building regulations. This ordinance seeks to provide equal opportunity in the development and use of housing for people with disabilities through flexibility in regulations and the waiver of certain requirements in order to eliminate barriers to fulfilling this objective.</p> <p>The city will continue to evaluate the success of this measure and adjust the ordinance as needed to ensure that it is effective. Moreover, the city will seek to increase the availability of housing and supportive services to the most vulnerable population groups, including people with disabilities through state and federal funding sources, such as HUD's Section 811 program and CDBG funding.</p>	<p>○</p>	<p>The city continues to consider requests for "reasonable accommodation" in land use, zoning and building regulations on a case by case basis. One reasonable accommodation request was received in 2019.</p>
<p>3.12 - Housing for Large Families</p>	<p>In those developments that are required to include 10 or more units affordable to lower-income households, at least 10 percent of the lower income units should have three or more bedrooms. This requirement does not pertain to lower-income senior housing projects.</p>	<p>○</p>	<p>The city continues to implement this program as part of its inclusionary housing ordinance. In 2019, 13 permits were issued for three-bedroom affordable units.</p>
<p>3.13 - Housing for the Homeless</p>	<p>Carlsbad will continue to facilitate and assist with the acquisition, for lease or sale, and development of suitable sites for emergency shelters and transitional housing for the homeless population. This facilitation and assistance will include:</p>	<p>○</p>	<ul style="list-style-type: none"> <li>· Solutions for Change continues to operate a 16-unit apartment complex that provides permanent affordable housing opportunities for homeless families who have graduated from the Solutions University. In 2015, the property was acquired (with financial help from the city) and families began moving into the property.</li> <li>· Catholic Charities continues to operate the La Posada de Guadalupe emergency shelter, of which a portion of the facility (50 beds) is devoted to serving homeless men.</li> </ul>



Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
	<ul style="list-style-type: none"> <li>· Participating in a regional or sub-regional summit(s) including decision-makers from north San Diego County jurisdictions and SANDAG for the purposes of coordinating efforts and resources to address homelessness;</li> <li>· Assisting local non-profits and charitable organizations in securing state and federal funding for the acquisition, construction and management of shelters; and</li> <li>· Continuing to provide funding for local and sub-regional homeless service providers that operate temporary and emergency shelters.</li> </ul>		<ul style="list-style-type: none"> <li>· The city continues to implement the Homeless Response Plan, which has established key principles and system responses that the city employs to address the community impacts of homelessness. The plan provides strategies to:               <ol style="list-style-type: none"> <li>1. Prevent, reduce and manage homelessness in Carlsbad;</li> <li>2. Support and build capacity within the city and community to address homelessness;</li> <li>3. Encourage collaboration within the city, community partnerships and residents; and</li> <li>4. Retain, protect and increase the supply of housing.</li> </ol> </li> <li>· In 2018, a Housing Set-Aside pilot program was launched at the city-owned Tyler Court senior affordable apartment community whereby ten (10) units were set-aside specifically for formerly homeless seniors. Staff identified and transitioned six (6) individuals into permanent housing. The pilot program was discontinued in summer 2019. As of Dec. 31, 2019, five of those residents were still successfully housed at Tyler Court.</li> </ul>
3.14 - Supportive Services for Homeless and Special Needs Groups	The city will continue to provide CDBG funds to community, social welfare, non-profit and other charitable groups that provide services for those with special needs in the north San Diego County area. Furthermore, the city will work with agencies and organizations that receive CDBG funds to offer a city referral service for homeless shelter and other supportive services.	○	During the 2019-2020 CDBG program year, the city allocated \$74,872 in funding assistance to five social service providers in North County which provide shelters and support services for the homeless community.
3.15 - Alternative Housing	The city will continue to implement its Second Dwelling Unit Ordinance (Section 21.10.015 of the Carlsbad Municipal Code) and will continue to support alternative types of housing, such as hotels and managed living units to accommodate extremely-low income households.	○	<p>The city continues to implement the Second Dwelling Unit Ordinance and consider alternative types of housing. In 2019, building permits were issued for 33 accessory dwelling units.</p> <p>The city is currently in process preparing zoning code amendments to address changes in state laws pertaining to accessory dwelling units that were signed into law in 2019 and became effective January 1, 2020 (SB 13, AB 68, AB 881, AB 670, AB 587 and AB 671).</p> <p>A one-year seniors home share matching program was launched in 2019. Seven residents were matched to a home provider during the year.</p>

Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
3.16 - Military and Student Referrals	The city will assure that information on the availability of assisted or below-market housing is provided to all lower-income and special needs groups. The Housing and Neighborhood Services Division will provide information to local military and student housing offices of the availability of low-income housing in Carlsbad.	O	The city provides information on assisted and below market housing to individuals and groups needing that information.
3.17 - Coastal Housing Monitoring	<p>As a function of the building permit process, the city will monitor and record Coastal Zone housing data including, but not limited to, the following:</p> <ol style="list-style-type: none"> <li>1. The number of housing units approved for construction, conversion or demolition within the coastal zone after January 1, 1982.</li> <li>2. The number of housing units for persons and families of low or moderate income, as defined in Section 50093 of the Health and Safety Code, required to be provided in new housing developments within the coastal zone.</li> <li>3. The number of existing residential dwelling units occupied by persons and families of low or moderate income that are authorized to be demolished or converted in the coastal zone pursuant to Section 65590 of the Government Code.</li> <li>4. The number of residential dwelling units occupied by persons and families of low or moderate income, as defined in Section 50093 of the Health and Safety Code that are required for replacement or authorized to be converted or demolished as identified above. The location of the replacement units, either onsite, elsewhere within the city's coastal zone, or within three miles of the coastal zone in the city, shall be designated in the review.</li> </ol>	O	<ol style="list-style-type: none"> <li>1. In 2019, building permits were issued for 77 dwelling units in the Coastal Zone: <ul style="list-style-type: none"> <li>· Four units in 2-4 unit structures</li> <li>· 16 accessory dwelling units</li> <li>· Eight single family attached dwellings</li> <li>· 49 single family detached dwellings</li> </ul> </li> <li>2. In 2019, building permits were issued for five accessory dwelling units that were required to be affordable at the low income level through the Inclusionary Housing Ordinance (as a part of the EIR 15-03 Poinsettia 61 project).</li> <li>3. None.</li> <li>4. None.</li> </ol>
	First, to retain the Housing Element as a viable policy document, the Planning Division will review the Housing Element annually and schedule an amendment if necessary. As required by state law, city staff will prepare and submit annual progress reports to the City Council, SANDAG, and California Department of Housing and Community Development (HCD).		The city will continue its annual reporting.



Name of Program	Objective	Timeframe in H.E	Status of Program Implementation
<p>3.18 - Housing Element Annual Progress Report and Mid-Planning Period Housing Element Update</p>	<p>Second, Senate Bill 575 requires that a jurisdiction revise its housing element every four years, unless it meets both of the following criteria: (1) the jurisdiction adopted the fourth revision of the element no later than March 31, 2010; and (2) the jurisdiction completed any rezoning contained in the element by June 30, 2010. While implementation of the city's 2005-2010 Housing Element satisfied the first criterion, it did not meet the second. Although rezoning was completed before the end of the extended Housing Element period (April 30, 2013) to satisfy the adequate sites program, it was not completed in time to meet the SB 575 requirement.</p> <p>The city will build on the annual review process to develop a mid-planning period (four-year) Housing Element update that includes the following:</p> <ul style="list-style-type: none"> <li>· Review program implementation and revision of programs and policies, as needed;</li> <li>· Analysis of progress in meeting the RHNA and updates to the sites inventory as needed;</li> <li>· Outcomes from a study session that will be held with the Planning Commission to discuss mid-period accomplishments and take public comment on the progress of implementation. The city will invite service providers and housing developers to participate.</li> </ul>	<p>O</p>	<p>The mid-planning period (2017-2021) Housing Element update was completed in 2017. On December 20, 2016, HCD issued a letter stating that the update meets the statutory requirements of State housing element law, and the Housing Element update was adopted by the City Council in March 2017.</p> <p>The city has selected a consultant for the 2021-2029 Housing Element update and kick-off meetings are scheduled for February 2020.</p>
<p>4.1 - Fair Housing Services</p>	<p>With assistance from outside fair housing agencies, the city will continue to offer fair housing services to its residents and property owners. Services include:</p> <ul style="list-style-type: none"> <li>· Distributing educational materials to property owners, apartment managers, and tenants;</li> <li>· Making public announcements via different media (e.g. newspaper ads and public service announcements at local radio and television channels);</li> <li>· Conducting public presentations with different community groups;</li> <li>· Monitoring and responding to complaints of discrimination (i.e. intaking, investigation of complaints, and resolution); and</li> <li>· Referring services to appropriate agencies.</li> </ul>	<p>O</p>	<p>With the assistance of a CDBG grant, the city contracts with the Legal Aid Society of San Diego (LASSD), a non-profit organization dedicated to serving the needs of our community, to provide their services to Carlsbad residents and property owners. LASSD serves as advocates for fair housing and mediating tenant/landlord issues. Through the Fair Housing Initiatives Program, LASSD assists clients with potential discrimination claims and will provide guidance on fair housing laws. Annually, residents are invited to call LASSD at no charge and receive assistance.</p>





Jurisdiction	Carlsbad	
Reporting Period	2019	(Jan. 1 - Dec. 31)

**ANNUAL ELEMENT PROGRESS REPORT**  
**Housing Element Implementation**  
 (CCR Title 25 §6202)

Table F									
Units Rehabilitated, Preserved and Acquired for Alternative Adequate Sites pursuant to Government Code section 65583.1(c)(2)									
This table is optional. Jurisdictions may list (for informational purposes only) units that do not count toward RHNA, but were substantially rehabilitated, acquired or preserved. To enter units in this table as progress toward RHNA, please contact HCD at APR@hcd.ca.gov. HCD will provide a password to unlock the grey fields. Units may only be credited to the table below when a jurisdiction has included a program in its housing element to rehabilitate, preserve or acquire units to accommodate a portion of its RHNA which meet the specific criteria as outlined in Government Code section 65583.1(c)(2).									
Activity Type	Units that Do Not Count Towards RHNA*				Units that Count Towards RHNA*				The description should adequately document how each unit complies with subsection (c)(2) of
	Extremely Low-Income*	Very Low-Income*	Low-Income*	TOTAL UNITS*	Extremely Low-Income*	Very Low-Income*	Low-Income*	TOTAL UNITS*	
Rehabilitation Activity				0					
Preservation of Units At-Risk				0					
Acquisition of Units				0					
Total Units by Income	0	0	0	0					





Jurisdiction	Carlsbad	
Reporting Year	2019	(Jan. 1 - Dec. 31)

Building Permits Issued by Affordability Summary		
Income Level		Current Year
Very Low	Deed Restricted	0
	Non-Deed Restricted	2
Low	Deed Restricted	47
	Non-Deed Restricted	2
Moderate	Deed Restricted	0
	Non-Deed Restricted	59
Above Moderate		212
Total Units		322

Note: Units serving extremely low-income households are included in the very low-income permitted units totals

Housing Applications Summary	
Total Housing Applications Submitted:	51
Number of Proposed Units in All Applications Received:	436
Total Housing Units Approved:	30
Total Housing Units Disapproved:	0

Use of SB 35 Streamlining Provisions	
Number of Applications for Streamlining	0
Number of Streamlining Applications Approved	0
Total Developments Approved with Streamlining	0
Total Units Constructed with Streamlining	0

Units Constructed - SB 35 Streamlining Permits			
Income	Rental	Ownership	Total
Very Low	0	0	0
Low	0	0	0
Moderate	0	0	0
Above Moderate	0	0	0
Total	0	0	0

Cells in grey contain auto-calculation formulas

## *Description of Terms and Methods*

### 2019 HOUSING ELEMENT ANNUAL PROGRESS REPORT

**Regional Housing Needs** – The determination of housing need for Carlsbad and all other jurisdictions in California is derived from the Regional Housing Needs Assessment (RHNA) prepared by the local regional councils of government (SANDAG) before the beginning of each housing cycle. Based upon these assessments of *need*, the local jurisdictions are required to adopt housing *objectives* in the housing elements of their general plans.

A regional assessment of housing need is an estimate of the total need for new housing construction throughout the region due to population growth forecasted to occur during a specific time period. The overall housing need is then broken out by four income groups: *very low, low, moderate, and above-moderate* (or *upper-income*) – all as defined by the federal Department of Housing and Urban Development (HUD), and the state Department of Housing and Community Development (HCD). The regional housing needs are then allocated to the local jurisdictions on a “regional share” basis, according to models and formulas designed by SANDAG.

Table 1 shows Carlsbad’s share of the current RHNA and is based upon housing growth estimated by the State and SANDAG to occur in Carlsbad during the period January 1, 2010 through Dec. 31, 2020.

<b>TABLE 1: CARLSBAD'S SHARE OF THE RHNA January 1, 2010 through Dec. 31, 2020*</b>		
Income Group	Definition** (% of AMI***)	New Construction Needs (in housing units)
Very Low	50% or under	912
Low	51-80%	693
Moderate	81-120%	1,062
Above-Moderate	Over 120%	2,332
<b>Totals</b>		<b>4,999</b>

\*SANDAG, RHNA PLAN: Fifth Housing Element Cycle Planning for Housing in the San Diego Region 2010 – 2020, Table 4.  
 \*\*Definitions are from HUD, via the California Department of Housing and Community Development.  
 \*\*\*AMI is the Area Median Income. The 2019 AMI for San Diego-Carlsbad MSA for a family of four is \$86,300.

**Definition of Income Groups** – Table 1 defines each of the four income groups as a percentage of the county area median income (AMI). HUD annually revises the AMI based on cost of living issues such as the relationship of housing prices to income. For 2019, HUD established the AMI for San Diego County at \$86,300. In addition to establishing the AMI, HUD also establishes income limits for each of the four income groups which are adjusted for family size so that larger households have higher income limits (see Table 2 below).



Table 2: CY 2019 qualifying limits on annual income by household size				
Income Group	Persons per household			
	2	4	6	8
Very Low	\$42,800	\$53,500	\$62,100	\$70,650
Low	\$68,500	\$85,600	\$99,300	\$113,000
Moderate	\$82,850	\$103,550	\$120,150	\$136,700
Above Moderate	> \$ 82,850	> \$103,550	> \$ 120,150	> \$ 136,200
Source: "2019 Household Income Limits", U.S. Department of Housing and Urban Development (effective April 24, 2019)				

**Prices of Affordable Housing** – Generally, the federal and state rule is that housing is affordable to a given family if the family pays no more than 30% of its monthly income for housing expenses that include the rent or mortgage payment, property taxes, insurance, utilities, and the like. A determination of whether a housing unit is affordable can be easily made for *assisted public* rental housing and other *public* housing programs because documentation is maintained on both the individual household's income and the actual cost of the unit in question (typically rental). Income group determinations for income restricted (*assisted*) housing units shown in the tables of Part 1 were made by the Carlsbad Housing and Neighborhood Services Department.

To determine affordable housing expenses for rentals, the practice is to set thresholds for each income group, using the 30% rule, with adjustments for the number of bedrooms (a convention developed in 1993 by member agencies of the San Diego Association of Governments assumes two persons per bedroom). An additional adjustment is also made for utility allowance, as required by HUD. Table 3 provides the resulting maximum market rate rental expenses (which include rent and a utility allowance that increases with household size) for the very low, low, and moderate-income groups for CY 2019.

Table 3: CY 2019 qualifying rent and utility expenses by number of bedrooms				
Income Group	Number of bedrooms			
	1	2	3	4
Very Low	\$1,070	\$1,337	\$1,552	\$1,766
Low	\$1,712	\$2,140	\$2,482	\$2,825
Moderate	\$2,071	\$2,588	\$3,003	\$3,417
Above Moderate	> \$2,071	> \$ 2,588	> \$ 3,003	> \$ 3,417
Source: "2019 Household Income Limits", U.S. Department of Housing and Urban Development (effective April 24, 2019)				

With regard to for-sale housing, there is no federal or state required formula to determine the sales price that would be considered affordable. The only federal or state requirement is that the mortgage amount (including taxes, insurance, utilities, etc.) must not exceed 30% of the

monthly income of the household (to be considered affordable to a specific income group, see Table 2).

The varying factors (interest rates, closing costs, lending programs, etc.), which impact the mortgage amount, make it difficult to specify certain sales prices that are considered affordable to the various income groups. To simplify determining affordability for reporting purposes, the city uses a rule-of-thumb formula similar to that employed by many mortgage-lending institutions, which was reviewed and accepted by the SANDAG and the California Department of Housing and Community Development. The rule-of-thumb formula is as follows:

*Affordable sales price = 3.0 x maximum-allowed-annual income for each class, adjusted for bedroom count.*

Based on this formula Table 4 gives the qualifying purchase price for housing for the different income groups. The table illustrates that a three-bedroom house costing no more than \$360,450 would be the maximum affordable to a moderate-income family.

Table 4: CY 2019 qualifying purchase price by number of bedrooms				
Income Group	Number of bedrooms			
	1	2	3	4
Very Low	\$128,400	\$160,500	\$186,300	\$211,950
Low	\$205,500	\$256,800	\$297,900	\$339,000
Moderate	\$248,550	\$310,650	\$360,450	\$410,100
Above Moderate	> \$ 248,550	> \$ 310,650	> \$ 360,450	> \$ 410,100
* 3X multiplier was developed by an ad hoc committee at SANDAG with subsequent approval by the SANDAG Board in 1993. (There is no formula in state law). The rule also assumes 2 persons per bedroom to provide a correspondence back to HUD affordability rules based upon persons per household (as opposed to bedrooms).				

**Other terms** – Definitions for terms used in this appendix as well as Part 1 of the report:

- *Apartment* – A multi-family unit that can be rented but not individually owned.
- *Assistance Programs/Assisted Units* – units receiving financial assistance from the city or other and/or other subsidy sources and have affordability deed restrictions.
- *Condominium* – A detached or attached home that can be purchased on commonly owned property irrespective of the unit category (see below).
- *Deed Restricted Units* – units considered affordable due to local program or policy, such as inclusionary housing ordinance. These units may also be assisted units.
- *Duplex* – Two units on a single lot. Units cannot be individually sold.
- *Non-deed Restricted Units/Market Rate Units* – Units that received no financial assistance from the city and have no affordability restrictions.
- *Unit Category* – According to HCD’s instructions for Housing Element Progress Reports, unit categories are as follows:
  - *Single Family-Detached Unit (SFD)* - a one-unit structure with open space on all four sides. The unit often possesses an attached garage.



- *Single Family-Attached Unit (SFA) - a one-unit structure attached to another unit by a common wall, commonly referred to as a townhouse, half-plex, or row house. The shared wall or walls extend from the foundation to the roof with adjoining units to form a property line. Each unit has individual heating and plumbing systems.*
- *2-, 3-, and 4-Plex Units per Structure (2-4) - a structure containing two, three, or four units and not classified as single-unit attached structure.*
- *5 or More Units per Structure (5+) - a structure containing five or more housing units.*
- *Accessory Dwelling Unit (ADU) - means a unit that is attached, detached or located within the living area of the existing dwelling or residential dwelling unit which provides complete independent living facilities for one or more persons. It shall include permanent provisions for living, sleeping, eating, cooking, and sanitation on the same parcel on which the single-family dwelling is situated pursuant to Government Code section 65852.2. An ADU also includes the following: an efficiency unit, as defined in Section 17958.1 of the Health and Safety Code or a manufactured home, as defined in Section 18007 of the Health and Safety Code.*

## Council Memorandum

March 24, 2020

**To:** Honorable Mayor Hall and Members of the City Council  
**From:** Geoff Patnoe, Assistant City Manager  
**Via:** Scott Chadwick, City Manager  
**Re:** **Additional Materials Related to Staff Report Item No. 2 – 2019 Housing Element Annual Progress Report**

All Receive - Agenda Item # 2  
For the Information of the:  
CITY COUNCIL  
Date 3/24 CA  CC   
CM  ACM  BCM (3)

---

This memorandum provides recommended clarifying edits to the 2019 Housing Element Annual Progress Report (Agenda Item No. 2, Exhibit 1 of the staff report), and answers several questions related to the staff report Item No. 2.

### Staff recommended changes to Item No. 2, Exhibit 1, the 2019 Housing Element Annual Progress Report

*Page 18, Program 3.1 – Inclusionary Housing Ordinance.* In the column “Status of Program Implementation”, modify the last sentence to read:

In 2019, the in-lieu fee per market rate dwelling unit remained at \$4,515, which has not changed since 1996.

*Page 23, Program 3.13 – Housing for the Homeless.* In the column “Status of Program Implementation”, modify the last paragraph to read:

In 2018, a Housing Set-Aside pilot program was launched at the city-owned Tyler Court senior affordable apartment community whereby ten (10) units were set-aside specifically for formerly homeless seniors. Staff identified and transitioned six (6) individuals into permanent housing. The pilot program was discontinued in summer 2019. As of Dec. 31, 2019, five of those residents were still successfully housed at Tyler Court.

### Questions and Answers related to Item No. 2

**Question 1:** *Page 16, Program 2.3 – Mixed Use, and page 19, Program 3.3 - Density Bonus.* What is the current status of the proposed mixed-use redevelopment of North County Plaza?

**Answer:** The application was submitted on December 20, 2018 and remains incomplete. The project applicant is working with the wildlife agencies, Coastal Commission and the City of Carlsbad regarding compliance with required buffers from Buena Vista Creek. Resolution of the buffer requirement is needed prior to making further design changes to the proposed project. North County Plaza is located just west of the Shoppes at Carlsbad Mall (tenants include Marshalls, Olive Garden and Souplantation).

**Community Services Branch**

**Community Development Department**

1635 Faraday Avenue | Carlsbad, CA 92008 | 760-602-4600 t



**Question 2:** *Page 22, Program 3.10 – Senior Housing.* Twenty of the 98 apartments in the Casa Aldea/Cannon Road Senior Housing project will be restricted to low-income residents. For what income level will the other 78 apartments be rented?

**Answer:** Twenty of the apartments will be rent-restricted to be affordable to low-income seniors. The remaining 78 apartments will not be restricted and may rent at market rates.

**Question 3:** *Page 25, Program 3.18 – Housing Element Annual Progress Report and Mid-Planning Period Housing Element Update.* Were there any significant changes to the Housing Element that resulted from the 2017 Housing Element update?

**Answer:** The 2017 Housing Element Update was prepared by Planning Division staff and presented for public hearings and consideration by the Housing Commission, Planning Commission and City Council. The 2017 Housing Element updated information about: recent changes in housing-related laws, demographics and housing needs, a list of affordable and market rate housing constructed, under construction and in planning; updated sites inventory to confirm adequate housing capacity remained to meet regional housing needs (RHNA); and minor updates to Housing Element programs. There were no changes to Housing Element goals and policies, and no additional housing sites or land use changes were needed to accommodate the city's RHNA.

**Question 4:** *Page 31, Exhibit 2, Description of Terms and Methods.* What discretion does the city have to determine income levels for affordable housing?

**Answer:** The city administers several affordable housing programs authorized under federal and state laws, and local ordinance, including: the federal Section 8 Rental Assistance Program, State Density Bonus Law, and the Carlsbad Inclusionary Housing Ordinance. With one exception described below, each of these programs is required to abide by an income categories framework defined in federal and state law and is not discretionary. Income categories are defined for extremely-low, very-low, low, and moderate incomes. These categories are determined as percentages of an area's median income (AMI), which is calculated annually by the U.S. Department of Housing and Urban Development (HUD). The AMI calculations vary by region throughout the nation according to formula set by federal law. For the San Diego region (including Carlsbad), the 2019 AMI for a family of four is \$86,300. From this baseline median income, HUD then calculates income limits for the defined categories and adjusts for household size according to a methodology set by law.

There is one exception where the city exercises discretion to determine income levels. Under the city's Inclusionary Housing Ordinance, the maximum affordable low-income rent is limited to 70 percent of AMI. HUD calculates 50 percent (very-low income) and 80 percent (low income) AMI, but not 70 percent AMI. To implement the Inclusionary Housing Ordinance, the city must determine the 70 percent income limits, and incorporate them into the HUD-required income limit schedules for all other income categories. To remain consistent with HUD's income framework, city staff calculates the household size-adjusted 70 percent income limit by the following formula:

Honorable Mayor Hall and Members of the City Council

March 24, 2020

Page 3

$70\% \text{ AMI}_{\text{annual}} = (80\% \text{ AMI}_{\text{annual}} - 50\% \text{ AMI}_{\text{annual}}) * 1.5$ , rounded to nearest \$50 increment

The resulting 70 percent income limits by household size are then used to determine affordable rent for the Inclusionary Housing Program.

cc: Celia Brewer, City Attorney  
Gary Barberio, Deputy City Manager, Community Services  
Jeff Murphy, Community Development Director  
Don Neu, City Planner  
David de Cordova, Housing Services Manager  
Corey Funk, Associate Planner



## Sheila Cobian

---

**From:** Sheila Cobian  
**Sent:** Tuesday, March 24, 2020 3:40 PM  
**To:** 'Barbara Engleson'; Celia Brewer; Gary Barberio; Paz Gomez; Laura Rocha; Scott Chadwick; Geoff Patnoe  
**Cc:** Robin Nuschy; Mia De Marzo; Kristina Ray; Cindie McMahon; Tammy Cloud-McMinn; Andrea Dykes; Morgen Fry; Jeff Murphy; Shelby Nelson; Kaylin McCauley; David De Cordova  
**Subject:** Additional Information Relating to Item #2 - Affordable Housing Impact Fee Nexus Study  
**Attachments:** 16018ndh - Carlsbad\_Nexus Study Update\_Report\_FINAL\_2-18-16.pdf  
**Importance:** High

Good Afternoon Mayor & City Council Members,

In response to a City Council Member request, please find attached the Affordable Housing Impact Fee Nexus Study.

Thank you,

Sheila Cobian, MMC  
City Clerk Services Manager  
760-434-2917

BC: Mayor & City Council Members

Confidentiality Notice: Please note that email correspondence with the City of Carlsbad, along with any attachments, may be subject to the California Public Records Act, and therefore may be subject to disclosure unless otherwise exempt.

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**AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY**

**Carlsbad, California**

**Prepared for**

**City of Carlsbad**

**Keyser Marston Associates, Inc.**

**February 2016**



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## SUMMARY AND RECOMMENDATIONS

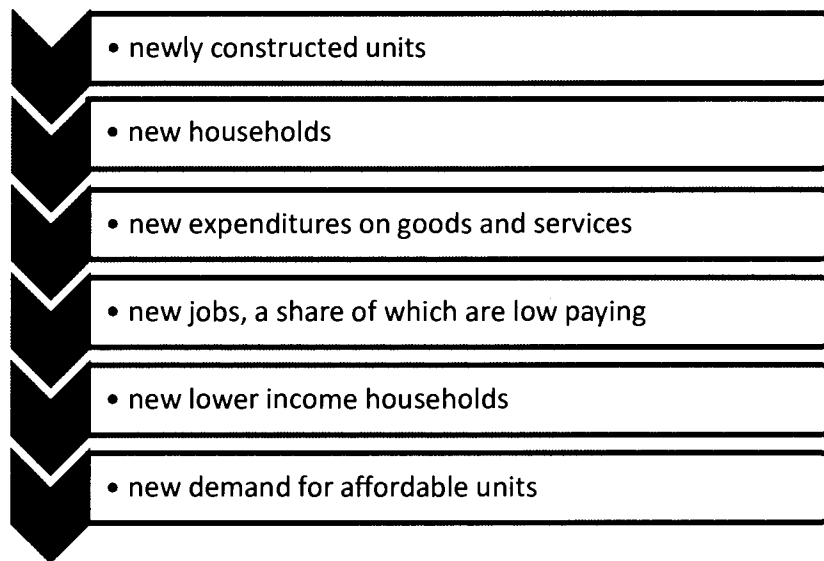
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## INTRODUCTION

The Summary and Recommendations provides an overview of the analysis and a discussion of the findings of a residential nexus analysis conducted for the City of Carlsbad (City) to estimate the impact of market-rate rental housing on the need for affordable housing. As illustrated in Exhibit 1, the residential nexus analysis quantifies the linkages between new market-rate rental units and the demand for affordable housing:

### Exhibit 1: Nexus Analysis Concept



The conclusion of the nexus analysis reflects the maximum mitigation impact fee supported to offset affordable housing demand caused by the development of market-rate rental housing.

A 2009 Court of Appeal ruling stated that a City cannot impose rent control through an inclusionary requirement on new housing. (*Palmer/Sixth Street Properties v. City of Los Angeles [Palmer]*). Nonetheless, market-rate rental housing creates a demand for affordable housing. The purpose of the nexus study is to analyze the nexus between new market-rate rental housing development and the need for affordable housing and to calculate a nexus-based housing impact fee.

The materials have been prepared by Keyser Marston Associates (KMA) for the City pursuant to a contractual agreement. The residential nexus analysis addresses market-rate rental housing developments in the City; the analysis quantifies the linkages between new market-rate rental units and the demand for affordable housing in Carlsbad.

The City of Carlsbad's existing Inclusionary Housing Ordinance requires all new ownership residential projects to set aside at least 15% of units so as to be restricted in terms of occupancy and affordability to lower income households. Lower-income households include Low-income, Very low-income, and Extremely low-income households, whose gross income does not exceed 80% of Area Median Income (AMI) for San Diego County as determined annually by the U.S. Department of Housing and Urban Development (City of Carlsbad Municipal Code §21.85.020). In accordance with the Palmer ruling, the City of Carlsbad amended its Inclusionary Housing Ordinance in 2010. As a result, the City no longer applies its Inclusionary Housing Ordinance to rental developments unless the developer has received direct financial assistance or other development incentives or concessions from the City and the developer agrees by contract to limit rents for below market-rate rental units. Developers may also voluntarily agree to provide inclusionary rental units. A new fee is being considered for application to market-rate rental developments of any size, which create a need for affordable housing for low income households.

### **The Nexus Concept**

The underlying nexus concept is that the newly constructed market-rate rental units represent new households in Carlsbad. These households represent new income in Carlsbad that will consume goods and services, either through purchases of goods and services or by "consuming" governmental services. New consumption translates to new jobs; a portion of the jobs are at lower compensation levels, low compensation jobs translate to lower income households that cannot afford these market-rate units in Carlsbad and therefore need affordable housing.

### **Impact Methodology and Models Used**

The analysis is performed using two models. The IMPLAN model is a commercially available model developed in 1979 and refined over time to quantify the impacts of changes in a local economy, including the employment impacts of changes in personal income. The IMPLAN model is "inputted" with net new personal income in Carlsbad and moves through a series of adjustments to disposable income, a distribution of expenditures, and ultimately produces a



quantification of jobs generated by industry. The KMA jobs housing nexus model, which was developed over 20 years ago to analyze the income structure of job growth, is used to determine the household income of new employee households, identifying how many are at lower-income and housing affordability levels.

### **Organization of this Document**

- Following the Summary and Recommendations is the technical nexus analysis report (Appendix I) and a detailed discussion of market-rate and affordable residential values (Appendix II). The Summary and Recommendations is not intended as a stand-alone document and should not be printed or distributed without the appendices explaining all the analyses and underlying assumptions.
- Appendix I contains the full Residential Nexus Analysis report and all the tables that are a part of the analysis.
- Appendix II – Residential Values – Market and Affordable is a background section that establishes the market values of various types of attached residential units or “projects” based on surveys of new units renting in Carlsbad. This appendix also contains a discussion of affordable rent levels at various affordability levels, per the current Area Median Income (AMI), and contains a calculation of affordability gaps.

This report has been prepared using the best and most recent data available. Local data and sources were used wherever possible. See Appendices I and II for more information.

### **Analysis Summary**

#### *The Prototypes*

Four residential rental prototypes, presented in detail in Appendix II, were identified for Carlsbad based on input from City staff. The four prototypes are summarized below:

- A townhome unit, built at an average density of 12 units to the acre. Includes a mix of two and three bedrooms, averaging 1,250 square feet (SF), renting for \$2,360.
- A garden apartment unit in a project with an average density of 20 units per acre. Includes one, two, and three bedroom units averaging 860 SF. Market rent is estimated at \$1,972 per month.
- A stacked flat apartment unit in a project with an average density of 30 units per acre. Includes a mix of one and two bedroom units, averaging 820 SF, renting for \$1,987 per month.
- Mixed-use stacked flats over ground floor retail with an average density of 28 units per acre. Includes one and two bedroom units averaging, 750 SF, and 3,000 SF of retail space on the ground floor. Average market rent is estimated at \$2,091 per month for the residential component and \$3.00 per SF per month triple-net (NNN) for the commercial component.

#### *Household Income*

From the rent level of the four prototypes, the household income of the renter is readily estimated using standard housing policy and lending standards established by local, State, and Federal affordable housing programs. Renters are assumed to spend 30% of their household income on total housing expenses.

Household income for each prototype unit is estimated in Exhibit 2.

<b><i>Exhibit 2: Household Income</i></b>				
	<i>Townhome</i>	<i>Garden Apartments</i>	<i>Stacked Flat Apartments</i>	<i>Mixed-Use Rental</i>
Gross Household Income	\$97,000	\$81,000	\$82,000	\$86,000

As would be expected, the higher rent units translate to higher household income.

This study references “Extremely low,” “Very low,” “Low,” and “Lower” household incomes. These terms and their descriptions are as defined in the Inclusionary Housing Ordinance, Carlsbad Municipal Code §21.85.020.

*Jobs Generated*

The next step in the nexus analysis is to adjust gross household income to disposable income, or income after State and Federal taxes, Social Security and Medicare deductions, and personal savings.

To simplify the presentation of results, the analysis is run for building modules of 100 housing units. This avoids awkward fractions, especially at the detailed level by job industry. The IMPLAN model output provides jobs by industry; the total numbers of jobs generated are shown in Exhibit 3. The geographic area of job generation is San Diego County.

<b>Exhibit 3: Jobs Generated per 100 Units</b>				
	<i>Townhome</i>	<i>Garden Apartments</i>	<i>Stacked Flat Apartments</i>	<i>Mixed-Use Rental</i>
Gross Household Income	\$97,000	\$81,000	\$82,000	\$86,000
Income Available for Household Expenditures	\$66,000	\$55,000	\$55,000	\$58,000
Total Jobs Generated, 100 units	50.3	42.5	42.5	44.9

The IMPLAN model quantifies jobs generated at establishments that serve new residents directly (i.e. supermarkets, banks, or schools), jobs generated by increased demand at firms which service or supply these establishments (wholesalers, janitorial contractors, accounting firms, or any jobs down the service/supply chain from direct jobs), and jobs generated when the new employees spend their wages in the local economy and generate additional jobs.

*Compensation Levels of Jobs and Household Income*

The output of the IMPLAN model – the numbers of jobs by industry – are then “input” into the KMA jobs housing nexus analysis model to quantify the compensation level of new jobs and the income of the worker households. The KMA model sorts the jobs by industry into jobs by occupation, based on national data, and then attaches wage distribution data to the occupations, using recent San Diego County data from the California Employment Development



Department (EDD). The KMA model also converts the number of employees to the number of employee households, recognizing that there is, on average, more than one worker per household, and thus the number of housing units in demand for new workers is reduced.

As shown in Exhibit 4, the output of the model is the number of new worker households by income level expressed in relation to AMI attributable to the new market-rate rental units and new households in Carlsbad.

<b>Exhibit 4: New Worker Households by Income Level per 100 Market-Rate Units</b>					
<i>Household Income Category</i>		<i>Townhome</i>	<i>Garden Apartments</i>	<i>Stacked Flat Apartments</i>	<i>Mixed-Use Rental</i>
Very low	Up to 50% AMI	9.2	7.8	7.8	8.2
Low	Greater than 50% but not exceeding 80% AMI	8.1	6.9	6.9	7.2
<b>Total, Not exceeding 80% AMI</b>		17.3	14.6	14.6	15.4
Greater than 80% AMI		11.0	9.3	9.3	9.9
<b>Total, New Households</b>		28.4	24.0	24.0	25.3

#### **Affordable Units Required to Mitigate Impact of Market-Rate Rental Housing**

Some developers may choose to mitigate the impact of their developments by providing affordable rental housing rather than paying a fee. The analysis findings identify how many lower income households are generated for every 100 market-rate rental units. As shown in Exhibit 5, these findings are adjusted to percentages to show the percentages of affordable rental housing needed to mitigate the impact of market-rate development. The percentages are calculated including both market-rate and affordable rental units (for example, 25 affordable units per 100 market-rate rental units translates to 125 total rental units; 25 affordable units out of 125 units equals 20%).

<b>Exhibit 5: Affordable Units Required to Mitigate Rental Housing Development</b>					
<i>Household Income Category</i>		<i>Townhome</i>	<i>Garden Apartments</i>	<i>Stacked Flat Apartments</i>	<i>Mixed-Use Rental</i>
Very low	Up to 50% AMI	8.4%	7.2%	7.2%	7.6%
Low	Greater than 50% but not exceeding 80% AMI	6.4%	5.6%	5.6%	5.8%
Lower	Not exceeding 80% AMI	14.8%	12.8%	12.8%	13.4%

The conclusion of the analysis is that a market-rate rental development would need to provide 12.8% to 14.8%<sup>1</sup> of units affordable to lower-income households to mitigate the development’s impact.

### **Fee Levels Supported by the Nexus Analysis**

The last step in the analysis puts a dollar amount on the cost of mitigating the affordable housing impacts. The conclusions of the nexus analysis, expressed as the number of worker households by income affordability category, are linked to the cost of delivering housing to the households in need. The impact fee revenues could be used by the City to assist in producing rental units to mitigate the impacts of new market-rate rental units.

KMA developed an affordable unit prototype designed to represent the type of rental unit typically assisted by the City. Appendix II presents the survey materials, methodology, and findings as well as affordable rent calculations. For the nexus analysis, KMA assumes that households needing affordable housing will be housed in garden apartments. They are the least expensive and represent the product type that the City is most likely to assist in the future.

The cost of developing new residential units in Carlsbad was assembled from a number of sources. Land costs were gathered from recent land sales data collected by KMA. KMA is also actively working on a number of multi-family projects in various locations in San Diego County and has recent developer pro forma financial analyses from which to draw cost information.

<sup>1</sup> The range of impact shown in Exhibit 5 in terms of demand for affordable housing is less than the 15% requirement in the City’s Inclusionary Ordinance applicable to new market-rate ownership housing (and previously applied to new market-rate rental housing as well).



Each income or affordability tier is associated with a subsidy needed to produce and deliver a unit at the specified affordability level. These subsidies are equal to affordability gaps, or the difference between the cost of development and the unit value supported by the rent that can be paid by a household at the specified income level.

When the affordability gap conclusions for each income tier are linked to the number of affordable units required as a result of market-rate development (as indicated in Exhibit 4), the result is a total nexus cost per new market-rate rental unit. Specifically, the maximum supported fee level per market-rate unit is derived from the calculation shown in Exhibit 6.



The results per unit are shown in Exhibit 7:

**Exhibit 7: Maximum Supported Fee Level Per Market-Rate Rental Unit**

Household Income Category		Affordability Gap	Townhome	Garden Apartments	Stacked Flat Apartments	Mixed-Use Rental
Very low	Up to 50% AMI	\$134,000	\$12,300	\$10,400	\$10,400	\$11,000
Low	Greater than 50% but not exceeding 80% AMI	\$137,800	\$11,200	\$9,400	\$9,400	\$10,000
<b>Maximum Supported Fee Level</b>			\$23,500	\$19,800	\$19,800	\$21,000

As shown in Exhibit 7, the residential nexus analysis supports maximum fee levels ranging from \$19,800 to \$23,500 per market-rate rental unit, depending on the development prototype. The per-unit maximum fees indicated in the table above result in a predictably higher fee per unit associated with the bigger or more expensive rental housing unit and the higher income (and expenditures) of the more affluent households.



The total nexus costs indicated above may also be expressed on a per-square-foot level. The square foot (SF) areas of the prototype units used throughout the analysis become the basis for the calculation. Again, see Appendix II for more discussion of the prototypes. Exhibit 8 presents the results per square foot:

<b>Exhibit 8: Total Nexus Costs Per Square Foot</b>					
<i>Household Income Category</i>	<i>Affordability Gap</i>	<i>Townhome</i>	<i>Garden Apartments</i>	<i>Stacked Flat Apartments</i>	<i>Mixed-Use Rental</i>
<i>Prototype Size (SF)</i>		<i>1,250 SF</i>	<i>860 SF</i>	<i>820 SF</i>	<i>750 SF</i>
Up to 50% AMI	\$134,000	\$10	\$12	\$13	\$15
Greater than 50% but not exceeding 80% AMI	\$137,800	\$9	\$11	\$12	\$13
<b>Total Nexus Costs (1)</b>		\$19	\$23	\$24	\$28
(1) Allow for rounding error.					

The calculated fee levels indicated above are maximum fees supported by the nexus analysis. Establishing the appropriate fee level for the City is a policy matter that will be determined by the City Council.

#### **Potential Fee Levels for Consideration**

When considering fee levels, there are several economic or real estate factors that may be taken into account in determining potential fee levels. A primary concern is that the fee levels not be so onerous that they significantly constrain the development of new rental units.

As discussed, the nexus analysis establishes the maximum supportable fee level from a legal nexus perspective. The KMA methodology employs a series of conservative assumptions designed to ensure that the analysis does not overstate the impact of residential housing construction on the demand for new affordable housing. KMA recommends that cities select a fee level that leaves a margin between the fee and the maximum established by the nexus analysis. This allows for minor changes to the many inputs, assumptions, and calculations employed in the nexus analysis while assuring that the adopted fee remains below the supported nexus amount.

In order to provide the City with a framework for setting fee levels, KMA considered three approaches: (1) the nexus supported fee amounts; (2) the funding level required for the City to implement affordable housing development off-site; and (3) a comparison with the economic impact of incorporating affordable housing development on-site. Each of these approaches is briefly reviewed below.

*Nexus Supported Fee Amounts* - The nexus supported fee amounts represent the maximum supportable fee from a legal nexus perspective. As shown below, for the four development prototypes, the maximum supported fee for market-rate rental housing is estimated to range between \$19,800 and \$23,500 per unit, or \$19 to \$28 per SF. The average supported fee is \$21,025 per unit or \$24 per SF. The City is likely to adopt a single impact fee applicable to all market-rate rental housing development, regardless of product type. Therefore, as shown in Exhibit 9, the appropriate maximum fee level supported by the residential nexus analysis is the lowest of the four prototypes, or \$19,800 per unit or \$19 per SF.

<b>Exhibit 9: Maximum Nexus Supported Fee Amounts</b>					<b>Average</b>
	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>	<i>Prototype 4</i>	
	<i>Townhomes</i>	<i>Garden Apartments</i>	<i>Stacked Flat Rentals</i>	<i>Mixed-Use Rentals</i>	
Per Unit	\$23,500	\$19,800	\$19,800	\$21,000	\$21,025
Per SF	\$19	\$23	\$24	\$28	\$24

- Funding Level Required for City to Develop 15% Affordable Housing Off-Site* – This approach estimates the funds that the City would need to receive in order to develop affordable rental housing in a separate off-site location from a market-rate rental development. As noted previously, each low-income rental unit has an estimated financing gap of \$137,800. In other words, for the City to undertake development of the affordable housing units, it would need to collect \$137,800 per affordable rental unit required. This gap figure equates to \$20,670 per market-rate rental unit developed (15% times \$137,800). As shown in Exhibit 10, depending on the market-rate rental development prototype, this required funding level translates to a range from \$17 to \$28 per SF, or an average of \$24 per SF. If the City adopts fees below this level, it would not be able to keep pace with its goal of developing 15% affordable units off-site.



<b>Exhibit 10: Funding Level Required for City to Develop 15% Affordable Housing Off-Site</b>					Average
	Prototype 1	Prototype 2	Prototype 3	Prototype 4	
	Townhomes	Garden Apartments	Stacked Flat Rentals	Mixed-Use Rentals	
Per Unit	\$20,670	\$20,670	\$20,670	\$20,670	\$18,510
Per SF	\$17	\$24	\$25	\$28	\$24

- Economic Impact of Incorporating 15% Affordable Housing On-Site** – The economic impact to market-rate rental developments resulting from incorporation of 15% affordable housing on-site, should owners choose to do so in compliance with the Costa-Hawkins Act, can be measured using each of the financial pro formas for the four prototypes evaluated in this study. As shown in Exhibit 11, KMA estimates this economic impact to range between \$17,100 and \$27,500 per unit, or \$20 to \$34 per SF. The average economic impact is \$22,850 per unit or \$26 per SF. Notably, the economic impact figures vary more widely than the funding level requirements shown in Exhibit 10. The figures in Exhibit 11 assume that developers are building comparable product for both the market-rate and affordable rental units. The figures in Exhibit 10 assume that the City is building affordable rental units in a garden apartment configuration.

<b>Exhibit 11: Economic Impact of Incorporating 15% Affordable Housing On-Site</b>					Average
	Prototype 1	Prototype 2	Prototype 3	Prototype 4	
	Townhomes	Garden Apartments	Stacked Flat Rentals	Mixed-Use Rentals	
Per Unit	\$27,500	\$17,100	\$21,000	\$25,800	\$22,850
Per SF	\$22	\$20	\$26	\$34	\$26

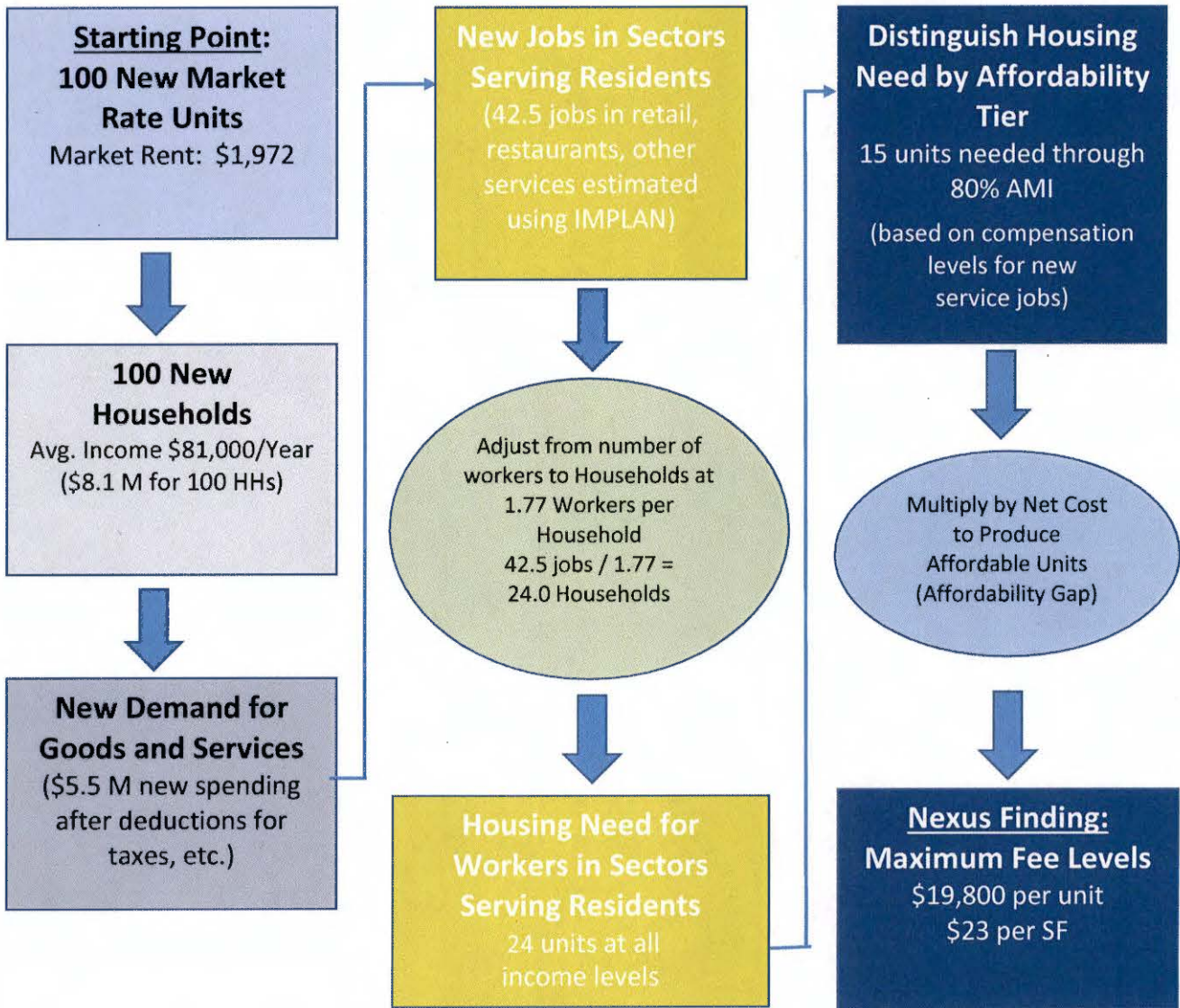
In view of the above approaches, KMA recommends that the City consider an impact fee that does not exceed \$20,000 per unit or \$20 per SF.

Exhibit 12 below provides a graphical illustration of the nexus analysis using the Garden Apartments prototype.



### Overview of Nexus Analysis

Figures in Chart Apply to the Garden Apartments Prototype



## Potential Indices for Fee Level Adjustment

There are a number of potential indices that could be used to adjust fee levels in the future. Some objectives that could potentially be taken into consideration in selecting an appropriate index for the fee are as follows:

### *Administrative Objectives*

- Simple and easily administered
- Clear and objective, not subject to interpretation
- Tied to readily accessible and neutral third party published source

### *Potential Policy Objectives*

- Maintain ability to mitigate impacts/fund affordable housing over long-term
- Maintain consistent fee burden over long-term
- Respond to economic cycles: fee relief during economic downturn, increased fees with a strong economy

Exhibit 13 reviews a range of potential indices that could be used to adjust the fee in the future.

<b>Exhibit 13: Potential Indices for Fee Level Adjustment</b>			
<b>Index</b>	<b>Concept / Description</b>	<b>Advantages</b>	<b>Disadvantages</b>
#1 Building Cost Index (BCI)	Fees go up or down based on building construction costs.  Published by Engineering News Record (ENR).  Available at national average and for 20 cities (not Carlsbad or San Diego; Los Angeles is nearest city available).	Very well established.  Consistent fee burden over time relative to construction costs.	May not trend with changes in non-construction development costs (land, other soft costs).  May not trend with cost to produce affordable units.  Only addresses cost side of the equation.



**Exhibit 13: Potential Indices for Fee Level Adjustment**

Index	Concept / Description	Advantages	Disadvantages
#2 Construction Costs Index (CCI)	Also published by ENR and similar to Building Cost Indices but with different weighting of labor and material cost categories.	Same as above.	Same as above.
#3 Consumer Price Index (CPI)	Published by the U.S. Bureau of Labor Statistics. Available for major metro areas including San Diego.	Very well established.  Generally tracks with inflation.  Produced by neutral governmental agency.	May not trend with:  - Construction costs (consistent fee burden)  or  - Cost to produce affordable units (consistent ability to mitigate impacts)
#4 Bureau of Labor Statistics (BLS) Construction Indices	BLS publishes "producer price indices" for a long list of industries.	Opportunity for index tied to specific types of construction.  Produced by neutral governmental agency.	Different indices for different uses somewhat more complicated  Only addresses cost side of the equation
#5 Housing Affordability Index	Metric tied to housing affordability.  Fees go up as housing becomes less affordable.  Based on what median household can afford versus median housing cost	Maintains consistent level of mitigation.  Revenue increase as cost to produce unit increases.	Would not maintain consistent fee burden.  Requires special calculation by the City of Carlsbad and not produced by a neutral third party.

For purposes of simplicity, the City may want to consider an annual adjuster based on one of the readily available, third party indices listed above. However, the affordability gaps are a very large determinant of the overall nexus amounts. Indices such as #1 through #4 above only address the cost side of the affordability gap equation. Measures of affordability gap, on the



other hand, typically require formulas using a variety of inputs and assumption that have to be determined each year.

KMA recommends that the City adopt a fee program which enables the City Manager to make the determination whether to implement the annual adjustment each year, up to the amount supported by the index that is ultimately selected by the City.

Regardless of the index used by the City, it is important that the indexed fee should remain under the ceilings established by the nexus analysis. It is difficult to predict exactly how the maximum fees supported will be affected by changes in the economy and the housing market. KMA also recommends that the City conduct a re-evaluation of the fee every five to eight years.

**APPENDIX I: RESIDENTIAL NEXUS ANALYSIS**

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## INTRODUCTION AND OVERVIEW

Keyser Marston Associates (KMA) has prepared this residential nexus analysis for the City of Carlsbad (City) per a contractual agreement. This residential nexus analysis addresses market-rate residential rental projects and the various types of rental units that could be subject to the Inclusionary Housing Ordinance, and quantifies the linkages between new market-rate units and the demand for affordable housing generated by the residents of new units.

### **The Carlsbad Context and Purpose of Report**

The purpose of Appendix I is to provide an overview of the analysis and a discussion of the findings of a residential nexus analysis conducted for the City of Carlsbad (City). The residential nexus analysis quantifies the linkages between new market-rate rental units and the demand for affordable housing. The conclusion of the nexus analysis reflects the maximum mitigation impact fee supported to offset affordable housing demand caused by the development of market-rate rental housing.

Court rulings in 2009 questioned whether a city can impose an inclusionary ordinance on a market-rate rental development (*Palmer/Sixth Street Properties v. City of Los Angeles* [Palmer]), and the legitimacy of affordable housing in-lieu fees (*Building Industry Association of Central California vs. City of Patterson* [Patterson]).

Under Palmer, the California Court of Appeals ruled in July 2009 that local inclusionary housing requirements when applied to rental housing violate State laws governing rent controls. As a result, many cities have restructured their inclusionary housing rental programs into mitigation (or impact) fee based programs. The residential nexus analysis takes into consideration the Palmer decision and demonstrates the impact fee levels supported from a nexus perspective.

The Patterson case invalidated in-lieu affordable housing fees if “no reasonable relationship” is found between the construction of market-rate housing and the need for affordable housing. As such, instead of establishing fees based on a city’s citywide need for affordable housing, affordable housing impact fees must be rationally related to the impact caused by market-rate housing. The purpose of the nexus study is to analyze the nexus between new market-rate rental development and to calculate a nexus-based housing impact fee.



The City of Carlsbad's existing Inclusionary Housing Ordinance requires all new ownership residential projects to set aside at least 15% of units so as to be restricted in terms of occupancy and affordability to lower income households. Lower-income households includes Low-income, Very low-income, and Extremely low-income households, whose gross income does not exceed 80% of median income for San Diego County as determined annually by the U.S. Department of Housing and Urban Development (City of Carlsbad Municipal Code §21.85.020). In accordance with the Palmer ruling, the City of Carlsbad amended its Inclusionary Housing Ordinance in 2010. As a result, the City no longer applies its Inclusionary Housing Ordinance to rental developments unless the developer has received direct financial assistance or other development incentives or concessions from the City and the developer agrees by contract to limit rents for below market-rate rental units. Developers may also voluntarily agree to provide inclusionary rental units. Subdivisions with fewer than seven units are allowed the payment of an in-lieu fee to fulfill their inclusionary housing obligations. The fee is based on the difference in cost to produce a market-rate rental unit versus a lower-income affordable unit. As of September 1, 2015, the in-lieu fee per market-rate for-sale unit was \$4,515. This fee was established in 1996 and has not been updated since. This fee is currently paid by developments of six (6) units or less, which also have an inclusionary requirement per the City's Inclusionary Ordinance. This fee is not proposed for change at this time. A new fee is being considered for application to market-rate rental developments of any size, which are not subject to the City's Inclusionary Ordinance but create a need for affordable housing for low income households.

### **The Nexus Concept**

The underlying nexus concept is that the newly constructed residential units represent new households in Carlsbad. These households represent new income in Carlsbad that will consume goods and services, either through purchases of goods and services or "consumption" of governmental services. New consumption translates to jobs; a portion of the jobs are at lower compensation levels; low compensation jobs generate new lower-income households that cannot afford market-rate units in Carlsbad and therefore need affordable housing.

### **Use of This Study**

An impact analysis of this nature has been prepared for the limited purpose of determining nexus support for consideration of a rental housing impact fee. It has not been prepared as a document to guide policy design in the broader context.

## **Methodology and Models Used**

The methodology or analysis procedure for this nexus analysis starts with the rental rate of a new market-rate residential unit, and moves through a series of linkages to the gross income of the household that rented the unit, the disposable income of the new household, the annual expenditures on goods and services, the jobs associated with the purchases and delivery of services, the income of the workers doing those jobs, the household income of the workers and, ultimately, the affordability level of the housing needed by the worker households. The steps of the analysis from household income to jobs generated were performed using the IMPLAN model, a model widely used for over 30 years to quantify the impacts of changes in a local economy, including employment impacts from changes in personal income. From job generation by industry, KMA used its own jobs housing nexus model to quantify the income of worker households by affordability level.

To illustrate the linkages by looking at a simplified example, we can take an average household that rents a unit at a certain rent. From that rent, we estimate the gross income of the household and the disposable income of the household. The disposable income, on average, will be used to “purchase” or consume a range of goods and services, such as purchases at the supermarket or services at the bank. Purchases in the local economy in turn generate employment. The jobs generated are at different compensation levels. Some of the jobs are low paying and as a result, even when there is more than one worker in the household, there are some lower- and middle-income households who cannot afford market-rate housing in Carlsbad.

The IMPLAN model quantifies jobs generated at establishments that serve new residents directly (e.g., supermarkets, banks, or schools), jobs generated by increased demand at firms which service or supply these establishments, and jobs generated when the new employees spend their wages in the local economy and generate additional jobs. The IMPLAN model estimates the total impact combined.

## **Net New Underlying Assumption**

An underlying assumption of the analysis is that households that rent new units represent net new households in Carlsbad. If renters have relocated from elsewhere in the City, vacancies have been created that will be filled. An adjustment to new construction of units would be

warranted if Carlsbad were experiencing a significant level of demolitions or loss of existing housing inventory. However, the rate of housing unit removal is so low as to not warrant an adjustment or offset.

Since the analysis addresses net new households in Carlsbad and the impacts generated by their consumption expenditures, it quantifies net new demands for affordable units to accommodate new worker households. As such, the impact results do not address nor in any way include existing deficiencies in the supply of affordable housing.

### **Geographic Area of Impact**

The analysis quantifies impacts occurring within San Diego County. The IMPLAN model computes the jobs generated within the County and sorts out those that occur beyond the County boundaries. The results therefore slightly underestimate the total impact of new housing on the total need for affordable housing.

Job impacts, like most types of impacts, occur irrespective of political boundaries. And like other types of impact analyses, such as traffic, impacts beyond city boundaries are experienced, are relevant, and are important. See Addendum for further discussion.

### **Disclaimer**

This report has been prepared using the best and most recent data available at the time of the analysis. Local data and sources were used wherever possible. Major sources include the U.S. Census Bureau: 2011-2013 American Community Survey, California Employment Development Department, and the IMPLAN model, which we believe are sufficiently accurate for the purposes of the analysis.

### **A. MARKET-RATE UNITS AND GROSS HOUSEHOLD INCOME**

This section describes the prototypical market-rate rental units and the income of the renter households assumed in KMA nexus analysis. Household income is the input to the IMPLAN model described in Section B of this report. These are the starting points of the chain of linkages that connect new market-rate rental units to incremental demand for affordable residential units.



This section provides a summary of the prototypes and household income. More description and supporting tables are provided in Appendix II.

### **Recent Housing Market Activity and Prototypical Units**

In identifying residential prototypes, KMA undertook a survey of residential rental units currently being marketed throughout the City. KMA accessed readily available data on apartment rents. Four rental prototypes were identified, representing projects currently being proposed, developed, or that have the potential for development in the foreseeable future.

Like much of San Diego County, Carlsbad is experiencing a resurgence in development interest in rental apartments. As of this writing in 2016, economic and investment conditions for apartment development are the healthiest they have been in years. Rents continue to move in an upward direction, while vacancies remain fairly stable. In short, there is robust demand within the rental market, with significant new construction underway or anticipated in many submarkets within the coming years.

For the purposes of the nexus analysis, the prototypes are as follows:

- A townhome unit in a project with an average density of 12 units to the acre. Unit sizes averages 1,250 SF, a mix of two and three bedroom units, renting for \$2,360 per month.
- A garden apartment unit in a project with an average density of 20 units per acre. Unit size averages 860 SF, a mix of one, two and three bedroom units, renting for \$1,972 per month.
- A stacked flat apartment unit in a project with an average density of 30 units per acre. Includes a mix of one and two bedroom units, averaging 820 SF, renting for \$1,987 per month.
- Mixed-use stacked flats over ground floor retail with an average density of 28 units per acre. Includes one and two bedroom units averaging 750 SF and 3,000 SF of retail space on the ground floor. Average market rent is estimated at \$2,091 per month for the residential component and \$3.00 per SF per month triple-net (NNN) for the commercial component.

Reference is made to the market survey material in Appendix II.

## Summary

Exhibit 14 presents the prototypes tested in the nexus analysis:

<b>Exhibit 14: Summary of Prototypes</b>				
	<i>Townhome</i>	<i>Garden Apartments</i>	<i>Stacked Flat Apartments</i>	<i>Mixed-Use Rental</i>
Average Unit Size	1,250 SF	860 SF	820 SF	750 SF
Average No. of Bedrooms	2.5	1.8	1.6	1.5
Average Rent	\$2,360	\$1,972	\$1,987	\$2,091
Commercial Rent/SF	----	----	----	\$3.00

## Income of Housing Unit Renter

The next step in the analysis is to determine the income of the renting households in the prototypical units. The gross household income of the renters is the input to the IMPLAN model.

The standard used by lending institutions and Federal, State, and local affordable housing programs for relating annual rent to household income is 30%. While leasing agents and landlords may permit rental payments to represent a slightly higher share of total income, 30% represents an average. This is based on the fact that renters are also likely to have other debt, and that many do not choose to spend more than 30% of their income on rent, since, unlike an ownership situation, the unit is not viewed as an investment with value enhancement potential. The resulting relationship is that annual household income is 3.3 times annual rent.

The estimated gross household incomes of renters of the prototype units are calculated in Appendix I - Tables A-1 through A-4, and summarized in Exhibit 15.

<b>Exhibit 15: Household Income</b>				
	<i>Townhome</i>	<i>Garden Apartments</i>	<i>Stacked Flat Apartments</i>	<i>Mixed-Use Rental</i>
Gross Household Income	\$97,000	\$81,000	\$82,000	\$86,000

Gross household income is then converted to disposable income by accounting for State and Federal income taxes, Social Security and Medicare (FICA) taxes, and personal savings. The percent of income available for expenditures is estimated at 71% as calculated in Appendix I – Table A-5.

The nexus analysis is conducted on 100-unit building modules for ease of presentation, and to avoid fractions. Appendix I - Table A-6 and Exhibit 16 summarize the conclusions of this section and calculate the total household expenditures available for the 100-unit building modules. This is the input into the IMPLAN model.

<i>Exhibit 16: Income Available for Expenditures</i>				
	<i>Townhome</i>	<i>Garden Apartments</i>	<i>Stacked Flat Apartments</i>	<i>Mixed-Use Rental</i>
Income Available for Household Expenditures	\$66,000	\$55,000	\$55,000	\$58,000



TABLE A-1

**ANNUAL HOUSEHOLD INCOME, PROTOTYPE 1 - TOWNHOMES**  
**AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY**  
**CITY OF CARLSBAD**

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			<b>Prototype 1 Townhomes</b>
<b>I.</b>	<b>Market Rent</b>		
	Monthly	\$1.89 /SF    1,250 SF <sup>1</sup>	\$2,360
	Utilities <sup>2</sup>		<u>\$69</u>
	Monthly Housing Cost		\$2,429
<b>II.</b>	<b>Annual Housing Cost</b>		\$29,148
<b>III.</b>	<b>% of Income Spent on Rent</b>		30% <sup>3</sup>
<b>IV.</b>	<b>Annual Household Income Required</b>		<b>\$97,000</b>
<b>V.</b>	<b>Annual Rent to Income Ratio</b>		3.3

(1) Based on results of the market survey. Represents rent levels applicable to new units.

(2) Monthly utility estimate includes landlord reimbursements and direct-billed utilities.

(3) While landlords may permit rental payments to represent a slightly higher share of total income, 30% represents an average.

TABLE A-2

**ANNUAL HOUSEHOLD INCOME, PROTOTYPE 2 - GARDEN APARTMENTS  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD**

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	<b>Prototype 2 Garden Apartments</b>		
<b>I. Market Rent</b>			
Monthly	\$2.29 /SF	860 SF <sup>1</sup>	\$1,972
Utilities <sup>2</sup>			<u>\$59</u>
Monthly Housing Cost			\$2,031
<b>II. Annual Housing Cost</b>			\$24,372
<b>III. % of Income Spent on Rent</b>			30% <sup>3</sup>
<b>IV. Annual Household Income Required</b>			<b>\$81,000</b>
<b>V. Annual Rent to Income Ratio</b>			3.3

(1) Based on results of the market survey. Represents rent levels applicable to new units.

(2) Monthly utility estimate includes landlord reimbursements and direct-billed utilities.

(3) While landlords may permit rental payments to represent a slightly higher share of total income, 30% represents an average.

TABLE A-3

**ANNUAL HOUSEHOLD INCOME, PROTOTYPE 3 - STACKED FLATS  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD**

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			<b>Prototype 3 Stacked Flats</b>
<b>I. Market Rent</b>			
Monthly	\$2.42 /SF	820 SF <sup>1</sup>	\$1,987
Utilities <sup>2</sup>			<u>\$56</u>
Monthly Housing Cost			\$2,043
<b>II. Annual Housing Cost</b>			\$24,516
<b>III. % of Income Spent on Rent</b>			30% <sup>3</sup>
<b>IV. Annual Household Income Required</b>			<b>\$82,000</b>
<b>V. Sales Rent to Income Ratio</b>			3.3

(1) Based on results of the market survey. Represents rent levels applicable to new units.

(2) Monthly utility estimate includes landlord reimbursements and direct-billed utilities.

(3) While landlords may permit rental payments to represent a slightly higher share of total income, 30% represents an average.



TABLE A-4

**ANNUAL HOUSEHOLD INCOME, PROTOTYPE 4 - MIXED-USE RENTAL  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD**

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			<b>Prototype 4 Mixed-Use Rental</b>
<b>I.</b>	<b>Market Rent</b>		
	Monthly	\$2.79 /SF	750 SF <sup>1</sup>
	Utilities <sup>2</sup>		\$2,091
	Monthly Housing Cost		\$55
			\$2,146
<b>II.</b>	<b>Annual Housing Cost</b>		\$25,752
<b>III.</b>	<b>% of Income Spent on Rent</b>		30% <sup>3</sup>
<b>IV.</b>	<b>Annual Household Income Required</b>		\$86,000
<b>V.</b>	<b>Annual Rent to Income Ratio</b>		3.3

(1) Based on results of the market survey. Represents rent levels applicable to new units.

(2) Monthly utility estimate includes landlord reimbursements and direct-billed utilities.

(3) While landlords may permit rental payments to represent a slightly higher share of total income, 30% represents an average.

TABLE A-5

**INCOME AVAILABLE FOR EXPENDITURES<sup>1</sup>**  
**AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY**  
**CITY OF CARLSBAD**

	<b>Prototype 1</b>	<b>Prototype 2</b>	<b>Prototype 3</b>	<b>Prototype 4</b>
	<b>Townhomes</b>	<b>Garden Apartments</b>	<b>Stacked Flats</b>	<b>Mixed-Use Rental</b>
Gross Household Income	\$97,000	\$81,000	\$82,000	\$86,000
Gross Income	100%	100%	100%	100%
<u>Less:</u>				
Federal Income Taxes <sup>2</sup>	10.6%	10.6%	11%	10.6%
State Income Taxes <sup>3</sup>	3%	3%	3%	3%
FICA Tax Rate <sup>4</sup>	7.65%	7.65%	7.65%	7.65%
Savings & other deductions <sup>5</sup>	8%	8%	8%	8%
<b>Percent of Income Available for Expenditures<sup>6</sup></b> <b>[Input to IMPLAN model]</b>	<b>71%</b>	<b>71%</b>	<b>71%</b>	<b>71%</b>

<sup>1</sup> Gross income after deduction of taxes and savings. Income available for expenditures is the input to the IMPLAN model which is used to estimate the resulting employment impacts. Housing costs are not deducted as part of this adjustment step because they are addressed separately as expenditures within the IMPLAN model.

<sup>2</sup> Reflects average tax rates (as opposed to marginal) based on U.S. Internal Revenue Services, Tax Statistics, Tables 1.1 and 2.1. Renter households are assumed to take the standard deduction. For the four prototypes, the average rate for AGI of \$75,000 to \$100,000 for tax payers not itemizing deductions is applied at 10.6%.

<sup>3</sup> Average tax rate estimated by KMA based on marginal rates per the California Franchise Tax Board and ratios of taxable income to gross income estimated based on U.S. Internal Revenue Service data. Average tax rates are based upon an average of single and married tax schedules weighted based upon the percentage of married households living in San Francisco per the 2009-2013 ACS.

<sup>4</sup> For Social Security and Medicare. Conservatively assumes all income will be subject to Social Security taxes. The current ceiling on applicability of Social Security taxes is \$117,000 (ceiling applies per earner not per household).

<sup>5</sup> Household savings including retirement accounts like 401k / IRA and other deductions such as interest costs on credit cards, auto loans, etc, necessary to determine the amount of income available for expenditures. The 8% rate used in the analysis for households earning less than \$225,000 is based on the average over the past 20 years computed from U.S. Bureau of Economic Analysis data, specifically the National Income and Product Accounts, Table 2.1 "Personal Income and Its Disposition." Households earning more than \$225,000 are assumed to save a higher percentage of their income, based on data published by the National Bureau of Economic Research, "Wealth Inequality in the United States Since 1913: Evidence From Capitalized Income Tax Data," October 2014.

<sup>6</sup> Deductions from gross income to arrive at the income available for expenditures are consistent with the way the IMPLAN model and National Income and Product Accounts (NIPA) defines income available for personal consumption expenditures. Income taxes, contributions to Social Security and Medicare, and savings are deducted; however, property taxes and sales taxes are not. Housing costs are not deducted as part of the adjustment because they are addressed separately as expenditures within the IMPLAN model.

TABLE A-6

**NEW MARKET-RATE RESIDENTIAL HOUSEHOLD SUMMARY  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD**

		<b>Per Unit</b>	<b>Per SF</b>	<b>100 Unit Building Module</b>
<b>I. Prototype 1: Townhomes</b>				
Units				<b>100 Units</b>
Building SF (gross)		1,250		125,000
Rent				
Monthly		\$2,360	\$1.89 /SF	\$236,000
Monthly with Utilities		\$2,429		\$243,000
Annual with Utilities		\$29,148		\$2,915,000
Rent to Income Ratio		3.3		3.3
Gross Household Income		\$97,000		\$9,700,000
Income Available for Expenditure <sup>1</sup>	71% of gross	\$69,000		\$6,890,000
Expenditures adjusted for vacancy <sup>2</sup>	5% vacancy	\$66,000		<b>\$6,500,000</b>
<b>II. Prototype 2: Garden Apartments</b>				
Units				<b>100 Units</b>
Building SF (gross)		860		86,000
Rent				
Monthly		\$1,972	\$2.29 /SF	\$197,000
Monthly with Utilities		\$2,031		\$203,000
Annual with Utilities		\$24,372		\$2,437,000
Rent to Income Ratio		3.3		3.3
Gross Household Income		\$81,000		\$8,100,000
Income Available for Expenditure <sup>1</sup>	71% of gross	\$58,000		\$5,750,000
Expenditures adjusted for vacancy <sup>2</sup>	5% vacancy	\$55,000		<b>\$5,500,000</b>

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

(2) Allowance to account for standard operational vacancy.

Source: Tables A-1 through A-5.



TABLE A-6

**NEW MARKET-RATE RESIDENTIAL HOUSEHOLD SUMMARY  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD**

		<b>Per Unit</b>	<b>Per SF</b>	<b>100 Unit Building Module</b>
<b>III. Prototype 3: Stacked Flats</b>				
Units				<b>100 Units</b>
Building SF (gross)		820		82,000
Rent				
Monthly		\$1,987	\$2.42 /SF	\$199,000
Monthly with Utilities		\$2,043		\$204,000
Annual with Utilities		\$24,516		\$2,452,000
Rent to Income Ratio		3.3		3.3
Gross Household Income		\$82,000		\$8,200,000
Income Available for Expenditure <sup>1</sup>	71% of gross	\$58,000		\$5,820,000
Expenditures adjusted for vacancy <sup>2</sup>	5% vacancy	\$55,000		<b>\$5,500,000</b>
<b>IV. Prototype 4: Mixed-Use Rental</b>				
Units				<b>100 Units</b>
Building SF (gross)		750		75,000
Rent				
Monthly		\$2,091	\$2.79 /SF	\$209,000
Monthly with Utilities		\$2,146		\$215,000
Annual with Utilities		\$25,752		\$2,575,000
Rent to Income Ratio		3.3		3.3
Gross Household Income		\$86,000		\$8,600,000
Income Available for Expenditure <sup>1</sup>	71% of gross	\$61,000		\$6,110,000
Expenditures adjusted for vacancy <sup>2</sup>	5% vacancy	\$58,000		<b>\$5,800,000</b>

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

(2) Allowance to account for standard operational vacancy.

Source: Tables A-1 through A-5.

## **B. THE IMPLAN MODEL**

Consumer spending by residents of new housing units will create jobs, particularly in sectors such as restaurants, health care, and retail, which are closely connected to the expenditures of residents. The widely used economic analysis tool, IMPLAN (IMpact Analysis for PLANning), was used to quantify these new jobs by industry sector.

### **IMPLAN Model Description**

The IMPLAN model is an economic analysis software package now commercially available through the Minnesota IMPLAN Group. IMPLAN was originally developed by the U.S. Forest Service, the Federal Emergency Management Agency, and the U.S. Department of the Interior Bureau of Land Management and has been in use since 1979 and refined over time. It has become a widely used tool for analyzing economic impacts from a broad range of applications from major construction projects to natural resource programs.

IMPLAN is based on an input-output accounting of commodity flows within an economy from producers to intermediate and final consumers. The model establishes a matrix of supply chain relationships between industries and also between households and the producers of household goods and services. Assumptions about the portion of inputs or supplies for a given industry likely to be met by local suppliers, and the portion supplied from outside the region or study area, are derived internally within the model using data on the industrial structure of the region.

The output or result of the model is generated by tracking changes in purchases for final use (final demand) as they filter through the supply chain. Industries that produce goods and services for final demand or consumption must purchase inputs from other producers, which in turn, purchase goods and services. The model tracks these relationships through the economy to the point where leakages from the region stop the cycle. This allows the user to identify how a change in demand for one industry will affect a list of over 400 other industry sectors. The projected response of an economy to a change in final demand can be viewed in terms of economic output, employment, or income.

Data sets are available for each county and state, so the model can be tailored to the specific economic conditions of the region being analyzed. This analysis utilizes the data set for San Diego County. As will be discussed, much of the employment impact is in local-serving sectors,

such as retail, eating and drinking establishments, and medical services. The employment impacts will extend throughout the County and beyond based on where jobs are located that serve Carlsbad residents.

### Application of the IMPLAN Model to Estimate Job Growth

The IMPLAN model was applied to link gross household income to household expenditures to job growth occurring in San Diego County. Employment generated by the household income of residents is analyzed in modules of 100 residential units to facilitate communication of the results and avoid fractions. The model distributes spending among various types of goods and services (industry sectors) based on data from the Consumer Expenditure Survey and the Bureau of Economic Analysis Benchmark input-output study, to estimate employment generated.

Job creation, driven by increased demand for products and services, was projected for each of the industries that will serve the new households. The employment generated by this new household spending is summarized in Exhibit 17.

<i>Exhibit 17: Jobs Generated per 100 Units</i>				
	<i>Townhome</i>	<i>Garden Apartments</i>	<i>Stacked Flat Apartments</i>	<i>Mixed-Use Rental</i>
Gross Household Income	\$97,000	\$81,000	\$82,000	\$86,000
Income Available for Household Expenditures	\$66,000	\$55,000	\$55,000	\$58,000
Total Jobs Generated, 100 units	50.3	42.5	42.5	44.9

Appendix I - Table B-1 provides a detailed summary of employment generated by industry. The table shows industries sorted by projected employment. Expenditure patterns vary by income level, and the IMPLAN results are calculated according to the income bracket. In the case of the Carlsbad prototypes, garden apartment and stacked flat households are in one income category, and townhome and mixed-use rental households are in a second. Estimated employment is shown for each IMPLAN industry sector representing 1% or more of total employment. The jobs that are generated within the County are heavily in the retail industries, in restaurants and other eating establishments, and in industries that provide local services such as health care and real estate.



The jobs counted in the IMPLAN model cover all jobs, full and part time, similar to the U.S. Census and all reporting agencies (unless otherwise indicated).

TABLE B-1

**EMPLOYMENT GENERATED  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD**

*Per 100 Market-Rate Units*

	Prototype 1: Townhomes	Prototype 2: Garden Apartments	Prototype 3: Stacked Flats	Prototype 4: Mixed-Use Rental	% of Jobs
<b>Household Expenditures (100 Market-Rate Units) <sup>1</sup></b>	\$6,500,000	\$5,500,000	\$5,500,000	\$5,800,000	
<b>Jobs Generated by Industry <sup>2</sup></b>					
Offices of physicians	0.0	1.5	1.5	1.6	4%
Offices of dentists	0.7	0.6	0.6	0.6	1%
Offices of other health practitioners	0.8	0.7	0.7	0.7	2%
Home health care services	0.6	0.5	0.5	0.5	1%
Hospitals	1.6	1.4	1.4	1.5	3%
Nursing and community care facilities	<u>1.3</u>	<u>1.1</u>	<u>1.1</u>	<u>1.2</u>	<u>3%</u>
Subtotal Healthcare	5.1	5.8	5.8	6.1	14%
Retail - Motor vehicle and parts dealers	0.6	0.5	0.5	0.5	1%
Retail - Building material and garden equipment and supplies store:	0.6	0.5	0.5	0.5	1%
Retail - Food and beverage stores	1.5	1.3	1.3	1.3	3%
Retail - General merchandise stores	1.3	1.1	1.1	1.2	3%
Retail - Miscellaneous store retailers	0.6	0.5	0.5	0.6	1%
Retail - Nonstore retailers	<u>0.6</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>1%</u>
Subtotal Retail	5.2	4.4	4.4	4.6	10%
Full-service restaurants	3.0	2.5	2.5	2.6	6%
Limited-service restaurants	2.8	2.4	2.4	2.5	6%
All other food and drinking places	<u>1.5</u>	<u>1.3</u>	<u>1.3</u>	<u>1.4</u>	<u>3%</u>
Subtotal Food Services	7.3	6.2	6.2	6.5	15%
Wholesale trade	1.4	1.2	1.2	1.2	3%
Other financial investment activities	1.2	1.0	1.0	1.1	2%
Insurance agencies, brokerages, and related activities	0.6	0.5	0.5	0.6	1%
Real estate	2.3	1.9	1.9	2.0	5%
Legal services	0.5	0.4	0.4	0.5	1%
Employment services	0.7	0.6	0.6	0.6	1%
Services to buildings	0.9	0.7	0.7	0.8	2%
Junior colleges, colleges, universities, and professional schools	0.6	0.5	0.5	0.6	1%
Other educational services	0.6	0.5	0.5	0.5	1%
Individual and family services	1.7	1.4	1.4	1.5	3%
Automotive repair and maintenance, except car washes	0.9	0.7	0.7	0.8	2%
Personal care services	1.1	1.0	1.0	1.0	2%
Other personal services	0.8	0.7	0.7	0.8	2%
Private households	0.8	0.7	0.7	0.7	2%
All Other	18.6	14.2	14.2	15.0	33%
<b>Total Number of Jobs Generated</b>	<b>50.3</b>	<b>42.5</b>	<b>42.5</b>	<b>44.9</b>	<b>100%</b>

<sup>1</sup> Estimated employment generated by expenditures of households within 100 prototypical market-rate units. Employment estimates are based on the IMPLAN Group's economic model, IMPLAN, for San Diego County. Includes both full- and part-time jobs.

<sup>2</sup> For Industries representing more than 1% of total employment.

### C. THE KMA JOBS HOUSING NEXUS MODEL

This section presents a summary of the analysis linking the employment growth associated with residential development, or the output of the IMPLAN model (see Section B), to the estimated number of lower-income housing units required in two income categories, for each of the four residential prototype units.

#### Analysis Approach and Framework

The analysis approach is to examine the employment growth for industries related to consumer spending by residents in the 100-unit modules. Then, through a series of linkage steps, the number of employees is converted to households and housing units by affordability level. The findings are expressed in terms of numbers of affordable households per 100 market-rate units.

The analysis addresses the affordable unit demand associated with new market-rate rental housing units in Carlsbad. Exhibit 18 shows the 2015 San Diego County Area Median Income (AMI) limits for the two categories that were evaluated -- 50% AMI and 80% AMI -- as well as the County median for comparison purposes.

<b>Exhibit 18: 2015 Income Limits for San Diego County <sup>(1)</sup></b>							
<b>Household Income Category</b>		<b>Household Size (Persons)</b>					
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
Very low <sup>(2)</sup>	Up to 50% AMI	\$28,350	\$32,400	\$36,450	\$40,500	\$43,750	\$47,000
Low <sup>(2)</sup>	Greater than 50% but not exceeding 80% AMI	\$45,400	\$51,850	\$58,350	\$64,800	\$70,000	\$75,200
Median <sup>(3)</sup>	100% AMI	\$53,150	\$60,700	\$68,300	\$75,900	\$81,950	\$88,050

(1) The 2016 San Diego County Area Median Income limits were not yet released when KMA completed its analysis.  
 (2) Source: U.S. Department of Housing and Urban Development (HUD). Limits adjusted for high housing cost area.  
 (3) Source: State of California Department of Housing and Community Development.

The analysis is conducted using a model that KMA developed and has applied to similar evaluations in many other jurisdictions. The model inputs are all local data to the extent possible, and are fully documented in the following description.

### **Analysis Steps**

Appendix I - Tables C-1 through C-3 at the end of this section present a summary of the nexus analysis steps for the prototype units. Following is a description of each step of the analysis.

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

Appendix I - Table C-1 commences with the total number of employees associated with the new market-rate units. The employees were estimated based on household expenditures of new residents using the IMPLAN model (see Section B).

#### **Step 2 – Adjustment from Employees to Employee Households**

This step (Appendix I - Table C-1) converts the number of employees to the number of employee households, recognizing that there is, on average, more than one worker per household, and thus the number of housing units in demand for new workers is reduced. The workers-per-worker-household ratio eliminates from the equation all non-working households, such as retired persons, students, and those on public assistance. The County average of 1.77 workers per worker household (from the U. S. Census Bureau: 2011-2013 American Community Survey) is used for this step in the analysis. The number of jobs is divided by 1.77 to determine the number of worker households. (Average workers related to all households is a lower ratio because all households are counted in the denominator, not just worker households; using average workers per total households would produce greater demand for housing units.) The 1.77 ratio covers all workers, full and part time.

#### **Step 3 – Occupational Distribution of Employees**

The occupational breakdown of employees is the first step to arrive at income level. The output from the IMPLAN model provides the number of employees by industry sector. The IMPLAN output is paired with data from the Department of Labor, Bureau of Labor Statistics, May 2014, Occupational Employment Survey (OES) to estimate the occupational composition of employees for each industry sector. Industry refers to the economic activity in which workers are primarily engaged, such as retail or manufacturing; occupation describes the jobs of the workers in the



industry, such as sales clerks or managers in retail stores and machine operators and managers in manufacturing (each industry has its own distinct cross section of occupations or occupational mix).

Pairing of OES and IMPLAN data was accomplished by matching IMPLAN industry sector codes with the four-digit North American Industry Classification System Code (NAICS) used in the OES. Each IMPLAN industry sector is associated with one or more NAICS codes, with matching NAICS codes ranging from two to five digits. Employment for IMPLAN sectors with multiple matching NAICS codes was distributed among the matching codes based on the distribution of employment among those industries at the national level. Employment for IMPLAN sectors where matching NAICS codes were only at the two- or three-digit level of detail was distributed using a similar approach, among all of the corresponding four-digit NAICS codes falling under the broader two- or three-digit categories.

National-level employment totals for each industry within the OES were pro-rated to match the employment distribution projected using the IMPLAN model, which varies by income category. Occupational composition within each industry was held constant. The result is the estimated occupational mix of employees.

As shown on Appendix I - Table C-1, new jobs will be distributed across a variety of occupational categories. The three largest occupational categories are office and administrative support positions (17%), food preparation and serving jobs (15%), and sales positions (13%). Step 3 of Table C-1 indicates both the percentage of total employee households and the number of net new employee households by occupation associated with 100 new market-rate units.

#### **Step 4 – Estimates of Employee Households Meeting the Very Low and Lower Income Definitions**

As shown on Step 4 of Appendix I - Table C-2, occupation is translated to income based on recent San Diego County wage and salary information from the California Employment Development Department. This step in the analysis calculates the number of employee households that fall into each income category for each household size.

Individual *employee* income data was used to calculate the number of *households* that fall into the income categories by assuming that multiple earner households are, on average, formed of individuals with similar incomes. KMA notes that there is potential for wide variation in the mix of earner incomes within a multiple earner household, such as situations where young adults are

living at home with their parents. Overall, KMA has found that this assumption is a reasonable representation of the average situation.

Employee households not falling into one of the major occupation categories are assumed to have the same income distribution as the major occupation categories.

#### **Step 5 – Estimate of Household Size Distribution**

In this step, household size distribution was input into the model in order to estimate the income and household size combinations that meet the income definitions for San Diego County. The household size distribution utilized in the analysis is that of worker households in San Diego County derived using American Community Survey (ACS) data. The model employs a distribution of the number of workers per household by household size. For example, four-person worker households can have one, two, three, or four workers in the household. The model uses ACS data to develop a distribution of the number of the workers per worker household, by household size.

#### **Step 6 – Estimate of Households that Meet Size and Income Criteria**

For this step KMA built a cross-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 income level and household size/number of workers combination, and multiplied by the number of households. Appendix I - Tables C-2 and C-3 show the result after completing Steps 4, 5, and 6. The calculated number of households that meet the size and income criteria for the under 50% of AMI category generated by 100 market-rate prototype units are shown in Appendix I - Table C-2. The methodology was repeated for the 50% to 80% AMI income tier, as shown in Appendix I - Table C-3.

#### **Summary Findings**

Appendix I - Table C-4 presents the results of the analysis for the residential prototype units. The table estimates the number of households generated in each affordability category and the total number of households over 80% of AMI.

According to Appendix I - Table C-4, approximately 60% of new worker households generated by the expenditures of new residents have incomes below 80% of AMI, with approximately half of these households earning less than 50% of AMI. The finding that the jobs associated with consumer spending tend to be low-paying jobs where the workers will require housing affordable

at the lower income levels is not surprising. As noted above, direct consumer spending results in employment that is concentrated in lower paid occupations including food preparation, administrative, and retail sales.

The findings in Appendix I - Table C-4 are summarized in Exhibit 19, which shows the total demand for affordable housing units associated with 100 market-rate units.

<b>Exhibit 19: New Worker Households by Income Level per 100 Market-Rate Units</b>					
<i>Household Income Category</i>		<i>Townhome</i>	<i>Garden Apartments</i>	<i>Stacked Flat Apartments</i>	<i>Mixed-Use Rental</i>
Very low	Up to 50% AMI	9.2	7.8	7.8	8.2
Low	Greater than 50% but not exceeding 80% AMI	8.1	6.9	6.9	7.2
<b>Total, Less than 80% AMI</b>		17.3	14.6	14.6	15.4
Greater than 80% AMI		11.0	9.3	9.3	9.9
<b>Total, New Households</b>		28.4	24.0	24.0	25.3

#### **Affordable Units Required to Mitigate Impact of Market-Rate Rental Housing**

Some developers may choose to mitigate the impact of their developments by providing affordable rental housing rather than paying a fee. The analysis findings identify how many lower income households are generated for every 100 market-rate units. These findings are adjusted to show the percentages of affordable rental housing needed to mitigate the impact of market-rate development. The percentages are calculated including both market-rate and affordable units (for example, 25 affordable units per 100 market-rate units translates to a project of 125 units; 25 affordable units out of 125 units equals 20%).

Exhibit 20 presents the results of the analysis, drawn from Appendix I - Table C-5, which contains greater detail. Each tier is cumulative, or inclusive of the tiers above.

<b>Exhibit 20: Affordable Units Required to Mitigate Rental Housing Development</b>					
<i>Household Income Category</i>		<i>Townhome</i>	<i>Garden Apartments</i>	<i>Stacked Flat Apartments</i>	<i>Mixed-Use Rental</i>
Very low:	Up to 50% AMI	8.4%	7.2%	7.2%	7.6%
Very low and Low	Greater than 50% but not exceeding 80% AMI	14.8%	12.8%	12.8%	13.4%

The conclusion of the analysis is that a market-rate rental development would need to provide 13% to 15% of units affordable to lower-income households to mitigate the development's impact. This range of impact in terms of demand for affordable housing is less than the 15% requirement in the City's Inclusionary Housing Ordinance applicable to new market-rate ownership housing (and previously applied to new market-rate rental housing as well).



TABLE C-1

**EMPLOYEE HOUSEHOLDS GENERATED  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD**

	Prototype 1: Townhomes	Prototype 2: Garden Apartments	Prototype 3: Stacked Flats	Prototype 4: Mixed-Use Rental
I. Step 1 - Employees <sup>1</sup>	50.3	42.5	42.5	44.9
II. Step 2 - Adjustment for Number of Households (1.77) <sup>2</sup>	28.4	24.0	24.0	25.4
III. Step 3 - Occupation Distribution				
Management Occupations	4.4%	4.4%	4.4%	4.4%
Business and Financial Operations	4.8%	4.8%	4.8%	4.8%
Computer and Mathematical	1.4%	1.4%	1.4%	1.4%
Architecture and Engineering	0.5%	0.5%	0.5%	0.5%
Life, Physical, and Social Science	0.3%	0.3%	0.3%	0.3%
Community and Social Services	1.8%	1.8%	1.8%	1.8%
Legal	0.8%	0.8%	0.8%	0.8%
Education, Training, and Library	2.7%	2.7%	2.7%	2.7%
Arts, Design, Entertainment, Sports, and Media	1.7%	1.7%	1.7%	1.7%
Healthcare Practitioners and Technical	7.2%	7.2%	7.2%	7.2%
Healthcare Support	4.5%	4.5%	4.5%	4.5%
Protective Service	1.3%	1.3%	1.3%	1.3%
Food Preparation and Serving Related	15.2%	15.2%	15.2%	15.2%
Building and Grounds Cleaning and Maint.	5.5%	5.5%	5.5%	5.5%
Personal Care and Service	6.5%	6.5%	6.5%	6.5%
Sales and Related	13.0%	13.0%	13.0%	13.0%
Office and Administrative Support	16.6%	16.6%	16.6%	16.6%
Farming, Fishing, and Forestry	0.1%	0.1%	0.1%	0.1%
Construction and Extraction	1.0%	1.0%	1.0%	1.0%
Installation, Maintenance, and Repair	3.9%	3.9%	3.9%	3.9%
Production	1.7%	1.7%	1.7%	1.7%
Transportation and Material Moving	<u>5.3%</u>	<u>5.3%</u>	<u>5.3%</u>	<u>5.3%</u>
<b>Totals</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Management Occupations	1.2	1.1	1.1	1.1
Business and Financial Operations	1.4	1.2	1.2	1.2
Computer and Mathematical	0.4	0.3	0.3	0.4
Architecture and Engineering	0.1	0.1	0.1	0.1
Life, Physical, and Social Science	0.1	0.1	0.1	0.1
Community and Social Services	0.5	0.4	0.4	0.5
Legal	0.2	0.2	0.2	0.2
Education, Training, and Library	0.8	0.6	0.6	0.7
Arts, Design, Entertainment, Sports, and Media	0.5	0.4	0.4	0.4
Healthcare Practitioners and Technical	2.0	1.7	1.7	1.8
Healthcare Support	1.3	1.1	1.1	1.1
Protective Service	0.4	0.3	0.3	0.3
Food Preparation and Serving Related	4.3	3.6	3.6	3.8
Building and Grounds Cleaning and Maint.	1.6	1.3	1.3	1.4
Personal Care and Service	1.8	1.6	1.6	1.6
Sales and Related	3.7	3.1	3.1	3.3
Office and Administrative Support	4.7	4.0	4.0	4.2
Farming, Fishing, and Forestry	0.0	0.0	0.0	0.0
Construction and Extraction	0.3	0.2	0.2	0.3
Installation, Maintenance, and Repair	1.1	0.9	0.9	1.0
Production	0.5	0.4	0.4	0.4
Transportation and Material Moving	<u>1.5</u>	<u>1.3</u>	<u>1.3</u>	<u>1.4</u>
<b>Totals</b>	<b>28.4</b>	<b>24.0</b>	<b>24.0</b>	<b>25.4</b>

<sup>1</sup> Estimated employment generated by expenditures of households within 100 prototypical market rate units. Employment estimates based on economic model, IMPLAN.

<sup>2</sup> Adjustment from number of workers to households using average of 1.77 workers per worker household derived from the U.S. Census American Community Survey 2011 to 2013.

TABLE C-2

**VERY-LOW INCOME EMPLOYEE HOUSEHOLDS<sup>1</sup> GENERATED  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD**

*Per 100 Market-Rate Units*

	<u>Prototype 1: Townhomes</u>	<u>Prototype 2: Garden Apartments</u>	<u>Prototype 3: Stacked Flats</u>	<u>Prototype 4: Mixed-Use Rental</u>
<b>I. Step 5 &amp; 6 - Very-Low Income Households (under 50% AMI) within Major Occupation Categories</b>				
Management	0.01	0.01	0.01	0.01
Business and Financial Operations	0.01	0.01	0.01	0.01
Computer and Mathematical	-	-	-	-
Architecture and Engineering	-	-	-	-
Life, Physical and Social Science	-	-	-	-
Community and Social Services	-	-	-	-
Legal	-	-	-	-
Education Training and Library	0.16	0.14	0.14	0.15
Arts, Design, Entertainment, Sports, & Media	-	-	-	-
Healthcare Practitioners and Technical	0.02	0.02	0.02	0.02
Healthcare Support	0.45	0.38	0.38	0.40
Protective Service	-	-	-	-
Food Preparation and Serving Related	2.43	2.05	2.05	2.16
Building Grounds and Maintenance	0.69	0.58	0.58	0.62
Personal Care and Service	0.86	0.73	0.73	0.77
Sales and Related	1.41	1.20	1.20	1.26
Office and Admin	1.15	0.97	0.97	1.02
Farm, Fishing, and Forestry	-	-	-	-
Construction and Extraction	-	-	-	-
Installation Maintenance and Repair	0.15	0.12	0.12	0.13
Production	-	-	-	-
Transportation and Material Moving	0.65	0.55	0.55	0.58
<b>II. Very Low Income Households - Major Occupations</b>	<b>7.99</b>	<b>6.76</b>	<b>6.76</b>	<b>7.13</b>
<b>III. Very Low Households<sup>1</sup> - all other occupations</b>	<b>1.22</b>	<b>1.03</b>	<b>1.03</b>	<b>1.09</b>
<b>IV. Total Very Low Households<sup>1</sup></b>	<b>9.21</b>	<b>7.79</b>	<b>7.79</b>	<b>8.22</b>

<sup>1</sup>Includes households earning from zero through 50% of San Diego County Area Median Income.

TABLE C-3

**LOW INCOME EMPLOYEE HOUSEHOLDS<sup>1</sup> GENERATED  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD**

*Per 100 Market-Rate Units*

	<u>Prototype 1: Townhomes</u>	<u>Prototype 2: Garden Apartments</u>	<u>Prototype 3: Stacked Flats</u>	<u>Prototype 4: Mixed-Use Rental</u>
<b>I. Step 5 &amp; 6 - Low Income Households (greater than 50% but not exceeding 80% AMI) within Major Occupation Categories</b>				
Management	0.07	0.06	0.06	0.07
Business and Financial Operations	0.13	0.11	0.11	0.12
Computer and Mathematical	-	-	-	-
Architecture and Engineering	-	-	-	-
Life, Physical and Social Science	-	-	-	-
Community and Social Services	-	-	-	-
Legal	-	-	-	-
Education Training and Library	0.21	0.18	0.18	0.19
Arts, Design, Entertainment, Sports, & Media	-	-	-	-
Healthcare Practitioners and Technical	0.13	0.11	0.11	0.12
Healthcare Support	0.44	0.37	0.37	0.39
Protective Service	-	-	-	-
Food Preparation and Serving Related	1.38	1.17	1.17	1.23
Building Grounds and Maintenance	0.52	0.44	0.44	0.46
Personal Care and Service	0.63	0.53	0.53	0.56
Sales and Related	1.13	0.96	0.96	1.01
Office and Admin	1.58	1.34	1.34	1.41
Farm, Fishing, and Forestry	-	-	-	-
Construction and Extraction	-	-	-	-
Installation Maintenance and Repair Production	0.31	0.26	0.26	0.27
Transportation and Material Moving	0.50	0.43	0.43	0.45
<b>II. Low Income Households - Major Occupations</b>	<b>7.03</b>	<b>5.95</b>	<b>5.95</b>	<b>6.27</b>
<b>III. Low Households<sup>1</sup> - all other occupations</b>	<b>1.07</b>	<b>0.91</b>	<b>0.91</b>	<b>0.96</b>
<b>IV. Total Low Households<sup>1</sup></b>	<b>8.10</b>	<b>6.86</b>	<b>6.86</b>	<b>7.23</b>

<sup>1</sup>Includes households earning from 50% through 80% of San Diego County Area Median Income.

TABLE C-4

**EMPLOYEE HOUSEHOLDS GENERATED  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD**

*Per 100 Market-Rate Units*

	<b>Prototype 1: Townhomes</b>	<b>Prototype 2: Garden Apartments</b>	<b>Prototype 3: Stacked Flats</b>	<b>Prototype 4: Mixed-Use Rental</b>
<b>I. Number of New Households<sup>1</sup></b>				
Under 50% Area Median Income	9.2	7.8	7.8	8.2
50% to 80% Area Median Income	8.1	6.9	6.9	7.2
Subtotal through 80% of Median	17.3	14.6	14.6	15.4
Above 80% Area Median Income	11.0	9.3	9.3	9.9
<b>Total Employee Households</b>	28.4	24.0	24.0	25.3
<b>II. Percent of New Households<sup>1</sup></b>				
Under 50% Area Median Income	32%	32%	32%	32%
50% to 80% Area Median Income	29%	29%	29%	29%
Subtotal through 80% of Median	61%	61%	61%	61%
Above 80% Area Median Income	39%	39%	39%	39%
<b>Total Employee Households</b>	100%	100%	100%	100%

<sup>1</sup> Households of retail, education, healthcare and other workers that serve residents of new market-rate units.



TABLE C-5

**INCLUSIONARY REQUIREMENT SUPPORTED  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD**

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	<b>Prototype 1: Townhomes</b>	<b>Prototype 2: Garden Apartments</b>	<b>Prototype 3: Stacked Flats</b>	<b>Prototype 4: Mixed-Use Rental</b>
<b>I. Affordable Unit Demand Per 100 Market-Rate Units - Cumulative Through</b>				
50% of Median Income	9 Units	8 Units	8 Units	8 Units
80% of Median Income	17 Units	15 Units	15 Units	15 Units
<b>II. <u>On-Site</u> Inclusionary Percentage Supported - Cumulative Through <sup>1</sup></b>				
50% of Median Income	8.4%	7.2%	7.2%	7.6%
80% of Median Income	14.8%	12.8%	12.8%	13.4%

<sup>1</sup> Calculated by dividing the supported number of affordable units by the total number of market-rate and affordable units.

## **D. MITIGATION COSTS**

This section takes the conclusions of the previous section on the number of households in the Very low and Low-income categories associated with the market-rate rental units and identifies the total cost of assistance required to make housing affordable. This section puts a cost on the units for each income level to produce the “total nexus cost.”

A key component of the analysis is the size of the gap between what households can afford and the cost of producing new housing in Carlsbad, known as the ‘affordability gap.’ Affordability gaps are calculated for each of the categories of Area Median Income (AMI): households earning up to 50% of AMI (Very low income households), and between 50% and 80% of AMI (Low-income households). A detailed description of the calculation of affordability gaps is contained in Appendix II. A brief summary is included below.

### **Project Descriptions**

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 government regulations and policies. The underlying concept is that the City will use rental housing impact fee revenues to assist in the provision of affordable units to mitigate the impacts of market-rate rental housing. The analysis assumes that housing for Very low- and Low-income households will be provided in garden apartments, the least expensive units. The prototypical affordable housing garden apartment project is designed to represent what the City is most likely to assist in the future.

A detailed description of the affordable housing development prototype, including development costs, affordable values, and the affordability gap calculations, can be found in the tables at the end of this section. The affordable housing prototype was assumed as garden-style apartments with wood-frame construction, built at a density of 25 units to the acre, with one, two, and three-bedroom units, averaging 826 SF. Parking is provided at 1.5 spaces for the one bedroom units, 2.0 spaces per unit for the two and three bedroom units, and 0.25 spaces per unit for visitors.

For Very low-income households (households earning up to 50% AMI), rents are set at 30% of 50% of Area Median Income. For Low-income households (households earning up to 80% AMI), maximum rents are calculated at 30% of 70% of Area Median Income. These are standards widely used in affordable housing analysis and are consistent with current City policy. These

are also conservative assumptions, which produce a lower affordability gap than reality since not all households have income at or near the top end of the range.

### **Development Costs**

The cost of developing new residential units in Carlsbad was assembled from a number of sources. Land costs were gathered from recent land sales data collected by KMA. KMA is also actively working on a number of multi-family projects at various locations in the San Diego area and has recent developer pro forma financial analyses from which to draw cost information.

From the above sources, KMA prepared a summary of total development costs, broken down into the major cost components: acquisition, direct or construction costs, indirect costs, and financing costs. Housing development costs are intended as averages and generally reflect rising construction costs, which have outpaced general economic inflation in 2014 and 2015, a trend that is expected to continue in the next few years.

### **Affordability Gap**

The KMA financial pro forma estimating the affordability gap for a garden style apartment is presented in Appendix II Tables B-1 through B-5. The pro forma contains:

- i. A project description;
- ii. Estimates of development costs;
- iii. Stabilized net operating income based on maximum rents at 70% AMI and 50% AMI;
- iv. Estimates of maximum warranted investment; and
- v. The resulting financing gap generated reflective of the difference between warranted investment and development costs.

The inputs and assumptions used in the KMA pro formas are based on KMA's experience with comparable developments throughout San Diego County. In particular, KMA notes the following:

- The cost estimates do not assume a prevailing wage requirement.
- The KMA pro forma assumed land costs of \$35 per square foot of land, reflecting project location and achievable density.

- As specific sites have not been defined for this study, KMA assumed an allowance for off-site improvements at \$3 per SF of site area, and an allowance for on-site improvements at \$10 per SF of site area.
- The Very low income units (for households earning up to 50% AMI) are assumed to be financed with Low Income Housing Tax Credits and tax-exempt bond financing. The Low-income units (for households earning up to 80% AMI) are assumed to be financed using conventional debt and equity financing sources.

Exhibit 21 provides a summary of the affordability gaps used in the analysis:

<i>Exhibit 21: Affordability Gap Per Unit – Garden Apartments</i>	
<i>Very low-income</i>	<i>Low-income</i>
\$134,000	\$137,800

#### **E. TOTAL NEXUS COSTS**

The last step in the nexus analysis marries the findings on the numbers of households in each of the lower income ranges associated with the four prototypes to the affordability gaps, or the costs of delivering rental housing to them in Carlsbad.

Appendix I - Table E-1 summarizes the analysis. The affordability gaps are drawn from the prior discussion. The “nexus cost per market-rate unit” shows the results of the following calculation: the affordability gap times the number of affordable units demanded per market-rate rental unit. (Demand for affordable units for each of the income ranges is drawn from Table C-5 in the previous section and is adjusted to a per-unit basis from the 100-unit building module.)

The total nexus costs for the four prototypes are presented in Exhibit 22:



<b>Exhibit 22: Maximum Supported Fee Level Per Market-Rate Unit</b>						
<i>Household Income Category</i>		<i>Affordability Gap</i>	<i>Townhome</i>	<i>Garden Apartments</i>	<i>Stacked Flat Apartments</i>	<i>Mixed-Use Rental</i>
Very low	Up to 50% AMI	\$134,000	\$12,300	\$10,400	\$10,400	\$11,000
Low	Greater than 50% but not exceeding 80% AMI	\$137,800	\$11,200	\$9,400	\$9,400	\$10,000
<b>Maximum Supported Fee Level</b>			\$23,500	\$19,800	\$19,800	\$21,000

These costs express the total nexus costs for the four prototype developments in the City of Carlsbad. These total nexus costs represent the ceiling for any requirement placed on market-rate development. The totals are not recommended levels for fees; they represent only the maximums established by this analysis, below which fees may be set.

The total nexus costs indicated above may also be expressed on a per-square-foot level. The square foot area of the prototype unit used throughout the analysis becomes the basis for the calculation. Again, see Appendix II for more discussion of the prototypes. Exhibit 23 provides the results per square foot:

<b>Exhibit 23: Total Nexus Cost Per Square Foot</b>						
<i>Household Income Category</i>		<i>Affordability Gap</i>	<i>Townhome</i>	<i>Garden Apartments</i>	<i>Stacked Flat Apartments</i>	<i>Mixed-Use Rental</i>
<i>Prototype Size (SF)</i>			1,250 SF	860 SF	820 SF	750 SF
Very low	Up to 50% AMI	\$134,000	\$10	\$12	\$13	\$15
Low	Greater than 50% but not exceeding 80% AMI	\$137,800	\$9	\$11	\$12	\$13
<b>Total Nexus Costs</b>			\$19	\$23	\$24	\$28
(1) Allow for rounding error.						

TABLE E-1

**SUPPORTED FEE / NEXUS SUMMARY PER SQUARE FOOT  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD**

		Nexus Cost Per Market Rate Unit			
		Prototype 1: Townhomes	Prototype 2: Garden Apartments	Prototype 3: Stacked Flats	Prototype 4: Mixed-Use Rental
<b>Household Income Level</b>					
	Under 50% Area Median Income	\$12,300	\$10,400	\$10,400	\$11,000
	50% to 80% Area Median Income	\$11,200	\$9,400	\$9,400	\$10,000
	<b>Total Supported Fee / Nexus</b>	<b>\$23,500</b>	<b>\$19,800</b>	<b>\$19,800</b>	<b>\$21,000</b>
		Nexus Cost Per Square Foot <sup>2</sup>			
	<b>Affordability Gap Per Unit</b>	Prototype 1: Townhomes	Prototype 2: Garden Apartments	Prototype 3: Stacked Flats	Prototype 4: Mixed-Use Rental
	Avg. Unit Size (SF)	1,250 SF	860 SF	820 SF	750 SF
<b>Household Income Level</b>					
	Under 50% Area Median Income    \$134,000 <sup>1</sup>	\$9.90	\$12.10	\$12.70	\$14.70
	50% to 80% Area Median Income    \$137,800 <sup>1</sup>	\$8.90	\$11.00	\$11.50	\$13.30
	<b>Total Supported Fee / Nexus</b>	<b>\$18.80</b>	<b>\$23.10</b>	<b>\$24.20</b>	<b>\$28.00</b>

<sup>1</sup> Assumes affordable rental units. Affordability gaps represent the remaining affordability gap after tax credit financing.

<sup>2</sup> Nexus cost per square foot computed by multiplying affordable unit demand from Table C-4 by the affordability gap and then dividing by the average unit size.

## **ADDENDUM: NOTES ON SPECIFIC ASSUMPTIONS**

### **Geographic Area of Impact**

The analysis quantifies impacts occurring within San Diego County. The IMPLAN model computes the jobs generated within the County and sorts out those that occur beyond the County boundaries.

Job impacts, like most types of impacts, occur irrespective of political boundaries. And like other types of impact analyses, such as traffic, impacts beyond city boundaries are experienced, are relevant, and are important. Without an area-wide program to mitigate affordable housing impacts of all development, Carlsbad can ensure that those affordable housing impacts created by development within its jurisdiction are at least partially mitigated.

Economic impact analyses are often conducted to demonstrate the jobs and dollar costs and benefits of major projects, such as, say, a sports stadium or the closing of a military base. It is standard practice in economic impact analyses to identify the geographic area or areas for which the impacts are being computed. In this case, the job impacts within San Diego County are quantified and where the job holders (or worker households) live is not identified but would be within commuting distance to San Diego County. Whether a jurisdiction chooses to mitigate none, all, or a share of the impacts of its actions or activities is a matter of policy.

For clarification, counting all impacts associated with new rental housing units does not result in double counting, even if all jurisdictions were to adopt similar programs and charge affordable housing fees. The impact of a new housing unit is only counted once, in the jurisdiction in which it occurs. Obviously, within a metropolitan region, there is much commuting among jurisdictions, and cities house each others' workers in a very complex web of relationships. The important point is that impacts of residential rental development are only counted once. For jurisdictions that have housing programs on both residential and non-residential development, such as San Diego, KMA provides an analysis to demonstrate that double counting has not occurred. However, Carlsbad does not charge a commercial linkage fee to non-residential development.

### **Affordability Gaps**

The use of the affordability gap for establishing a maximum fee supported from the nexus analysis is grounded in the concept that affordable units will be built to mitigate impacts. The

nexus analysis has established that units will be needed at one or more different affordability levels and, per local policy, the type of unit to be delivered depends on the income/affordability level. Most commonly, Very low- and Low-income households are assumed accommodated in rental units.

The rental units assisted by the public sector for affordable households are usually small in square foot area (for the number of bedrooms) and modest in finishes and amenities. As a result, in some communities these units are similar in physical configuration to what the market is delivering at market-rate; in other communities (particularly very high income communities), they may be smaller and more modest than what the market is delivering. Parking, for example, is usually the minimum permitted by the code. In some communities where there is a wide range in land cost per acre or per unit, it may be assumed that affordable units are built on land parcels in the lower portion of the cost range. KMA tries to develop a total development cost summary that represents the lower half of the average range, but not so low as to be unrealistic.

If the affordability gap is the difference between total development cost and sources of funds, the question sometimes arises as to how total development cost is defined. KMA defines total development costs as including land costs, construction costs, site improvements, architectural and engineering, financing and all other indirect costs, and an allowance for an industry profit (non-profit developers receive a development fee instead).

Non-profit developers usually experience the same land and construction costs but do have differences in their financing costs, other indirect expenses, and fee structures. The end result, on average, is a total cost that is comparable to that experienced by for-profit developers. No prevailing wage requirement is assumed for either case. It is sometimes thought that the cost structure for non-profits is higher than for for-profit developers; for purposes of an affordability gap average, we take the position that costs are essentially the same.

Development of market-rate rental units has been constrained for a number of years now in many California cities. However, current market rent levels in Carlsbad are strong enough to cover the costs of new development. As a result, total development cost summaries for rental units are drawn from current construction costs and the full complement of indirect costs that would be necessary to build an apartment structure. Affordability gaps are the difference between the value of the unit at restricted or affordable rent levels and the development costs.



## **Excess Capacity of Labor Force**

At the time this analysis has been conducted, the national, regional, and local economy are all experiencing continued recovery from a severe recession. Unemployment in California averages just over 6.3%. In this context, the question has been raised as to whether there is excess capacity in the labor force to the extent that consumption impacts generated by new households will be, in part, absorbed by existing jobs and workers, thus resulting in fewer net new jobs.

In response, an impact analysis of this nature is a one-time impact requirement to address impacts generated over the life of the project. The economic downturn was temporary condition; a healthy economy is returning and its impacts will be experienced.

Additionally, the economic cycle self-adjusts. Development of new residential units will occur as conditions continue to improve. When this occurs, the improved economic condition of the households in the local area will absorb the current underutilized capacity of existing workers, employed and unemployed. By the time new units become occupied, current conditions will have likely improved.

## **The Burden of Paying for Affordable Housing**

The City's housing programs, including the existing inclusionary program and proposed impact fee, do not place all burdens for the creation of affordable housing on new residential construction. The burden of affordable housing is borne by many sectors of the economy and society. A most important source in recent years of funding for affordable housing development comes from the Federal government in the form of tax credits (which result in reduced income tax payment by tax credit investors in exchange for equity funding). Additionally there are other Federal grant and loan programs administered by the Department of Housing and Urban Development and other Federal agencies. The State of California also plays a major role with a number of special financing and funding programs. Much of the State money is funded by voter-approved bond measures paid for by all Californians.

Local governments have increasingly played a greater role in affordable housing. In addition, private sector lenders play an important role. Then there is the non-profit sector, both sponsors and developers that build much of the affordable housing.

To date the City has assisted in the production of 2,105 affordable units, including 1,871 units produced as a result of the City's inclusionary housing requirements.

In summary, all levels of government and many private parties, for-profit and non-profit, contribute to supplying affordable housing. Developers of market-rate rental housing are not being asked to bear the burden alone any more than they are assumed to be the only source of demand or cause for needing affordable housing in our communities. The City's Regional Housing Needs Allocation indicates the need for over 1,605 Very low- and Low-income units. The City's inclusionary program and proposed impact fee program will result in the construction, or funding, of only a small percentage of the affordable housing needed in the City of Carlsbad.

**APPENDIX II: RESIDENTIAL VALUES – MARKET AND AFFORDABLE**

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## **INTRODUCTION AND OVERVIEW**

This appendix section provides the building blocks for the values used in other sections of this report, by establishing both market values and affordable values for various types of residential units or projects potentially developed in the City of Carlsbad.

Market values are based on surveys of residential units or developments in the City of Carlsbad covering a range of residential types. Affordable values are formula-based, starting from the San Diego County Area Median Income and amounts “affordable” for housing per State and local policies. The difference between market and affordable values for any given residential unit type, assuming a fixed unit size and occupying household, is referred to as the affordability gap. The affordability gaps play a major role in the calculation of the maximum supportable fee based on this nexus study.

### **A. MARKET VALUES**

#### **Market Surveys and Timing Issues**

The surveys summarized in Appendix II Table A-1 were conducted in Fall 2015. As of the time of this writing, the multi-family housing market in Carlsbad continues its upward growth, as measured by rent and vacancy factors.

As of this writing in early 2016, conditions in the multi-family housing market in San Diego are strong with rents continuing to move in an upward direction, while vacancies have remained fairly stable in the 3% range. Strong employment growth and in-migration into the region have further strengthened pent-up demand for apartments. In short, the rental market is projected to continue to strengthen, with significant new construction underway or anticipated within the next two years.

#### **Market Value Conclusions**

The market value conclusions, based on all the surveys and indices, for analysis and program - design purposes are presented in Appendix II - Tables A-2 through A-15 and are as follows:

- A townhome unit, built at an average density of 12 units to the acre. Includes a mix of two and three bedrooms, averaging 1,250 square feet (SF) renting for \$2,360.



- A garden apartment unit in a project with an average density of 20 units per acre. Includes one, two, and three bedroom units averaging 860 SF. Market rent is estimated at \$1,972 per month.
- A stacked flat apartment unit in a project with an average density of 30 units per acre. Includes a mix of one and two bedroom units, averaging 820 SF, renting for \$1,987 per month.
- Mixed-use stacked flats over ground floor retail with an average density of 28 units per acre. Includes one and two bedroom units averaging 750 SF and 3,000 SF of retail space on the ground floor. Average market rent is estimated at \$2,091 per month for the residential component and \$3.00 per SF per month triple-net (NNN) for the commercial component.

The rent required for the rental projects represents the upper end of current rent levels in the City of Carlsbad (see Appendix II Table A-1). Based on our analysis, rents will have to approximate the level used in this analysis for new construction (without government assistance) to be feasible.

TABLE A-1

SURVEY OF RENTAL APARTMENT DEVELOPMENTS, CARLSBAD (1)  
 AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
 CITY OF CARLSBAD

Development/Owner	Weighted Averages			Ranges			Units	Vacancy Rate
	Rent	SF	\$/SF	Rent	SF	\$/SF		
<b>Adams Street Apartments</b> <i>Oakley Parker</i>	\$1,331	725	\$1.84	\$1,250 \$1,450	655 785	\$1.85 \$1.91	74	1.4%
<b>Bluwater Crossing</b> <i>Riverstone Residential Group</i>	\$3,277	2,311	\$1.42	\$2,570 \$3,650	1,354 2,767	\$1.30 \$2.01	66	3.0%
<b>Carlsbad Coast</b> <i>G.W. Williams</i>	\$1,641	768	\$2.14	\$1,148 \$1,913	415 900	\$1.79 \$3.34	72	5.6%
<b>Costa Ponte</b>	\$3,020	1,762	\$1.71	\$2,550 \$3,295	1,326 2,042	\$1.61 \$1.92	49	0.0%
<b>Dolphin Beach Apartments</b> <i>Jeff Hermanson</i>	\$2,100	1,200	\$1.75	\$2,100 \$2,100	1,200 1,200	\$1.75 \$1.75	40	2.5%
<b>Eaves Carlsbad</b> <i>Avalon Bay Communities Inc.</i>	\$1,455	759	\$1.92	\$1,325 \$1,615	400 848	\$1.80 \$3.31	450	7.8%
<b>Elan Alicante La Costa</b> <i>Turf Club View Limited</i>	\$1,953	1,054	\$1.85	\$1,845 \$2,245	1,000 1,200	\$1.85 \$1.87	74	6.8%
<b>Elan Beach Pointe</b> <i>Mark Gosselin</i>	\$1,708	788	\$2.17	\$1,400 \$1,900	420 1,000	\$1.90 \$3.33	44	4.5%
<b>Flower Fields</b> <i>Alliance Residential Company</i>	\$1,800	1,013	\$1.78	\$1,607 \$2,145	668 1,074	\$1.84 \$2.41	132	6.8%
<b>Marbella</b> <i>Irvine Company</i>	\$2,173	957	\$2.27	\$1,930 \$2,785	667 1,240	\$1.94 \$2.89	143	4.9%
<b>Pacific View Apartment Homes</b> <i>Irvine Company</i>	\$2,269	961	\$2.36	\$1,840 \$2,985	662 1,378	\$1.97 \$2.89	434	4.8%
<b>Park Place - Carlsbad</b> <i>Dwight Spiers</i>	\$1,698	976	\$1.74	\$1,675 \$1,725	954 988	\$1.72 \$1.76	44	0.0%
<b>Ridgeview Condos</b> <i>Edward Boseker</i>	\$1,517	1,103	\$1.38	\$1,500 \$1,700	1,085 1,292	\$1.32 \$1.38	69	0.0%
<b>Rising Glen Apartments</b> <i>R &amp; V Management</i>	\$1,847	875	\$2.11	\$1,722 \$2,200	678 1,182	\$1.86 \$2.54	195	5.6%
<b>Santa Fe Ranch</b> <i>Henderson Global Investors</i>	\$1,806	858	\$2.10	\$1,640 \$1,748	679 924	\$1.89 \$2.42	320	1.6%
<b>Seagate Village Condominiums</b> <i>HG Fenton Company</i>	\$1,956	1,103	\$1.77	\$1,935 \$2,530	1,084 1,145	\$1.72 \$2.31	272	2.9%
<b>Seascape Apartment Homes</b> <i>Irvine Company</i>	\$1,704	817	\$2.09	\$1,765 \$1,890	670 950	\$1.99 \$2.63	208	4.3%
<b>Sommerset La Costa</b> <i>Silverado Canyon Partners</i>	\$2,000	1,100	\$1.82	\$2,250 \$2,250	1,100 1,100	\$2.05 \$2.05	48	4.2%
<b>The Arbors - Carlsbad</b>	\$1,839	1,078	\$1.71	\$1,510 \$2,120	640 1,500	\$1.41 \$2.52	58	0.0%
<b>The Bluffs At Carlsbad</b> <i>Triumph Management Company</i>	\$1,436	571	\$2.51	\$1,365 \$1,535	451 670	\$2.29 \$3.03	163	2.5%
<b>The Tradition Apartment Homes</b> <i>Con Am Group of Companies</i>	\$2,317	1,277	\$1.81	\$2,130 \$2,440	1,123 1,380	\$1.54 \$1.99	157	5.7%
<b>The Village Apartments</b> <i>Village Properties</i>	\$1,115	800	\$1.39	\$1,115 \$1,115	800 800	\$1.39 \$1.39	98	0.0%
<b>The Villas At Carlsbad</b> <i>United Dominion Realty Trust (UDR)</i>	\$1,632	885	\$1.84	\$1,250 \$2,000	500 1,300	\$1.46 \$2.50	102	2.9%
<b>Villas La Costa</b> <i>TNT Gibraltar Ltd./Barbara Ahlers</i>	\$1,548	1,053	\$1.47	\$1,548 \$1,548	1,050 1,060	\$1.46 \$1.47	24	0.0%
<b>Windsor At Aviara</b> <i>Windsor Communities</i>	\$2,082	893	\$2.33	\$1,715 \$2,915	625 1,546	\$1.89 \$2.79	288	3.8%
<b>Carlsbad</b>	<b>\$1,919</b>	<b>947</b>	<b>\$2.03</b>	<b>\$1,115</b> <b>\$3,650</b>	<b>400</b> <b>2,767</b>	<b>\$1.30</b> <b>\$3.34</b>	<b>3,624</b>	<b>4.1%</b>

(1) As of third quarter 2015.

(2) Excludes affordable units.

Source: MarketPointe Realty Advisors

Prepared by: Keyser Marston Associates, Inc.

Filename: i: Carlsbad\_Nexus Study Update\_Technical Analysis\_v1;2/18/2016;jag

**Market-Rate Prototypes  
Townhomes**

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**Affordable Housing Impact Fee Nexus Study  
City of Carlsbad**

TABLE A-2

**PROJECT DESCRIPTION**  
**AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY**  
**CITY OF CARLSBAD**

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<b>I.</b>	<b>Site Area</b>	12.00 Acres		
<b>II.</b>	<b>Gross Building Area</b>			
	Residential Area	180,000 SF		
	Common Area	<u>0</u> SF	100%	
	Total Gross Building Area (GBA)	180,000 SF	<u>0%</u>	100%
<b>III.</b>	<b>Unit Mix</b>	<u># of Units</u>	<u>Unit Size</u>	
	One Bedroom	0 Units	0%	-
	Two Bedroom	72 Units	50%	1,100 SF
	Three Bedroom	<u>72</u> Units	<u>50%</u>	<u>1,400</u> SF
	Total	144 Units	100%	1,250 SF
<b>IV.</b>	<b>Number of Stories</b>	2 Stories		
<b>V.</b>	<b>Density</b>	12.0 Units/Acre		
<b>VI.</b>	<b>Construction Type</b>	Type V		
<b>VII.</b>	<b>Parking</b>			
	Parking Type	Attached Garage		
	Number of Spaces			
	Two and Three Bedroom	2.0 Spaces/Unit	288 Spaces	
	Visitor	0.25 Spaces/Unit	<u>36</u> Spaces	
	Total Spaces	324 Spaces		



## TOWNHOMES

TABLE A-3

**ESTIMATED DEVELOPMENT COSTS  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD**

	<u>Totals</u>	<u>Per Unit</u>	<u>Notes</u>
<b>I. Acquisition Costs</b>	\$13,068,000	\$90,800	\$25 Per SF Site
<b>II. Direct Costs (1)</b>			
Off-Site Improvements (2)	\$1,568,000	\$10,900	\$3 Per SF Site
On-Site Improvements/Landscaping	\$5,227,000	\$36,300	\$10 Per SF Site
Parking	\$0	\$0	Included above
Shell Construction	\$18,000,000	\$125,000	\$100 Per SF GBA - Res.
Amenities/FF&E	\$100,000	\$700	Allowance
Contingency	<u>\$1,245,000</u>	<u>\$8,600</u>	5.0% of Directs
<b>Total Direct Costs</b>	<b>\$26,140,000</b>	<b>\$181,500</b>	<b>\$145 Per SF GBA</b>
<b>III. Indirect Costs</b>			
Architecture & Engineering	\$1,046,000	\$7,300	4.0% of Directs
Permits & Fees (3)	\$2,232,000	\$15,500	\$12 Per SF GBA
Legal & Accounting	\$261,000	\$1,800	1.0% of Directs
Taxes & Insurance	\$261,000	\$1,800	1.0% of Directs
Developer Fee	\$1,046,000	\$7,300	4.0% of Directs
Marketing/Lease-Up - Residential	\$360,000	\$2,500	Allowance
Contingency	<u>\$156,000</u>	<u>\$1,100</u>	3.0% of Indirects
<b>Total Indirect Costs</b>	<b>\$5,362,000</b>	<b>\$37,200</b>	<b>20.5% of Directs</b>
<b>IV. Financing Costs</b>	<b>\$2,614,000</b>	<b>\$18,200</b>	<b>10.0% of Directs</b>
<b>V. Total Development Costs</b>	<b>\$47,184,000</b>	<b>\$327,700</b>	<b>\$262 Per SF GBA</b>

(1) Does not include the payment of prevailing wages.

(2) KMA gross estimate. Not verified by KMA or the City.

(3) Per City.

TABLE A-4

## TOWNHOMES

**NET OPERATING INCOME AND FINANCING SURPLUS/(DEFICIT)  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD**

	<u>Unit Size</u>	<u># of Units</u>	<u>\$/SF</u>	<u>\$/Month</u>	<u>Annual</u>
<b>I. Gross Scheduled Income (GSI)</b>					
Two Bedroom Townhome	1,100 SF	72	\$1.94	\$2,130	\$1,840,700
Three Bedroom Townhome	<u>1,400</u> SF	<u>72</u>	<u>\$1.85</u>	<u>\$2,590</u>	<u>\$2,238,000</u>
Total/Average	1,250 SF	144	\$1.89	\$2,360	\$4,078,700
Add: Other Income			\$12 /Unit/Month		<u>\$21,000</u>
Total Gross Scheduled Income (GSI)					\$4,099,700
(Less) Vacancy			5.0% of GSI		<u>(\$205,000)</u>
Effective Gross Income (EGI)					\$3,894,700
<b>II. Operating Expenses</b>					
(Less) Operating Expenses			\$4,200 /Unit/Year		(\$605,000)
(Less) Property Taxes (1)			\$3,764 /Unit/Year		(\$542,000)
(Less) Replacement Reserves			<u>\$250 /Unit/Year</u>		<u>(\$36,000)</u>
Total Expenses			\$8,215 /Unit/Year		(\$1,183,000)
			30.4% of EGI		
<b>III. Net Operating Income (NOI)</b>					<b>\$2,711,700</b>
<b>IV. Capitalized Value</b>					
Net Operating Income					\$2,711,700
Capitalization Rate					5.0%
Capitalized Value			\$376,600 /Unit		\$54,234,000
(Less) Cost of Sale			3.0%		(\$1,627,000)
(Less) Developer Profit			10.0%		<u>(\$5,423,000)</u>
Net Sales Proceeds					\$47,184,000
<b>V. (Less) Development Costs</b>					<b><u>(\$47,184,000)</u></b>
<b>VI. Financing Surplus/(Deficit)</b>			<b>\$0 /Unit</b>		<b>\$0</b>

(1) Based on capitalized income approach; assumes a 1.0% tax rate and 5.0% cap rate.

**Market-Rate Prototypes**  
**Garden Apartments**

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**Affordable Housing Impact Fee Nexus Study**  
**City of Carlsbad**

TABLE A-5

## GARDEN APARTMENTS

**PROJECT DESCRIPTION**  
**AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY**  
**CITY OF CARLSBAD**

---

<b>I. Site Area</b>	9.00 Acres		
<b>II. Gross Building Area</b>			
Residential Area	154,800 SF	95%	
Common Area	<u>8,147</u> SF	<u>5%</u>	
Total Gross Building Area (GBA)	162,947 SF	100%	
<b>III. Unit Mix</b>	<u># of Units</u>		<u>Unit Size</u>
One Bedroom	54 Units	30%	700 SF
Two Bedroom	108 Units	60%	900 SF
Three Bedroom	<u>18</u> Units	<u>10%</u>	<u>1,100</u> SF
Total	180 Units	100%	860 SF
<b>IV. Number of Stories</b>	2 - 3 Stories		
<b>V. Density</b>	20.0 Units/Acre		
<b>VI. Construction Type</b>	Type V		
<b>VII. Parking</b>			
	<u>Number of Spaces</u>		
One Bedroom	1.5 Spaces/Unit		81 Spaces
Two and Three Bedroom	2.0 Spaces/Unit		252 Spaces
Visitor	0.25 Spaces/Unit		<u>45</u> Spaces
Total			378 Spaces
	<u>Parking Type</u>		
Garage Spaces	25% of Total		95 Spaces
Carport Spaces	1.0 Space/Unit		180 Spaces
Surface Spaces			<u>103</u> Spaces
Total			378 Spaces



TABLE A-6

## GARDEN APARTMENTS

**ESTIMATED DEVELOPMENT COSTS  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD**

	<u>Totals</u>	<u>Per Unit</u>	<u>Comments</u>
<b>I. Acquisition Costs</b>	\$11,761,000	\$65,300	\$30 Per SF Site
<b>II. Direct Costs</b> (1)			
Off-Site Improvements (2)	\$1,176,000	\$6,500	\$3 Per SF Site
On-Sites/Landscaping	\$3,920,000	\$21,800	\$10 Per SF Site
Parking - Carport	\$360,000	\$2,000	\$2,000 Per Carport Space
Parking - Garage	\$950,000	\$5,300	\$10,000 Per Garage Space
Shell Construction	\$18,739,000	\$104,100	\$115 Per SF GBA
FF&E/Amenities	\$100,000	\$600	Allowance
Contingency	<u>\$1,262,000</u>	<u>\$7,000</u>	5.0% of Directs
<b>Total Direct Costs</b>	<b>\$26,507,000</b>	<b>\$147,300</b>	<b>\$163 Per SF GBA</b>
<b>III. Indirect Costs</b>			
Architecture & Engineering	\$1,060,000	\$5,900	4.0% of Directs
Permits & Fees (3)	\$2,790,000	\$15,500	\$17 Per SF GBA
Legal & Accounting	\$265,000	\$1,500	1.0% of Directs
Taxes & Insurance	\$265,000	\$1,500	1.0% of Directs
Developer Fee	\$1,060,000	\$5,900	4.0% of Directs
Marketing/Lease-Up	\$450,000	\$2,500	Allowance
Contingency	<u>\$177,000</u>	<u>\$1,000</u>	3.0% of Indirects
<b>Total Indirect Costs</b>	<b>\$6,067,000</b>	<b>\$33,700</b>	<b>22.9% of Directs</b>
<b>IV. Financing Costs</b>	<b>\$2,651,000</b>	<b>\$14,700</b>	<b>10.0% of Directs</b>
<b>V. Total Development Costs</b>	<b>\$46,986,000</b>	<b>\$261,000</b>	<b>\$288 Per SF GBA</b>

(1) Does not assume payment of prevailing wages.

(2) KMA gross estimate. Not verified by KMA or the City.

(3) Per City.

TABLE A-7

## GARDEN APARTMENTS

**NET OPERATING INCOME AND FINANCING SURPLUS/(DEFICIT)  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD**

	<u>Unit Size</u>	<u># of Units</u>	<u>\$/SF</u>	<u>\$/Month</u>	<u>Annual</u>
<b>I. Gross Scheduled Income (GSI)</b>					
One Bedroom	700 SF	54	\$2.35	\$1,650	\$1,069,000
Two Bedroom	900 SF	108	\$2.31	\$2,079	\$2,654,550
Three Bedroom	<u>1,100</u> SF	<u>18</u>	<u>\$2.25</u>	<u>\$2,480</u>	<u>\$536,000</u>
Total/Average	860 SF	180	\$2.29	\$1,972	\$4,259,550
Add: Other Income			\$15 /Unit/Month		<u>\$32,400</u>
Total Gross Scheduled Income (GSI)					\$4,291,950
(Less) Vacancy			5.0% of GSI		<u>(\$214,600)</u>
Effective Gross Income (EGI)					\$4,077,350
<b>II. Operating Expenses</b>					
(Less) Operating Expenses			\$4,400 /Unit/Year		(\$792,000)
(Less) Property Taxes (1)			\$3,000 /Unit/Year		(\$540,000)
(Less) Replacement Reserves			<u>\$250 /Unit/Year</u>		<u>(\$45,000)</u>
Total Expenses			\$7,650 /Unit/Year		(\$1,377,000)
			33.8% of EGI		
<b>III. Net Operating Income (NOI)</b>					<b>\$2,700,350</b>
<b>IV. Capitalized Value</b>					
Net Operating Income					\$2,700,350
Capitalization Rate					5.0%
Capitalized Value			\$300,000 /Unit		\$54,007,000
(Less) Cost of Sale			3.0%		(\$1,620,000)
(Less) Developer Profit			10.0%		<u>(\$5,401,000)</u>
Net Sales Proceeds					\$46,986,000
<b>V. (Less) Development Costs</b>					<u>(\$46,986,000)</u>
<b>VI. Financing Surplus/(Deficit)</b>			<b>\$0 /Unit</b>	<b>\$0</b>	

(1) Based on capitalized income approach; assumes a 1.0% tax rate and 5.0% cap rate.

**Market-Rate Prototypes**  
**Stacked-Flats**

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**Affordable Housing Impact Fee Nexus Study**  
**City of Carlsbad**

TABLE A-8

STACKED-FLATS

**PROJECT DESCRIPTION**  
**AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY**  
**CITY OF CARLSBAD**

---

<b>I. Site Area</b>	7.00 Acres		
<b>II. Gross Building Area</b>			
Residential Area	172,200 SF	90%	
Common Area	<u>19,133 SF</u>	<u>10%</u>	
Total Gross Building Area (GBA)	191,333 SF	100%	
<b>III. Unit Mix</b>	<u># of Units</u>	<u>Unit Size</u>	
One Bedroom	84 Units	40%	700 SF
Two Bedroom	126 Units	60%	900 SF
Three Bedroom	<u>0 Units</u>	<u>0%</u>	<u>1,100 SF</u>
Total	210 Units	100%	820 SF
<b>IV. Number of Stories</b>	3 Stories		
<b>V. Density</b>	30.0 Units/Acre		
<b>VI. Construction Type</b>	Type V		
<b>VII. Parking</b>			
	<u>Number of Spaces</u>		
One Bedroom	1.5 Spaces/Unit	126 Spaces	
Two and Three Bedroom	2.0 Spaces/Unit	252 Spaces	
Visitor	0.25 Spaces/Unit	<u>53 Spaces</u>	
Total		431 Spaces	
	<u>Parking Type</u>		
Garage Spaces	25% of Total	108 Spaces	
Carport Spaces	1.0 Space/Unit	210 Spaces	
Surface Spaces		<u>113 Spaces</u>	
Total		431 Spaces	

TABLE A-9

## STACKED-FLATS

**ESTIMATED DEVELOPMENT COSTS  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD**

	<u>Totals</u>	<u>Per Unit</u>	<u>Notes</u>
<b>I. Acquisition Costs</b>	\$12,197,000	\$58,100	\$40 Per SF Site
<b>II. Direct Costs (1)</b>			
Off-Site Improvements (2)	\$915,000	\$4,400	\$3 Per SF Site
On-Site Improvements/Landscaping	\$3,049,000	\$14,500	\$10 Per SF Site
Parking - Carport	\$420,000	\$2,000	\$2,000 Per Carport Space
Parking - Garage	\$1,080,000	\$5,100	\$10,000 Per Garage Space
Shell Construction	\$24,873,000	\$118,400	\$130 Per SF GBA
Amenities/FF&E	\$250,000	\$1,200	Allowance
Contingency	<u>\$1,529,000</u>	<u>\$7,300</u>	5.0% of Directs
<b>Total Direct Costs</b>	<b>\$32,116,000</b>	<b>\$152,900</b>	<b>\$168 Per SF GBA</b>
<b>III. Indirect Costs</b>			
Architecture & Engineering	\$1,285,000	\$6,100	4.0% of Directs
Permits & Fees (3)	\$3,255,000	\$15,500	\$17 Per SF GBA
Legal & Accounting	\$321,000	\$1,500	1.0% of Directs
Taxes & Insurance	\$321,000	\$1,500	1.0% of Directs
Developer Fee	\$1,285,000	\$6,100	4.0% of Directs
Marketing/Lease-Up	\$525,000	\$2,500	Allowance
Contingency	<u>\$210,000</u>	<u>\$1,000</u>	3.0% of Indirects
<b>Total Indirect Costs</b>	<b>\$7,202,000</b>	<b>\$34,300</b>	<b>22.4% of Directs</b>
<b>IV. Financing Costs</b>	<b>\$3,212,000</b>	<b>\$15,300</b>	<b>10.0% of Directs</b>
<b>V. Total Development Costs</b>	<b>\$54,727,000</b>	<b>\$260,600</b>	<b>\$286 Per SF GBA</b>

(1) Does not include the payment of prevailing wages.

(2) KMA gross estimate. Not verified by KMA or the City.

(3) Per City.



TABLE A-10

STACKED-FLATS

**NET OPERATING INCOME AND FINANCING SURPLUS/(DEFICIT)  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD**

	<u>Unit Size</u>	<u># of Units</u>	<u>\$/SF</u>	<u>\$/Month</u>	<u>Annual</u>
<b>I. Gross Scheduled Income (GSI)</b>					
One Bedroom	700 SF	84	\$2.50	\$1,750	\$1,764,000
Two Bedroom	<u>900 SF</u>	<u>126</u>	<u>\$2.38</u>	<u>\$2,145</u>	<u>\$3,243,700</u>
Total/Average	820 SF	210	\$2.42	\$1,987	\$5,007,700
Add: Other Income			\$15 /Unit/Month		<u>\$37,800</u>
Total Gross Scheduled Income (GSI)					\$5,045,500
(Less) Vacancy			5.0% of GSI		<u>(\$252,300)</u>
Effective Gross Income (EGI)					\$4,793,200
<b>II. Operating Expenses</b>					
(Less) Operating Expenses			\$4,600 /Unit/Year		(\$966,000)
(Less) Property Taxes (1)			\$2,995 /Unit/Year		(\$629,000)
(Less) Replacement Reserves			<u>\$250 /Unit/Year</u>		<u>(\$53,000)</u>
Total Expenses			\$7,848 /Unit/Year		(\$1,648,000)
			34.4% of EGI		
<b>III. Net Operating Income (NOI)</b>					<b>\$3,145,200</b>
<b>IV. Capitalized Value</b>					
Net Operating Income					\$3,145,200
Capitalization Rate					5.0%
Capitalized Value			\$299,500 /Unit		\$62,904,000
(Less) Cost of Sale			3.0%		(\$1,887,000)
(Less) Developer Profit			10.0%		<u>(\$6,290,000)</u>
Net Sales Proceeds					\$54,727,000
<b>V. (Less) Development Costs</b>					<u>(\$54,727,000)</u>
<b>VI. Financing Surplus/(Deficit)</b>			<b>\$0 /Unit</b>		<b>\$0</b>

(1) Based on capitalized income approach; assumes a 1.0% tax rate and 5.0% cap rate.

**Market-Rate Prototypes**  
**Mixed-Use Rental**

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**Affordable Housing Impact Fee Nexus Study**  
**City of Carlsbad**

TABLE A-11

**PROJECT DESCRIPTION**  
**AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY**  
**CITY OF CARLSBAD**

---

<b>I. Site Area</b>	0.50 Acre		
<b>II. Gross Building Area</b>			
Residential Area	10,500 SF	95%	
Common Area	<u>553</u> SF	<u>5%</u>	
Total Residential	11,053 SF	100%	
Retail Area	<u>3,000</u> SF		
Total Gross Building Area	14,053 SF		
<b>III. Unit Mix</b>	<u># of Units</u>		<u>Unit Size</u>
One Bedroom	7 Units	50%	650 SF
Two Bedroom	7 Units	50%	850 SF
Three Bedroom	<u>0</u> Units	<u>0%</u>	<u>1,000</u> SF
Total	14 Units	100%	750 SF
<b>IV. Number of Stories</b>			
Residential	2 Stories		
Retail	<u>1</u> Story (ground floor)		
Total	3 Stories		
<b>V. Density</b>	28.0 Units/Acre		
<b>VI. Construction Type</b>	Type V		
<b>VII. Parking</b>			
Parking Type	Surface and Tuck-Under		
Number of Spaces - Residential			
One Bedroom	1.5 Spaces/Unit	10.5 Spaces	
Two and Three Bedroom	2.0 Spaces/Unit	14 Spaces	
Visitor	0.25 Spaces/Unit	<u>4</u> Spaces	
Total		28 Spaces	
Number of Spaces - Retail	1.0 Space/300 SF	<u>10</u> Spaces	
Total Number of Spaces		38 Spaces	

TABLE A-12

## MIXED-USE RENTAL

**ESTIMATED DEVELOPMENT COSTS  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD**

	<u>Totals</u>	<u>Per Unit</u>	<u>Notes</u>
<b>I. Acquisition Costs</b>	\$1,307,000	\$93,400	\$60 Per SF Site
<b>II. Direct Costs (1)</b>			
Off-Site Improvements (2)	\$65,000	\$4,600	\$3 Per SF Site
Demolition	\$50,000	\$3,600	Allowance
On-Site Improvements/Landscaping	\$218,000	\$15,600	\$10 Per SF Site
Parking	\$95,000	\$6,800	\$10,000 Per Space @ 25%
Shell Construction - Residential	\$1,658,000	\$118,400	\$150 Per SF GBA - Res.
Shell Construction - Retail	\$345,000	\$24,600	\$115 Per SF GBA - Retail
Tenant Improvements - Retail	\$75,000	\$5,400	\$25 Per SF - Retail
Amenities/FF&E	\$35,000	\$2,500	Allowance
Contingency	<u>\$127,000</u>	<u>\$9,100</u>	5.0% of Directs
Total Direct Costs	\$2,668,000	\$190,600	\$190 Per SF GBA
<b>III. Indirect Costs</b>			
Architecture & Engineering	\$160,000	\$11,400	6.0% of Directs
Permits & Fees (3)	\$253,000	\$18,100	\$18 Per SF GBA
Legal & Accounting	\$27,000	\$1,900	1.0% of Directs
Taxes & Insurance	\$27,000	\$1,900	1.0% of Directs
Developer Fee	\$107,000	\$7,600	4.0% of Directs
Marketing/Lease-Up - Residential	\$35,000	\$2,500	Allowance
Marketing/Lease-Up - Retail	\$24,000	\$1,700	\$8 Per SF GBA - Retail
Contingency	<u>\$18,000</u>	<u>\$1,300</u>	3.0% of Indirects
Total Indirect Costs	\$651,000	\$46,500	24.4% of Directs
<b>IV. Financing Costs</b>	\$267,000	\$19,100	10.0% of Directs
<b>V. Total Development Costs</b>	<b>\$4,893,000</b>	<b>\$349,500</b>	<b>\$348 Per SF GBA</b>

(1) Does not include the payment of prevailing wages.

(2) KMA gross estimate. Not verified by KMA or the City.

(3) Per City. Reflects \$15,474 per unit and \$36,000 for the retail and parking components.

## MIXED-USE RENTAL

TABLE A-13

**NET OPERATING INCOME AND CAPITALIZED VALUE - RESIDENTIAL  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD**

	<u>Unit Size</u>	<u># of Units</u>	<u>\$/SF</u>	<u>\$/Month</u>	<u>Annual</u>
<b>I. Gross Scheduled Income (GSI)</b>					
One Bedroom	650 SF	7	\$2.90	\$1,884	\$158,235
Two Bedroom	<u>850 SF</u>	<u>7</u>	<u>\$2.70</u>	<u>\$2,300</u>	<u>\$193,000</u>
Total/Average	750 SF	14	\$2.79	\$2,091	\$351,235
Add: Other Income			\$25 /Unit/Month		<u>\$4,200</u>
Total Gross Scheduled Income (GSI)					\$355,435
(Less) Vacancy			5.0% of GSI		<u>(\$18,000)</u>
Effective Gross Income (EGI)					\$337,435
<b>II. Operating Expenses</b>					
(Less) Operating Expenses			\$4,600 /Unit/Year		(\$64,000)
(Less) Property Taxes (1)			\$3,214 /Unit/Year		(\$45,000)
(Less) Replacement Reserves			<u>\$250 /Unit/Year</u>		<u>(\$4,000)</u>
Total Expenses			\$8,071 /Unit/Year		(\$113,000)
			33.5% of EGI		
<b>III. Net Operating Income (NOI)</b>					
					<b>\$224,435</b>

(1) Based on capitalized income approach; assumes a 1.0% tax rate and 5.0% cap rate.



TABLE A-14

**NET OPERATING INCOME AND CAPITALIZED VALUE - RETAIL  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD**

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	<u>SF</u>	<u>Rent/SF</u>	<u>Total Annual</u>
<b>I. Gross Scheduled Income (GSI)</b>			
Total Retail GSI	3,000	\$3.00 /SF/Month/NNN	\$108,000
(Less) Vacancy - Retail		10.0% of GSI - Retail	<u>(\$10,800)</u>
Total Effective Gross Income			\$97,200
(Less) Unreimbursed Expenses - Retail		5.0% of EGI - Retail	<u>(\$5,000)</u>
<b>II. Net Operating Income (NOI)</b>			<b>\$92,200</b>

TABLE A-15

## MIXED-USE RENTAL

**FINANCING SURPLUS/(DEFICIT)**  
**AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY**  
**CITY OF CARLSBAD**

---

**I. Financing Surplus/(Deficit)**

Net Operating Income - Residential		\$224,435
Net Operating Income - Retail		<u>\$92,200</u>
Total Net Operating Income		\$316,635
Capitalization Rate		5.5%
Capitalized Value		\$5,757,000
(Less) Cost of Sale	3.0%	(\$173,000)
(Less) Developer Profit	12.0%	<u>(\$691,000)</u>
Net Sales Proceeds		\$4,893,000
(Less) Development Costs		<u>(\$4,893,000)</u>

<b>II. Financing Surplus/(Deficit)</b>	<b>\$0 /Unit</b>	<b>\$0</b>
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## B. AFFORDABLE VALUES

Affordable rent levels are a function of the income level for which the unit is aimed to be affordable; the calculations are formula-based according to a combination of statute and policy, both local and Statewide.

The Area Median Income is the starting point for the affordable rent calculation. The U.S. Department of Housing and Urban Development (HUD) publishes the Area Median Income (AMI) for each county annually. Appendix II – Table B-1 presents the income limits for households at 50% AMI and 80% AMI.

### Affordable Rent Levels

The calculation of affordable rents at 50% and 80% AMI is presented in Appendix II – Table B-2. The calculation of affordable rents incorporates the following key assumptions:

1. Assignment of family size (number of persons) vs. unit size (number of bedrooms) based on the number of persons exceeding the number of bedrooms by one.
2. Calculation of affordable rents based on the formulas shown in Exhibit 24.

<i>Household Income</i>		<i>Affordable Rent Calculation</i>
Very-low:	50% of AMI	30% of 50% AMI
Low:	80% of AMI	30% of 70% AMI

3. 50% and 70% income figures extrapolated from the figures shown in the Income Limits for 2015, published by the U.S. Department of Housing and Urban Development as of March, 2015.
4. Utility allowances as determined by the County of San Diego, assuming a common utility profile for newer units.

Based on the above assumptions, affordable rent levels for Very low- and Low-income households are shown in Exhibit 25:

<i>Exhibit 25: Affordable Rent Levels – Very Low- and Low-Income</i>		
<i>Number of Bedrooms</i>	<i>Very low-income</i>	<i>Low- income</i>
One	\$710	\$1,085
Two	\$850	\$1,215
Three	\$977	\$1,342

The rent levels so defined (by unit size and income category) govern the maximum rent that a building owner may charge for a particular unit.

TABLE B-1

**INCOME DEFINITIONS, 2015**  
**AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY**  
**CITY OF CARLSBAD**

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<b>Family Size</b>	<b>50% AMI</b>	<b>80% AMI</b>
1 Person	\$28,350	\$45,400
2 Persons	\$32,400	\$51,850
3 Persons	\$36,450	\$58,350
4 Persons	\$40,500	\$64,800
5 Persons	\$43,750	\$70,000

Source: U.S. Department of Housing and Urban Development (HUD), effective March 6, 2015.

Prepared by: Keyser Marston Associates, Inc.

Filename: i: Carlsbad\_Nexus Study Update\_Technical Analysis\_v1;2/18/2016;rsp



TABLE B-2

GARDEN APARTMENTS  
AffordableAFFORDABLE RENTS, 2015  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD

Number of Bedrooms	One	Two	Three
<b>I. Low Income Housing Tax Credits - 50% AMI</b>			
Percent of AMI	50.0%	50.0%	50.0%
Family Size	1.5	3.0	4.5
Household Income (Rounded) (1)	\$30,375	\$36,450	\$42,125
Income Allocation to Housing	30%	30%	30%
Monthly Housing Cost (2)	\$759	\$911	\$1,053
(Less) Utility Allowance (3)	(\$49)	(\$61)	(\$76)
<b>Maximum Monthly Rent @ 50% AMI</b>	<b>\$710</b>	<b>\$850</b>	<b>\$977</b>
<b>II. Low Income Housing Tax Credits - 60% AMI</b>			
Percent of AMI	60.0%	60.0%	60.0%
Family Size	1.5	3.0	4.5
Household Income (Rounded) (1)	\$36,450	\$43,740	\$50,550
Income Allocation to Housing	30%	30%	30%
Monthly Housing Cost (2)	\$911	\$1,093	\$1,263
(Less) Utility Allowance (3)	(\$49)	(\$61)	(\$76)
<b>Maximum Monthly Rent @ 60% AMI</b>	<b>\$862</b>	<b>\$1,032</b>	<b>\$1,187</b>
<b>III. Households earning up to 80% AMI</b>			
Percent of AMI (4)	70.0%	70.0%	70.0%
Family Size	2.0	3.0	4.0
Household Income (Rounded)	\$45,360	\$51,030	\$56,700
Income Allocation to Housing	30%	30%	30%
Monthly Housing Cost	\$1,134	\$1,276	\$1,418
(Less) Utility Allowance (3)	(\$49)	(\$61)	(\$76)
<b>Maximum Monthly Rent @ 80% AMI</b>	<b>\$1,085</b>	<b>\$1,215</b>	<b>\$1,342</b>

(1) California Tax Credit Allocation Committee 2015 maximum income levels for projects placed in service on or after March 6, 2015.

(2) California Tax Credit Allocation Committee 2015 maximum rents for projects placed in service on or after March 6, 2015.

(3) Per the San Diego County Department of Housing and Community Development 2015 Utility Allowance Schedule, July 1, 2015.

	One	Two	Three
Electric Heat	\$9	\$11	\$14
Gas Cooking	\$3	\$3	\$4
Gas Water Heater	\$10	\$12	\$15
Other Electric	\$27	\$35	\$43
Total Utilities	\$49	\$61	\$76

(4) State of California Department of Housing and Community Development (HCD) 2015 income limits.

**C. AFFORDABILITY GAPS**

The calculation of affordability gap for an affordable housing prototype development is presented in Appendix II – Tables C-1 through C-4. The affordability gaps were calculated assuming affordable housing in the City is provided in an garden apartment development at two income levels: (1) all units affordable to Very low-income households (earning up to 50% AMI); and (2) all units affordable to Low-income households (earning up to 80% AMI).

The Very low-income units are assumed to be financed with Low Income Housing Tax Credits and tax-exempt bond financing. The Low-income units are assumed to be financed using conventional debt and equity financing sources.

The resulting financing gap generated reflects of the difference between warranted investment and development costs. In the nexus study, the affordability gap is the amount of subsidy dollars required to bridge the difference between the two values.

Exhibit 26 provides a summary of the affordability gaps used in the analysis:

<i>Exhibit 26: Affordability Gap Per Unit – Garden Apartments</i>	
<i>Very-low income</i>	<i>Low-income</i>
\$134,000	\$137,800

TABLE C-1

GARDEN APARTMENTS  
Affordable

PROJECT DESCRIPTION - GARDEN APARTMENTS  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD

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<b>I. Site Area</b>	5.00 Acres		
<b>II. Gross Building Area</b>			
Residential Area	103,250 SF	95%	
Common Area	<u>5,434</u> SF	<u>5%</u>	
Total Gross Building Area (GBA)	108,684 SF	100%	
<b>III. Unit Mix</b>	<u># of Units</u>		<u>Unit Size</u>
One Bedroom	25 Units	20%	550 SF
Two Bedroom	62 Units	50%	800 SF
Three Bedroom	<u>38</u> Units	<u>30%</u>	<u>1,050</u> SF
Total	125 Units	100%	826 SF
<b>IV. Number of Stories</b>	3 Stories		
<b>V. Density</b>	25.0 Units/Acre		
<b>VI. Construction Type</b>	Type V		
<b>VII. Parking</b>			
	<u>Number of Spaces</u>		
One Bedroom	1.5 Spaces/Unit	38 Spaces	
Two and Three Bedroom	2.0 Spaces/Unit	200 Spaces	
Visitor	0.26 Spaces/Unit	<u>32</u> Spaces	
Total		270 Spaces	
	<u>Parking Type</u>		
Carport Spaces	1.0 Space/Unit	125 Spaces	
Surface Spaces		<u>145</u> Spaces	
Total		270 Spaces	

GARDEN APARTMENTS  
Affordable

TABLE C-2

ESTIMATED DEVELOPMENT COSTS  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD

	50% AMI			80% AMI		
	Totals	Per Unit	Comments	Totals	Per Unit	Comments
<b>I. Acquisition Costs</b>	\$7,623,000	\$61,000	\$35 Per SF Site	\$7,623,000	\$61,000	\$35 Per SF Site
<b>II. Direct Costs (1)</b>						
Off-Site Improvements (2)	\$653,000	\$5,200	\$3 Per SF Site	\$653,000	\$5,200	\$3 Per SF Site
On-Sites/Landscaping	\$2,178,000	\$17,400	\$10 Per SF Site	\$2,178,000	\$17,400	\$10 Per SF Site
Parking - Carport	\$250,000	\$2,000	\$2,000 Per Space	\$250,000	\$2,000	\$2,000 Per Space
Shell Construction	\$13,586,000	\$108,700	\$125 Per SF GBA	\$13,586,000	\$108,700	\$125 Per SF GBA
FF&E/Amenities	\$200,000	\$1,600	Allowance	\$200,000	\$1,600	Allowance
Contingency	<u>\$843,000</u>	<u>\$6,700</u>	5.0% of Directs	<u>\$843,000</u>	<u>\$6,700</u>	5.0% of Directs
Total Direct Costs	\$17,710,000	\$141,700	\$163 Per SF GBA	\$17,710,000	\$141,700	\$163 Per SF GBA
<b>III. Indirect Costs</b>						
Architecture & Engineering	\$1,063,000	\$8,500	6.0% of Directs	\$1,063,000	\$8,500	6.0% of Directs
Permits & Fees (3)	\$1,938,000	\$15,500	\$18 Per SF GBA	\$1,938,000	\$15,500	\$18 Per SF GBA
Legal & Accounting	\$177,000	\$1,400	1.0% of Directs	\$177,000	\$1,400	1.0% of Directs
Taxes & Insurance	\$266,000	\$2,100	1.5% of Directs	\$266,000	\$2,100	1.5% of Directs
Developer Fee	\$2,500,000	\$20,000	14.1% of Directs	\$708,000	\$5,700	4.0% of Directs
Marketing/Lease-Up	\$313,000	\$2,500	Allowance	\$313,000	\$2,500	Allowance
Contingency	<u>\$188,000</u>	<u>\$1,500</u>	3.0% of Indirects	<u>\$134,000</u>	\$1,100	3.0% of Indirects
Total Indirect Costs	\$6,445,000	\$51,600	36.4% of Directs	\$4,599,000	\$36,800	26.0% of Directs
<b>IV. Financing Costs</b>	\$2,657,000	\$21,300	15.0% of Directs	\$2,214,000	\$17,700	12.5% of Directs
<b>V. Total Development Costs</b>	<b>\$34,435,000</b>	<b>\$275,500</b>	<b>\$317 Per SF GBA</b>	<b>\$32,146,000</b>	<b>\$257,200</b>	<b>\$296 Per SF GBA</b>

(1) Does not assume payment of prevailing wages.

(2) KMA gross estimate. Not verified by KMA or the City.

(3) Per City.



## GARDEN APARTMENTS

Affordable

TABLE C-3

**NET OPERATING INCOME  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD**

	50% AMI			80% AMI		
	Units	\$/Month	Annual	Units	\$/Month	Annual
<b>I. Gross Scheduled Income (GSI)</b>						
One Bedroom @ 50% AMI	8	\$710	\$68,200	--	--	--
One Bedroom @ 60% AMI	17	\$862	\$175,800	--	--	--
One Bedroom @ 80% AMI	--	--	--	25	\$1,085	\$325,500
<hr/>						
Two Bedroom @ 50% AMI	19	\$850	\$193,800	--	--	--
Two Bedroom @ 60% AMI	43	\$1,032	\$532,500	--	--	--
Two Bedroom @ 80% AMI	--	--	--	62	\$1,215	\$903,800
<hr/>						
Three Bedroom @ 50% AMI	12	\$977	\$140,700	--	--	--
Three Bedroom @ 60% AMI	26	\$1,187	\$370,300	--	--	--
Three Bedroom @ 80% AMI	--	--	--	38	\$1,342	\$611,700
<hr/>						
Total/Average	125	\$741	\$1,111,000	125	\$1,227	\$1,841,000
Add: Other Income	\$15 /Unit/Month		\$22,500	\$15 /Unit/Month		\$22,500
Total Gross Scheduled Income (GSI)			\$1,133,500			\$1,863,500
(Less) Vacancy	5.0% of GSI		(\$56,700)	5.0% of GSI		(\$93,200)
Effective Gross Income (EGI)			\$1,076,800			\$1,770,300
<hr/>						
<b>II. Operating Expenses</b>						
(Less) Operating Expenses	\$5,000 /Unit/Year		(\$625,000)	\$5,000 /Unit/Year		(\$625,000)
(Less) Property Taxes	\$0 /Unit/Year		\$0 (1)	\$1,368 /Unit/Year		(\$171,000) (2)
(Less) Replacement Reserves	\$250 /Unit/Year		(\$31,000)	\$250 /Unit/Year		(\$31,000)
Total Expenses	\$5,248 /Unit/Year		(\$656,000)	\$6,616 /Unit/Year		(\$827,000)
	60.9% of EGI			46.7% of EGI		
<hr/>						
<b>III. Net Operating Income (NOI)</b>			<b>\$421,000</b>	<b>\$943,000</b>		

(1) Assumes developer will partner with a non-profit organization.

(2) Based on capitalized income approach; assumes a 1.0% tax rate and 5.5% cap rate.

Prepared by: Keyser Marston Associates, Inc.

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GARDEN APARTMENTS  
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TABLE C-4

FINANCING SURPLUS/(DEFICIT)  
AFFORDABLE HOUSING IMPACT FEE NEXUS STUDY  
CITY OF CARLSBAD

	50% AMI	80% AMI
<b>I. Sources of Funds</b>		<b>I. Capitalized Value</b>
Permanent Loan	\$6,045,000	Net Operating Income
Market Value of Tax Credits	\$11,094,000	Capitalization Rate
Deferred Developer Fee	<u>\$500,000</u>	Capitalized Value
Total Sources of Funds	\$17,639,000	
<b>II. (Less) Development Costs</b>	<u>(\$34,435,000)</u>	<b>II. (Less) Development Costs</b>
		(Less) Cost of Sale
		(Less) Developer Profit
		Net Sales Proceeds
<b>III. Financing Surplus/(Deficit)</b>	<b>(\$16,796,000)</b>	<b>(\$17,230,000)</b>
<b>Per Unit</b>	<b>(\$134,000)</b>	<b>(\$137,800)</b>