

ATTACHMENT 6

***ADDENDUM
CONDOMINIUM CONVERSION NEXUS ANALYSIS***

RESIDENTIAL NEXUS ANALYSIS

Inclusionary Housing Ordinance

San Diego, California

Prepared for

City of San Diego

Keyser Marston Associates, Inc.

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INTRODUCTION

This Addendum provides an overview of the analysis and a discussion of the findings of a condominium conversion nexus analysis conducted to examine the Inclusionary Housing Ordinance of the City of San Diego (City). The materials have been prepared by Keyser Marston Associates (KMA) for the San Diego Housing Commission (SDHC) pursuant to a contractual agreement.

This Addendum is not intended as a stand alone document, but should be read in conjunction with the *Residential Nexus Analysis* prepared by Keyser Marston Associates in January 2011. Reference will be made throughout the Addendum to the *Residential Nexus Analysis*, which provides a more complete description of the assumptions and the nexus analysis methodology.

The City of San Diego's existing Inclusionary Housing Ordinance requires all condominium conversion projects of two or more units to provide 10% of units at prices affordable to households earning 100% of median income, or pay an in-lieu fee. Condominium conversions of 20 or more units are not eligible to pay in-lieu fees and must provide the units onsite. An exemption is available for units sold to households earning less than 150% of median income.

THE NEXUS ANALYSIS

Condo Conversion Nexus Concept

At its most simplified level, the underlying nexus concept is that condominium purchasers have higher incomes than the households that lived in the rental unit prior to conversion. Even if the initial condominium owner is the prior renter, over the life of the unit, the household occupying the unit as a condominium will have, on average, a higher income than the unit were it to remain a rental. The higher the income of the household, the higher the consumption of goods and services, resulting in a higher level of job generation. A portion of these jobs are at low compensation levels, which results in lower income households that need affordable housing. As such, it is a variation of the residential nexus analysis, which is a market rate housing/affordable housing nexus analysis.

To calculate the nexus, the KMA analysis quantifies the impact on affordable housing needs resulting from the difference in income level between a renter household and a condominium household, assuming the same physical unit. The incremental difference in the income of the renter versus the income of the condominium purchaser translates into an incremental increase in the demand for affordable housing; the cost of mitigating this incremental increase in the demand for affordable housing is the nexus amount attributable to a condo conversion.

Impact Methodology and Models Used

The methodology for this nexus analysis starts with the rent levels of prototype units prior to converting and the sales prices of the same units after converting. KMA developed four prototypes for the purpose of this analysis. The income of the renter household is computed based on standard relationships between rent and income in San Diego. The income of the household that will purchase the condominium is estimated based on financing terms for condominium units.

The difference between the household income of the unit as a rental and the household income of the condominium purchaser is net new income in the City of San Diego attributable to the conversion process. For analysis purposes, the conversions are assumed to occur at a single point in time – today. There are no time value adjustments required.

From this point, the analysis is conducted in the same manner as in the *Residential Nexus Analysis*, the input into the model is the only difference. In the case of condominium conversions, the input is the incremental increase in household income between the rental household and the condominium household. In the case of new construction, the input is the household income of the purchaser of the new unit. A brief overview of the nexus analysis follows; more detail, including a full documentation of assumptions and methodology, can be found in Appendix I of the *Residential Nexus Analysis*.

The steps in the analysis from the net increase in income to jobs generated are performed using the IMPLAN model, a model widely used for more than 30 years to quantify employment impacts from personal income. From jobs generation per the IMPLAN model, KMA used its own jobs housing nexus model to quantify the income of worker households by affordability level.

To illustrate the linkages by looking at a simplified example, we can take an average household that buys a condominium at a certain price and quantify the increase in household income over the renter household. The IMPLAN model works internally from gross household income through adjustments to disposable income and amounts that will be used to “purchase” or consume a range of goods and services, such as purchases at the supermarket, services at the bank and even governmental services. Purchases in the local economy in turn generate employment in many different industries, the output of the IMPLAN model. The compensation levels of the jobs generated vary by, and within, occupation types. 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 new lower and middle-income households that cannot afford market rate housing in San Diego.

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.

The Condominium Conversion Prototypes

Four prototypes were identified for the purposes of the analysis, based on KMA's review of historical data of condominium conversions that occurred within the City since adoption of the Inclusionary Housing Ordinance.

The condominium conversion prototypes are as follows:

- A converted townhome or duplex, built in the 1970s or 1980s in one of the City's coastal communities, with an average of 2.5 bedrooms and 1,400 square feet. This unit rented for \$2,450 and sells for \$490,000 when converted.
- A garden style apartment, developed in the 1960s/1970s timeframe in older communities such as the pre-war neighborhoods of City Heights and North Park and the immediate post-war neighborhoods of Linda Vista and Clairemont Mesa, among others, with an average of 1.75 bedrooms and 800 square feet. This unit rented for \$1,000 and sells for \$150,000 when converted.
- A Type V stacked flat unit, developed in the 1970s through 1990s, located in newly developing and redeveloping neighborhoods such as the Mission Valley, University City, and Uptown communities, among others, with an average of 1.75 bedrooms and 900 square feet. This unit rented for \$1,575 and sells for \$338,000 when converted.
- A Type I mid/high-rise unit, built from the 1990s to present, reflecting a newer generation of in-fill multi-family developments in communities such as Downtown, Uptown, and University City, among others, with an average of 1.75 bedrooms and 950 square feet. This unit rented for \$2,375 and sells for \$522,500 when converted.

	<i>Prototype 1: Townhome</i>	<i>Prototype 2: Garden Apt</i>	<i>Prototype 3: Type V Stacked</i>	<i>Prototype 4: Type 1 Mid/High-Rise</i>
Avg. Unit Size	1,400 sf	800 sf	900 sf	950 sf
Avg. No. of Bedrooms	2.5 BR	1.75 BR	1.75 BR	1.75 BR
Rent Level	\$2,450	\$1,000	\$1,575	\$2,375
Sales Price	\$490,000	\$150,000	\$338,000	\$522,500

The market values above reflect the weakened housing market that exists today in San Diego. The City is not likely to see additional condominium conversions until sales prices have increased above these levels.

Net New Household Income

From the rents and sale prices of the four prototypes, the household incomes of the purchasers and renters are readily estimated using standard housing policy and lending standards. Comparing the income of the condo purchaser household to the income of the renter household for the same unit, we determine the net increase attributable to the conversion process. The calculations are shown in Tables 1 through 4, and are summarized in Table 5. A brief overview is shown below.

	<i>Prototype 1: Townhome</i>	<i>Prototype 2: Garden Apt</i>	<i>Prototype 3: Type V Stacked</i>	<i>Prototype 4: Type 1 Mid/High-Rise</i>
Income of Condo Purchaser	\$119,000	\$40,000	\$84,000	\$128,000
Income of Renter	\$98,000	\$40,000	\$63,000	\$95,000
Increase in Household Income	\$21,000	\$0	\$21,000	\$33,000

From the above table, it is apparent that in today's economy, the conversion of a minimal garden style apartment unit does not generate an incremental increase in household income. The garden style unit sells for \$150,000 in the current San Diego condo market, which makes the unit affordable to a household earning 60% of Area Median Income and would likely qualify for an exemption from the Inclusionary Program. A detailed discussion of this prototype can be found at the end of this Addendum (see Affordability Levels and Program Exemptions). Because there is no incremental increase in household income for this prototype in the today's market, the nexus analysis is not run for this prototype.

Nexus Analysis Results

Job Generation/IMPLAN Model

The IMPLAN model starting input is the net new increase in income in San Diego attributable to the conversion process, or the amount indicated above for each of the prototypes. To facilitate understanding of the model results, the model is run assuming 100 converted units for each prototype, resulting in whole numbers and thus avoiding awkward fractions (particularly true in the greater detail by job industry).

The IMPLAN model internally computes disposable income after adjustments for taxes and savings. The results of the analysis, the output of the IMPLAN model, are as follows:

	<i>Prototype 1: Townhome</i>	<i>Prototype 3: Type V Stacked</i>	<i>Prototype 4: Type 1 Mid/High-Rise</i>
Increase in Income Attributable to Conversion	\$21,000	\$21,000	\$33,000
Job Generation per 100 units	13.0	13.4	20.4

More detail can be found in Table 6. The jobs represent a wide dispersion across many industries with little concentration in any one. The highest concentration is in Food Service and Drinking places, representing about 12% of all job generation.

Lower Income Worker Households

The jobs by industry, per the IMPLAN analysis, are input into the KMA jobs housing nexus analysis model to quantify the incomes of the worker households. The first step is a reduction in the number of jobs to the number of worker households, recognizing that there is typically more than one worker in each household today.

The KMA nexus model converts jobs by industry (per the IMPLAN output) to a distribution of jobs by occupation based on data published by the Bureau of Labor Statistics. Workers are allocated into households of sizes ranging from one to six persons with a distribution of the number of workers for each household size (based on American Community Survey data for San Diego). Recent State of California data on compensation level by each occupation in San Diego is applied.

Based on a total household income and household size, the model calculates the number of worker households in each of the income categories. The steps of the analysis are shown in Tables 6 through 9 at the end of this Addendum. The results are as follows for 100 converted units:

New Worker Households by Income Level per 100 Converted Condo Units			
	<i>Prototype 1: Townhome</i>	<i>Prototype 3: Type V Stacked</i>	<i>Prototype 4: Type 1 Mid/High-Rise</i>
Under 65% AMI	3.8	3.9	6.0
65% to 100% AMI	1.6	1.7	2.6
Total, Less than 100% AMI	5.4	5.6	8.6
Greater than 100% AMI	2.1	2.1	3.2
Total, New Households	7.5	7.7	11.8

In summary, for every 100 converted townhome units, there are 7.5 worker households generated, of which 5.4 are at compensation levels that translate to household incomes of 100% of the San Diego Area Median Income or less. In other words, the great majority of jobs generated by consumer expenditures are at income levels that, even when there is more than one worker in the household, cannot afford market rate housing in San Diego.

Inclusionary Percentages

The analysis findings identify how many low and median income households are generated for every 100 converted units. These findings are adjusted to percentages for purposes of comparison to the onsite inclusionary requirements. The percentages are calculated including

the market rate and affordable units (for example, 25 affordable units per 100 converted units translates to 125 total units; 25 affordable units out of 125 units equals 20%).

Each tier is cumulative, or inclusive of the tiers above it. The calculation can be found on Table 10, and the results are summarized below.

Cumulative Inclusionary Percentage Supported by Nexus Analysis			
	<i>Prototype 1: Townhome</i>	<i>Prototype 3: Type V Stacked</i>	<i>Prototype 4: Type 1 Mid/High-Rise</i>
Under 65% AMI	3.7%	3.7%	5.6%
65% to 100% AMI	5.2%	5.3%	7.9%

The conclusion of the analysis is that the converted condominium prototypes shown here support percentages up through Median Income (100% AMI) in the range of 5.2% to 7.9%. The City's current requirement is 10% at Median for converted units.

Fee Levels Supported by the Nexus Analysis

The last step in the analysis puts a mitigation cost on the households at each of the lower affordability levels. 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.

Each income or affordability tier is associated with a subsidy needed to produce and deliver a unit at the specified affordability level. The subsidies are the affordability gaps, or the difference between the cost of development and the sales price or unit value supported at the restricted sales price or rent level. A full description of the Affordability Gaps is presented in Appendix II of the *Residential Nexus Analysis*. The results are as follows:

<i>Income Level</i>	<i>Affordability Gap</i>
Under 65% AMI	\$193,000
65% to 100% AMI	\$122,000

The last step in the analysis links the number of households at the lower income levels attributable to the conversion process to the mitigation cost and establishes the total cost associated with the converted units. The results are shown on Table 11 and are as follows:

Maximum Supported Nexus Per Converted Condominium Unit				
<i>Income Category</i>	<i>Affordability Gap</i>	<i>Prototype 1: Townhome</i>	<i>Prototype 3: Type V Stacked</i>	<i>Prototype 4: Type 1 Mid/High-Rise</i>
Under 65% AMI	\$193,000	\$7,300	\$7,500	\$11,500
65% to 100% AMI	\$122,000	\$2,000	\$2,100	\$3,100
Total Nexus Costs		\$9,300	\$9,600	\$14,600

The maximum supported nexus for the converted condominium prototypes shown above range from \$9,300 to \$14,600 per converted unit. The mitigation cost per unit at each value level represents the maximum fee level supported by this analysis. It is not a recommended fee level. The City may set the fee at any level below the nexus findings, based on a range of policy considerations.

The Total Nexus Costs indicated above may also be expressed on a per square foot level. The square foot areas of the prototype units become the basis for the calculation. The results per square foot are as follows:

Total Nexus Cost Per Sq. Ft.				
<i>Income Category</i> <i>Prototype Size (Sq Ft)</i>	<i>Affordability Gap</i>	<i>Prototype 1: Townhome 1,400 SF</i>	<i>Prototype 3: Type V Stacked 900 SF</i>	<i>Prototype 4: Type 1 Mid/High-Rise 950 SF</i>
Under 65% AMI	\$193,000	\$5.21	\$8.33	\$12.11
65% to 100% AMI	\$122,000	\$1.43	\$2.33	\$3.26
Total Nexus Costs		\$6.64	\$10.67	\$15.37

The maximum supported nexus for the converted condominium prototypes shown above range from \$6.64 to \$15.37 per converted unit. The City's current in-lieu fee of \$4.98 per square foot is supported by the nexus analysis for the prototypes shown above.

AFFORDABILITY LEVELS AND PROGRAM EXEMPTIONS

The current Inclusionary Housing ordinance includes an exemption for 'Naturally Affordable For-Sale Units,' or units that are specifically targeted for and sold to households earning less than 150% AMI. Assuming typical underwriting standards, a household earning 150% of AMI can afford to purchase a home for up to \$375,000. In today's market, many converted condominium units would sell for less than this threshold, and therefore could qualify for an exemption.

In this analysis, the garden apartment prototype, which sells for \$150,000, could clearly qualify for an exemption as most purchasers would have incomes less than 150% AMI. In fact, the garden prototype is currently affordable at the 60% AMI level, as both a rental unit and as a converted unit. This market-rate prototype provides housing that is affordable to lower income households, both as a rental unit and as a converted unit.

In today's market, the garden apartment prototype does not support a nexus fee, as there is no increase in household income between the condominium owner and the renter. To generate nexus support for a 5% inclusionary percentage, the sales price of the garden apartment would need to increase to approximately \$240,000, assuming rents stay level at \$1,000.

TABLE 1
PROTOTYPE 1: CONVERTED TOWNHOME
CONDO SALES PRICE, RENTAL RATE TO INCOME RATIO
CONDOMINIUM CONVERSION HOUSING NEXUS ANALYSIS MODEL
CITY OF SAN DIEGO

			<u>Prototype 1 As A Rental Unit</u>
Market Rent			
Monthly	\$1.75 /SF	1,400 SF	\$2,450
Annual			\$29,400
% of Income Spent on Rent (excludes utilities)			30%
Annual Household Income Required			\$98,000
Annual Rent to Income Ratio			3.3
			<u>Prototype 1 As A Converted Condo Unit</u>
Sales Price	\$350 /SF	1,400 SF	\$490,000
Mortgage Payment			
Downpayment @ 10%		10%	\$49,000
Loan Amount			\$441,000
Interest Rate			6.00%
Term of Mortgage			30 years
Annual Mortgage Payment			\$31,728
Other Costs			
HOA Dues	\$225 per month		\$2,700
Maintenance / Insurance	\$150 per month		\$1,800
Property Taxes	1.10% of sales price		\$5,400
Total Annual Housing Cost			\$41,628
% of Income Spent on Hsg			35%
Annual Income Required			\$119,000
Sales Price to Income Ratio			4.1
Income Differential Between Rental Household and Condominium Household			
Typical Condominium Household Gross Income			\$119,000
Typical Rental Household Gross Income			\$98,000
<i>Difference (Input into Nexus Model)</i>			\$21,000

TABLE 2
PROTOTYPE 2: CONVERTED GARDEN STYLE CONDOMINIUM
CONDO SALES PRICE, RENTAL RATE TO INCOME RATIO
CONDOMINIUM CONVERSION HOUSING NEXUS ANALYSIS MODEL
CITY OF SAN DIEGO

			<u>Prototype 2 As A Rental Unit</u>
Market Rent			
Monthly	\$1.25 /SF	800 SF	\$1,000
Annual			\$12,000
% of Income Spent on Rent (excludes utilities)			30%
Annual Household Income Required			\$40,000
Annual Rent to Income Ratio			3.3
			<u>Prototype 2 As A Converted Condo Unit</u>
Sales Price	\$188 /SF	800 SF	\$150,000
Mortgage Payment			
Downpayment @ 10%		10%	\$15,000
Loan Amount			\$135,000
Interest Rate			6.00%
Term of Mortgage			30 years
Annual Mortgage Payment			\$9,713
Other Costs			
HOA Dues	\$150 per month		\$1,800
Maintenance / Insurance	\$75 per month		\$900
Property Taxes	1.10% of sales price		\$1,700
Total Annual Housing Cost			\$14,113
% of Income Spent on Hsg			35%
Annual Income Required			\$40,000
Sales Price to Income Ratio			3.8
Income Differential Between Rental Household and Condominium Household			
Typical Condominium Household Gross Income			\$40,000
Typical Rental Household Gross Income			\$40,000
<i>Difference (Input into Nexus Model)</i>			\$0

**TABLE 3
 PROTOTYPE 3: CONVERTED CONDOMINIUM TYPE V STACKED FLAT
 CONDO SALES PRICE, RENTAL RATE TO INCOME RATIO
 CONDOMINIUM CONVERSION HOUSING NEXUS ANALYSIS MODEL
 CITY OF SAN DIEGO**

			Prototype 3 As A Rental Unit
Market Rent			
Monthly	\$1.75 /SF	900 SF	\$1,575
Annual			\$18,900
% of Income Spent on Rent (excludes utilities)			30%
Annual Household Income Required			\$63,000
Annual Rent to Income Ratio			3.3
			Prototype 3 As A Converted Condo Unit
Sales Price	\$376 /SF	900 SF	\$338,000
Mortgage Payment			
Downpayment @ 10%		10%	\$33,800
Loan Amount			\$304,200
Interest Rate			6.00%
Term of Mortgage			30 years
Annual Mortgage Payment			\$21,886
Other Costs			
HOA Dues	\$275 per month		\$3,300
Maintenance / Insurance	\$50 per month		\$600
Property Taxes	1.10% of sales price		\$3,700
Total Annual Housing Cost			\$29,486
% of Income Spent on Hsg			35%
Annual Income Required			\$84,000
Sales Price to Income Ratio			4.0
Income Differential Between Rental Household and Condominium Household			
Typical Condominium Household Gross Income			\$84,000
Typical Rental Household Gross Income			\$63,000
<i>Difference (Input into Nexus Model)</i>			\$21,000

TABLE 4
PROTOTYPE 4: CONVERTED CONDOMINIUM TYPE I MID/HIGH-RISE
CONDO SALES PRICE, RENTAL RATE TO INCOME RATIO
CONDOMINIUM CONVERSION HOUSING NEXUS ANALYSIS MODEL
CITY OF SAN DIEGO

			Prototype 4
			<u>As A Rental Unit</u>
Market Rent			
Monthly	\$2.50 /SF	950 SF	\$2,375
Annual			\$28,500
% of Income Spent on Rent (excludes utilities)			30%
Annual Household Income Required			\$95,000
Annual Rent to Income Ratio			3.3
			Prototype 4 As A
			<u>Converted Condo Unit</u>
Sales Price	\$550 /SF	950 SF	\$522,500
Mortgage Payment			
Downpayment @ 10%		10%	\$52,250
Loan Amount			\$470,250
Interest Rate			6.00%
Term of Mortgage			30 years
Annual Mortgage Payment			\$33,833
Other Costs			
HOA Dues	\$400 per month		\$4,800
Maintenance / Insurance	\$50 per month		\$600
Property Taxes	1.10% of sales price		\$5,700
Total Annual Housing Cost			<u>\$44,933</u>
% of Income Spent on Hsg			35%
Annual Income Required			\$128,000
Sales Price to Income Ratio			4.1
Income Differential Between Rental Household and Condominium Household			
Typical Condominium Household Gross Income			\$128,000
Typical Rental Household Gross Income			<u>\$95,000</u>
<i>Difference (Input into Nexus Model)</i>			\$33,000

**TABLE 5
 INCREMENTAL INCREASE IN INCOME, CONVERTED CONDOMINIUM FROM RENTAL UNIT
 ALL PROTOTYPES
 CONDOMINIUM CONVERSION HOUSING NEXUS ANALYSIS MODEL
 CITY OF SAN DIEGO**

	<u>Per Unit</u>	<u>100 Unit Building Module</u>
PROTOTYPE 1: CONVERTED TOWNHOME		
<i>Condominium Unit</i>		
Sales Price	\$490,000	
Household Income	\$119,000	
<i>Rental Unit</i>		
Rental Rate	\$2,450	
Household Income	\$98,000	
<i>Difference, Household Income</i>	\$21,000	\$2,100,000
PROTOTYPE 2: CONVERTED GARDEN STYLE CONDOMINIUM		
<i>Condominium Unit</i>		
Sales Price	\$150,000	
Household Income	\$40,000	
<i>Rental Unit</i>		
Rental Rate	\$1,000	
Household Income	\$40,000	
<i>Difference, Household Income</i>	\$0	\$0
PROTOTYPE 3: CONVERTED CONDOMINIUM TYPE V STACKED FLAT		
<i>Condominium Unit</i>		
Sales Price	\$338,000	
Household Income	\$84,000	
<i>Rental Unit</i>		
Rental Rate	\$1,575	
Household Income	\$63,000	
<i>Difference, Household Income</i>	\$21,000	\$2,100,000
PROTOTYPE 4: CONVERTED CONDOMINIUM TYPE I MID/HIGH-RISE		
<i>Condominium Unit</i>		
Sales Price	\$522,500	
Household Income	\$128,000	
<i>Rental Unit</i>		
Rental Rate	\$2,375	
Household Income	\$95,000	
<i>Difference, Household Income</i>	\$33,000	\$3,300,000

**TABLE 6
 IMPLAN MODEL OUTPUT
 EMPLOYMENT GENERATED
 CONDOMINIUM CONVERSION HOUSING NEXUS ANALYSIS MODEL
 CITY OF SAN DIEGO**

Per 100 Converted Units

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	PROTOTYPE 1: CONVERTED TOWNHOME	% of Jobs	PROTOTYPE 3: CONVERTED CONDOMINIUM TYPE V STACKED	% of Jobs	PROTOTYPE 4: CONVERTED CONDOMINIUM TYPE I MID/HIGH-RISE	% of Jobs
Incremental Increase in Income (in 100 Converted Units) ¹	\$2,100,000		\$2,100,000		\$3,300,000	
Employment Generated by Income Differential by Industry ²						
Food services and drinking places	1.5	12%	1.6	12%	2.3	12%
Real estate establishments	0.7	5%	0.9	7%	1.1	5%
Offices of physicians, dentists, and other health practitioners	0.7	6%	0.8	6%	1.1	6%
Wholesale trade businesses	0.5	3%	0.5	4%	0.7	3%
Retail Stores - Food and beverage	0.5	4%	0.5	4%	0.8	4%
Retail Stores - General merchandise	0.5	4%	0.5	4%	0.8	4%
Retail Stores - Motor vehicle and parts	0.4	3%	0.4	3%	0.6	3%
Private hospitals	0.3	3%	0.4	3%	0.5	3%
Private household operations	0.5	4%	0.3	3%	0.8	4%
Retail Nonstores - Direct and electronic sales	0.3	3%	0.3	3%	0.5	3%
Securities, commodity contracts, investments	0.3	2%	0.3	2%	0.5	2%
Retail Stores - Clothing and clothing accessories	0.3	2%	0.3	2%	0.5	2%
Retail Stores - Miscellaneous	0.3	2%	0.3	2%	0.4	2%
Nursing and residential care facilities	0.3	2%	0.2	2%	0.5	2%
Employment services	0.2	2%	0.2	2%	0.3	2%
Retail Stores - Building material and garden supply	0.2	2%	0.2	1%	0.3	2%
Retail Stores - Health and personal care	0.2	1%	0.2	1%	0.3	1%
Insurance carriers	0.2	1%	0.2	1%	0.3	1%
Automotive repair and maintenance, except car washes	0.2	1%	0.2	1%	0.3	1%
Services to buildings and dwellings	0.2	1%	0.2	1%	0.3	1%
Individual and family services	0.2	1%	0.2	1%	0.3	1%

**TABLE 6
 IMPLAN MODEL OUTPUT
 EMPLOYMENT GENERATED
 CONDOMINIUM CONVERSION HOUSING NEXUS ANALYSIS MODEL
 CITY OF SAN DIEGO**

Per 100 Converted Units

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	PROTOTYPE 1: CONVERTED TOWNHOME		PROTOTYPE 3: CONVERTED CONDOMINIUM TYPE V STACKED		PROTOTYPE 4: CONVERTED CONDOMINIUM TYPE I MID/HIGH-RISE	
		<i>% of Jobs</i>		<i>% of Jobs</i>		<i>% of Jobs</i>
Banking and depository credit	0.2	1%	0.2	1%	0.2	1%
Civic, social, professional, and similar organizations	0.2	1%	0.2	1%	0.3	1%
Medical & diagnostic labs, outpatient & other ambulatory care	0.1	1%	0.2	1%	0.2	1%
Legal services	0.2	1%	0.2	1%	0.2	1%
Personal care services	0.2	1%	0.2	1%	0.3	1%
Private elementary and secondary schools	0.2	2%	0.1	1%	0.3	2%
Amusement parks, arcades, other entertainment	0.1	1%	0.1	1%	0.2	1%
Retail Stores - Sporting goods, hobby, book and music	0.1	1%	0.1	1%	0.2	1%
Other private educational services	0.1	1%	0.1	1%	0.2	1%
Private colleges, universities, and professional schools	0.2	1%	0.1	1%	0.2	1%
Child day care services	0.1	1%	0.1	1%	0.2	1%
All Other	2.9	23%	3.0	23%	4.6	23%
Total Employment Generated	13.0	100%	13.4	100%	20.4	100%

¹ The IMPLAN model tracks how increases in consumer spending creates jobs in the local economy. See Table 5 for estimates of the incremental gross income of residents of the prototypical converted units. The model produces results by income category. For this analysis, there are two household income categories: \$75,000 - \$100,000 (prototype 3), and \$100,000 - \$150,000 (prototypes 1 and 4). Expenditures patterns, and therefore, occupation distribution, varies by income category.

² For industries representing more than 1% of total employment for any of the three IMPLAN income categories (see note 1).

Note: Prototype 2 does not result in an increase in household income; see Table 2.

**TABLE 7
NET NEW HOUSEHOLDS AND OCCUPATION DISTRIBUTION
EMPLOYEE HOUSEHOLDS GENERATED
CONDOMINIUM CONVERSION HOUSING NEXUS ANALYSIS MODEL
CITY OF SAN DIEGO**

	PROTOTYPE 1: CONVERTED TOWNHOME	PROTOTYPE 3: CONVERTED CONDOMINIUM TYPE V STACKED FLAT	PROTOTYPE 4: CONVERTED CONDOMINIUM TYPE I MID/HIGH-RISE
Step 1 - Employees ¹	13.0	13.4	20.4
Step 2 - Adjustment for Number of Households (1.73)	7.5	7.7	11.8
Step 3 - Occupation Distribution			
Management Occupations	4.1%	4.2%	4.1%
Business and Financial Operations	4.2%	4.3%	4.2%
Computer and Mathematical	1.2%	1.2%	1.2%
Architecture and Engineering	0.4%	0.4%	0.4%
Life, Physical, and Social Science	0.4%	0.4%	0.4%
Community and Social Services	1.5%	1.4%	1.5%
Legal	0.8%	0.8%	0.8%
Education, Training, and Library	3.0%	2.5%	3.0%
Arts, Design, Entertainment, Sports, and Media	1.5%	1.4%	1.5%
Healthcare Practitioners and Technical	5.8%	6.1%	5.8%
Healthcare Support	3.4%	3.4%	3.4%
Protective Service	1.1%	1.1%	1.1%
Food Preparation and Serving Related	12.4%	12.7%	12.4%
Building and Grounds Cleaning and Maint.	6.0%	5.1%	6.0%
Personal Care and Service	3.7%	3.6%	3.7%
Sales and Related	16.7%	16.6%	16.7%
Office and Administrative Support	17.8%	18.3%	17.8%
Farming, Fishing, and Forestry	0.1%	0.1%	0.1%
Construction and Extraction	0.9%	0.9%	0.9%
Installation, Maintenance, and Repair	4.1%	4.3%	4.1%
Production	1.8%	1.8%	1.8%
Transportation and Material Moving	5.1%	5.1%	5.1%
Other / Not Identified	<u>4.2%</u>	<u>4.2%</u>	<u>4.2%</u>
Totals	100%	100%	100%
Management Occupations	0.3	0.3	0.5
Business and Financial Operations	0.3	0.3	0.5
Computer and Mathematical	0.1	0.1	0.1
Architecture and Engineering	0.0	0.0	0.0
Life, Physical, and Social Science	0.0	0.0	0.0
Community and Social Services	0.1	0.1	0.2
Legal	0.1	0.1	0.1
Education, Training, and Library	0.2	0.2	0.4
Arts, Design, Entertainment, Sports, and Media	0.1	0.1	0.2
Healthcare Practitioners and Technical	0.4	0.5	0.7
Healthcare Support	0.3	0.3	0.4
Protective Service	0.1	0.1	0.1
Food Preparation and Serving Related	0.9	1.0	1.5
Building and Grounds Cleaning and Maint.	0.4	0.4	0.7
Personal Care and Service	0.3	0.3	0.4
Sales and Related	1.3	1.3	2.0
Office and Administrative Support	1.3	1.4	2.1
Farming, Fishing, and Forestry	0.0	0.0	0.0
Construction and Extraction	0.1	0.1	0.1
Installation, Maintenance, and Repair	0.3	0.3	0.5
Production	0.1	0.1	0.2
Transportation and Material Moving	0.4	0.4	0.6
Other / Not Identified	<u>0.3</u>	<u>0.3</u>	<u>0.5</u>
Totals	7.5	7.7	11.8

Notes:

¹ Estimated employment generated by household expenditures within 100 prototypical market rate units. Employment estimates are based on the IMPLAN Group's economic model, IMPLAN, for San Diego County. Estimates vary by household income level. For this analysis, there are two household income categories: \$75,000 - \$100,000 (prototype 3), and \$100,000 - \$150,000 (prototypes 1 and 4). Expenditures patterns, and therefore, occupation distribution, varies by income category.

Note: Prototype 2 does not result in an increase in household income; see Table 2.

TABLE 8
LOW INCOME EMPLOYEE HOUSEHOLDS¹ GENERATED
CONDOMINIUM CONVERSION HOUSING NEXUS ANALYSIS MODEL
CITY OF SAN DIEGO

PROTOTYPE 1: CONVERTED TOWNHOME	PROTOTYPE 3: CONVERTED CONDOMINIUM TYPE V STACKED FLAT	PROTOTYPE 4: CONVERTED CONDOMINIUM TYPE I MID/HIGH-RISE
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Step 4, 5, & 6 - Low Income Households (under 65% AMI) within Major Occupation Categories

Management	0.01	0.01	0.01
Business and Financial Operations	0.01	0.01	0.02
Computer and Mathematical	-	-	-
Architecture and Engineering	-	-	-
Life, Physical and Social Science	-	-	-
Community and Social Services	-	-	-
Legal	-	-	-
Education Training and Library	0.06	0.06	0.09
Arts, Design, Entertainment, Sports, & Media	-	-	-
Healthcare Practitioners and Technical	0.02	0.02	0.03
Healthcare Support	0.15	0.15	0.24
Protective Service	-	-	-
Food Preparation and Serving Related	0.75	0.80	1.18
Building Grounds and Maintenance	0.31	0.27	0.48
Personal Care and Service	0.19	0.19	0.31
Sales and Related	0.86	0.88	1.35
Office and Admin	0.59	0.62	0.93
Farm, Fishing, and Forestry	-	-	-
Construction and Extraction	-	-	-
Installation Maintenance and Repair	0.09	0.10	0.14
Production	-	-	-
Transportation and Material Moving	0.24	0.25	0.37
Low Income Households - Major Occupations	3.28	3.35	5.16
Low Income Households¹ - all other occupations	0.52	0.53	0.82
Total Low Income Households¹	3.81	3.88	5.98

¹ Includes households earning from zero through 65% of San Diego County Area Median Income.

Note: Prototype 2 does not result in an increase in household income; see Table 2.

**TABLE 9
IMPACT ANALYSIS SUMMARY
EMPLOYEE HOUSEHOLDS GENERATED
CONDOMINIUM CONVERSION HOUSING NEXUS ANALYSIS MODEL
CITY OF SAN DIEGO**

**RESIDENTIAL UNIT DEMAND IMPACTS
PER 100 MARKET RATE UNITS**

Number of New Households	PROTOTYPE 1: CONVERTED TOWNHOME	PROTOTYPE 3: CONVERTED CONDOMINIUM TYPE V STACKED FLAT	PROTOTYPE 4: CONVERTED CONDOMINIUM TYPE I MID/HIGH-RISE
Under 65% Area Median Income	3.8	3.9	6.0
65% to 100% Area Median Income	1.6	1.7	2.6
Subtotal through 100% of Median	5.4	5.6	8.6
100% to 120% Area Median Income	0.5	0.6	0.9
Over 120% of Area Median Income	1.5	1.6	2.4
Total Employee Households	7.5	7.7	11.8

Note: Prototype 2 does not result in an increase in household income; see Table 2.

**TABLE 10
 INCLUSIONARY REQUIREMENT SUPPORTED
 CONDOMINIUM CONVERSION HOUSING NEXUS ANALYSIS MODEL
 CITY OF SAN DIEGO**

SUPPORTED INCLUSIONARY REQUIREMENT

	PROTOTYPE 1: CONVERTED TOWNHOME	PROTOTYPE 3: CONVERTED CONDOMINIUM TYPE V STACKED FLAT	PROTOTYPE 4: CONVERTED CONDOMINIUM TYPE I MID/HIGH-
Supported Inclusionary Requirement Per 100 Market Rate Units - Cumulative Through ¹			
65% OF MEDIAN INCOME	3.8 Units	3.9 Units	6.0 Units
100% OF MEDIAN INCOME	5.4 Units	5.6 Units	8.6 Units
Supported Inclusionary Percentage - Cumulative Through ²			
65% OF MEDIAN INCOME	3.7%	3.7%	5.6%
100% OF MEDIAN INCOME	5.2%	5.3%	7.9%

Notes:

¹ See Table 9

² Calculated by dividing the supported number of affordable units by the total number of units (supported affordable units + 100 market rate units).

Note: Prototype 2 does not result in an increase in household income; see Table 2.

**TABLE 11
SUPPORTED FEE / NEXUS SUMMARY PER UNIT
CONDOMINIUM CONVERSION HOUSING NEXUS ANALYSIS MODEL
CITY OF SAN DIEGO**

TOTAL NEXUS COST PER MARKET RATE UNIT

		Nexus Cost Per Market Rate Unit		
		PROTOTYPE 1: CONVERTED TOWNHOME	PROTOTYPE 3: CONVERTED CONDOMINIUM TYPE V STACKED FLAT	PROTOTYPE 4: CONVERTED CONDOMINIUM TYPE I MID/HIGH-RISE
	Affordability Gap ¹			
Household Income Level				
Under 65% Area Median Income	\$193,000	\$7,300	\$7,500	\$11,500
65% to 100% Area Median Income	\$122,000	\$2,000	\$2,100	\$3,100
Total Supported Fee / Nexus		\$9,300	\$9,600	\$14,600

TOTAL NEXUS COST PER SQUARE FOOT

		Nexus Cost Per Square Foot		
		PROTOTYPE 1: CONVERTED TOWNHOME	PROTOTYPE 3: CONVERTED CONDOMINIUM TYPE V STACKED FLAT	PROTOTYPE 4: CONVERTED CONDOMINIUM TYPE I MID/HIGH-RISE
	Affordability Gap ¹			
	Unit Size (SF)	1,400 SF	900 SF	950 SF
Household Income Level				
Under 65% Area Median Income	\$193,000	\$5.21	\$8.33	\$12.11
65% to 100% Area Median Income	\$122,000	\$1.43	\$2.33	\$3.26
Total Supported Fee / Nexus		\$6.64	\$10.67	\$15.37

¹ Household earning less than 65% AMI are presumed to receive assistance for rental housing; households earning between 65% and 100% AMI are presumed to receive assistance for ownership housing.

Note: Prototype 2 does not result in an increase in household income; see Table 2.