
**Condominium Conversion Nexus Analysis
San Francisco**

**Prepared for:
*City and County of San Francisco***

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January 2011

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SUMMARY REPORT: NEXUS AND REAL ESTATE FEASIBILITY ANALYSES

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INTRODUCTION

The City and County of San Francisco is pursuing the possibility of levying an impact fee on Condominium Conversions as an alternative to the current lottery-based system. To that end, the City and County (hereafter referred to as the "City") retained Keyser Marston Associates to prepare a nexus analysis to support a fee and also to examine the real estate feasibility of adding an impact fee cost to the conversion process.

A condominium conversion fee would be an impact fee subject to the requirements of AB 1600, or Government Code 66000 et seq. As such, a nexus analysis must demonstrate and quantify the impact of conversion (Tenancy in Common (TIC) units to condominiums) on affordable housing needs in the city of San Francisco and the cost of mitigating that impact. The impact fee can be set at any level below the mitigation cost finding of the nexus analysis.

The real estate feasibility portion of the work program seeks to compare the value enhancement benefit from the conversion to the costs of conversion, taking into account processing fees, legal services and other costs associated with the conversion process. The impact fee, in addition to the costs of conversion in the current system, presumably should not exceed the value gained from the conversion if TIC owners are to be expected to take advantage of the lottery bypass opportunity.

This Summary section is not intended as a stand alone document. The Economic Nexus Analysis that follows provides a more complete description of the assumptions and the analysis.

Background and Purpose

The City's policy to restrict the conversion of rental or TIC units into condominium units is designed to limit the loss of rental units in the City. The units subject to the condo conversion lottery are those in 2 to 6-unit buildings (under certain conditions, two-unit buildings are exempt from the lottery); buildings with 7 or more units are not permitted to convert to condominiums. Only 200 units win the lottery every year; losers may reenter the lottery until they eventually get their turn.

At this time, there is a considerable backlog of roughly 2,000 units awaiting the opportunity to convert to a condominium form of ownership. For this reason, the City is evaluating the possibility of allowing conversion through payment of a fee instead of or in combination with the lottery. For TIC owners, a fee program with an immediate and reliable route to conversion would have many benefits – access to a superior form of ownership and title, better mortgage opportunities (that could reduce annual ownership costs in some cases and help people stay in their homes) and improved ability to plan for long term ownership in the City.

THE NEXUS ANALYSIS

Condo Conversion Nexus Concept

At its most simplified level, the underlying nexus concept is that condominium purchasers have higher incomes than do TIC purchasers. 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 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. Comparing a renter household to a condominium household captures the full impact over the life of the building. Since the building's construction, perhaps many decades earlier, no housing impact fee was collected at the interim transition to a TIC unit. Based on the information we received from expert interviews and from discussion with City staff, virtually all units converting to condominiums were at one point rental units, then TIC units, and ultimately condominiums. Any exceptions to this – such as duplexes built for one unit to be owner occupied and the other rented out – can be addressed in the ultimate ordinance.

The incremental difference in the income of the renter versus the income of the condo 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 sales price of a TIC unit. Based on data review and a series of interviews with professionals involved in condo conversions, KMA estimated the value of the same unit as a condominium. The income of the household that will purchase the condominium, whether immediately or sometime in the future, was then computed based on financing terms for condominium units. Next, to cover the full continuum from the unit as a rental, the rent level achievable for the same unit was estimated and the income of renter household computed based on standard relationships between rent and income in San Francisco.

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 Francisco attributable to the two step conversion process. For analysis purposes, the two step conversions are assumed to occur at a single point in time – today. There are no time value adjustments required.

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 25 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 Francisco.

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.

Data Sources and Prior Use of Model

Both models were input with San Francisco data sets, using the most recent available. The IMPLAN model data sets are purchased from the model owner, the Minnesota IMPLAN Group. The KMA model was developed almost twenty years and has been regularly updated; the KMA model is built upon relationships established from the U.S. Census. The KMA model imports current data from California Employment Development Department for compensation levels for occupations in San Francisco. It also uses the Census for inputs such as the household size distribution in San Francisco, workers per worker household and other factors. Finally, San Francisco income levels, affordability gaps and other material are from the Mayor's Office of Housing.

Both models have been previously used in analyses prepared for the City of San Francisco to support the affordable housing fee levied on commercial development and to support the City's inclusionary program.

Condo Valuation and Income of Purchaser Household

Three TIC unit values were identified for the purposes of the analysis: \$300,000, \$400,000 and \$500,000; these unit values are intended to represent the lower end of the value range for TICs

in San Francisco. The first step was to establish the value of the same TIC unit as a condominium.

Extensive interviews with professionals who assist in the TIC/Condo conversion process, serve as mortgage brokers for the two types of units, serve as real estate brokers, attorneys and others yielded consistent results that the value increase of a unit as a TIC converting to a condo was in the range of 10% to 20%. There was general agreement that 15% would represent a good average. Various databases were also reviewed although no readily available database could provide appropriate data for analysis.

Therefore we begin the analysis with the three TIC values and add 15% to produce a value of the same unit as a condominium. From the value of the unit as a condominium, we use standard lending terms to determine the income of the average purchaser. The income of the three condominium purchasers is as indicated below (see Section I for more detail).

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>
Value as TIC Unit	\$300,000	\$400,000	\$500,000
Value as Condo Unit	\$345,000	\$460,000	\$575,000
Income of Condo Purchaser	\$90,000	\$115,000	\$140,000

Rent Level and Income of Renter Household

A similar process was used to establish the income of the household renting the unit. For estimating rent levels for a unit at each TIC value, we reviewed surveys of rental units and interviewed knowledgeable agents. The size of buildings that were and are eligible for the two step transition to condominium are limited to those from two to six units. In addition, these buildings are virtually all older and have floor plans and room configurations that are quite different from newly built rentals or condominiums. As a result, conventional rental market data had to be sorted to select suitable buildings and units that are roughly comparable to TICs selling at the three unit values. It is important to recognize that the rent levels do not represent averages in the City, but instead correspond to the typical characteristics of a TIC unit that sells for \$300,000, \$400,000 or \$500,000

Ultimately, we were able to estimate the likely rent level of the three TIC value units. Then we compute the income of the renter household using the standard relationship of rent at 30% of gross income. The result is as follows:

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>
Value as TIC Unit	\$300,000	\$400,000	\$500,000
Estimated Monthly Rent	\$1,400	\$1,700	\$2,000
Annual Household Income of Renter	\$56,000	\$68,000	\$80,000

Net New Household Income

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. Results are as follows:

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>
Income of Condo Purchaser	\$90,000	\$115,000	\$140,000
Income of Renter	\$56,000	\$68,000	\$80,000
Increase in Household Income	\$34,000	\$47,000	\$60,000

Nexus Analysis Results

Job Generation/IMPLAN Model

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

The IMPLAN model, in its most recent version, 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</i>	<i>Prototype 2</i>	<i>Prototype 3</i>
TIC Valuation	\$300,000	\$400,000	\$500,000
Increase in Income Attributable to Conversion	\$34,000	\$47,000	\$60,000
Job Generation per 100 units	13.9	19.4	22.4

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 13% 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 U.S. Census data for San Francisco). Recent State of California data on compensation level by each occupation in San Francisco is applied.

Based on a total household income and household size, the model calculates the number of worker households in each of five income categories.

The nexus model was configured for this San Francisco application to produce findings for households earning less than 60% of the San Francisco Median Income (SF MI), between 60% and 80% of SF MI, between 80% and 100%, 100% and 120%, and more than 120% SF MI. The income range is consistent with the range of incomes covered in the Inclusionary Housing Program in San Francisco and the range of incomes assisted by the City's housing programs overall.

The findings of the analysis are as follows for 100 TIC units at each value level in San Francisco:

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>
TIC Valuation	\$300,000	\$400,000	\$500,000
Total Worker Households Associated with Jobs Generated per 100 Units	8.51	11.87	13.72
Distribution by Affordability Level per 100 units			
Under 60% SF Median Income	3.54	4.94	5.71
60-80% SF Median Income	1.47	2.06	2.38
80-100% SF Median Income	1.01	1.41	1.62
100-120% Median Income	0.68	0.95	1.09
Total Lower Income Households	6.70	9.35	10.81

In summary, for every 100 units with a value of \$300,000 as a TIC that convert to condominiums, there are 8.51 worker households generated, of which 6.70 are at compensation levels that translate to household incomes of 120% SF MI 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 Francisco.

Mitigation Costs

The last step in the analysis puts a mitigation cost on the households at each of the lower affordability levels. The mitigation costs used here are the difference between the unit value afforded by the lower income household and the cost to the City of San Francisco to deliver, or develop the units.

The affordable unit sales price or rent level is determined by the San Francisco Mayor's Office of Housing (SF MOH). Affordable rent levels, per MOH, are adjusted to unit value after deducting for annual operating expenses and capitalizing net income.

The cost of delivering housing in San Francisco is based on SF MOH experience with development costs. SF MOH assists projects built by non-profit developers throughout the city, in a mix of low rise and mid rise formats.

A final assumption is a key part of this step, the match between household income level and type of housing. Per San Francisco policies, the two lower tiers (80% SF MI and under) are assumed to be assisted in rental units and the two higher tiers covering from 80% to 120% SF MI in modest condominium units. Matches between unit size and household size are also employed. The results, or affordability gaps, are as follows:

<i>Income Level</i>	<i>Affordability Gap</i>
Under 60% SF MI	\$368,000
60% to 80% SF MI	\$294,000
80% to 100% SF MI	\$274,000
100% to 120% SF MI	\$216,000

The last step in the analysis links the number of households at these four lower income levels attributable to the conversion process to the mitigation cost and establishes the total cost associated with the TIC units at the three value levels. The results are as follows:

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>
Value of TIC Unit	\$300,000	\$400,000	\$500,000
Mitigation Cost per Unit	\$21,600	\$30,200	\$34,900

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 nexus analysis results for the three units of differing value also clearly demonstrate that higher fee levels are supported as unit values increase. The City may therefore design the fee program in a manner that charges a higher fee for more valuable units than for less valuable units because the impacts are clearly greater.

THE REAL ESTATE FEASIBILITY ANALYSIS

The second component of the analysis is an assessment of the real estate market for TICs and condominiums. Specifically, we sought to determine the value enhancement attributable to condo conversion in relation to the cost of converting to a condominium to evaluate the maximum fees supportable by the market, regardless of the legal nexus. This is essentially a real estate question, recognizing that TIC owners' interest in bypassing the lottery to convert will be affected by the level of the fee.

As a first step to both analyses, KMA conducted interviews and reviewed data bases to establish a value enhancement average, attributable to conversion. The conclusion used in both analyses is 15% over the TIC value, making the value enhancement for the three prototype units as follows:

	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>
Value as TIC	\$300,000	\$400,000	\$500,000
Value as Condominium	\$345,000	\$460,000	\$575,000
Value Enhancement	\$ 45,000	\$ 60,000	\$ 75,000

In other words, the lowest value enhancement studied is \$45,000, with higher value TIC units experiencing greater increments from the conversion process.

Cost of Conversion

There are several costs associated with converting from a TIC to a condo, including City processing fees, legal costs, surveyor fees, and others. In addition, building modifications are usually required before completing the conversion process.

KMA consulted with the TIC experts to estimate the cost of converting to a condominium. Most of the costs are estimated for an entire building, with the costs differing for smaller buildings (four or fewer units) and larger buildings (five and six units). Five and six unit buildings must also apply to the state for approval and have a budget prepared for the building. Below are the costs of conversion that are typically calculated on a per building basis.

<i>Costs of Conversion</i>	<i>Two to Four Unit Buildings</i>	<i>Five and Six Unit Buildings</i>
City Fee – DPW & Planning	\$8,790	\$8,897
City Fee – DBI	\$2,300	\$2,700
3R Report Fees	\$160	\$160
State Application	\$0	\$1,700
Budget Preparer Fees	\$0	\$4,000
Legal Fees	\$3,000	\$5,000
Surveyor	\$3,000 - \$7,000	\$6,000 - \$9,000
Total, Building Level Costs	\$17,250 - \$21,250	\$28,457 - \$31,457

In addition to the above fees, the owners of TICs must request building, plumbing, and electrical inspections from the City to identify any code violations. The owners must correct all violations cited before completing conversion. These 'building modifications' are an unpredictable expense and the amount can vary quite significantly depending on the building; as such, they are difficult to estimate. However, extensive building modifications would presumably increase the value of the unit upon resale, allowing the owner to recoup some of the upfront investment in the conversion. Based on the input from our interviews, KMA estimated the building modifications at \$3,000 - \$6,000 per *unit*.

Converting the building-level costs to a per-unit basis and adding the building modifications, KMA estimates that the total cost per unit of converting from a TIC to a condo are as follows.

<i>Total Costs of Conversion</i>	<i>Per Unit</i>
2 unit building	\$12,000 - \$17,000
3 unit building	\$9,000 - \$13,000
4 unit building	\$7,000 - \$11,000
5 unit building	\$9,000 - \$12,000
6 unit building	\$8,000 - \$11,000

A recent change in the collection of property taxes during conversion increases the upfront expenses associated with converting to a condominium. Traditionally, a TIC owner going through the conversion process was required to pay in advance the second installment of property taxes (6 months worth) early. However, recently, the tax collector began enforcing an existing law that allows for an additional year of property taxes to be collected upfront upon conversion. TICs converting to condominiums, therefore, need to provide 18 months worth of property taxes at the time of conversion. We do not consider this to be a cost of conversion, as the TIC owner would be responsible for paying these taxes even if the unit were not converted. However, the recent change is expected to affect the interest and ability of some TIC owners to convert as it represents a significant increase in the upfront expenses associated with conversion.

In summary, outside of the burden of advance property taxes, the costs of conversion range from \$7,000 to \$17,000 per unit on average, assuming no major building alterations to address code violations.

Net Value Enhancement

The net value enhancement is the difference between the market value associated with the two different forms of ownership and the costs of making the conversion. Returning to the three prototype TIC units and applying the middle of the range of conversion costs, we find the following:

<i>Net Value Enhancement per Unit, after Cost of Conversion</i>	<i>\$300,000 TIC</i>	<i>\$400,000 TIC</i>	<i>\$500,000 TIC</i>
2 unit building	\$30,500	\$45,500	\$60,500
3 unit building	\$34,000	\$49,000	\$64,000
4 unit building	\$36,000	\$51,000	\$66,000
5 unit building	\$34,500	\$49,500	\$64,500
6 unit building	\$35,500	\$50,500	\$65,500

Note that these are based on estimated averages, and for some units, the net value enhancement will differ significantly from those shown above.

SUMMARY RESULTS AND FEE CONSIDERATIONS

The Condominium Conversion Nexus Analysis demonstrates and quantifies the nexus between the conversion of tenancies-in-common to condominium units and the increased demand for affordable housing in the City.

Nexus and Real Estate Findings Compared

Combining the results of the nexus analysis and the real estate feasibility analysis, the preliminary assessment suggests the following maximum fee levels.

	<i>Maximum Nexus</i>	<i>Net Value Enhancement</i>	<i>Maximum Fee</i>
\$300,000 TIC	\$21,600	~\$30,000	\$21,600
\$400,000 TIC	\$30,200	~\$45,000	\$30,200
\$500,000 TIC	\$34,900	~\$60,000	\$34,900

Both analyses are based on a 15% value enhancement and conversion costs in the middle of the estimated range. A smaller value enhancement, with conversion costs at the high end of the range, would limit feasibility if fees are set at or near the maximum.

Fee Setting Considerations

It may not make financial sense for the owner of a TIC to convert to condominium ownership if the cost of doing so is higher than the resulting increase in the value of the unit. Therefore, a lottery bypass fee that is too high would not be attractive to some TIC owners, and the owners would opt for the lottery process if it continues to be a choice. In addition, some TIC owners will not have the resources available upfront to finance the cost of converting even if it makes financial sense to do so. The owners who decide not to pay the fee or cannot afford to pay the fee will benefit from improved odds in the lottery due to the fact that some current lottery participants will choose to pay the impact fee instead. This report does not recommend a particular method for applying or calculating the fee; it only establishes the maximum fee amount supported by the nexus. The City must determine the appropriate fee level, the method for calculating the fee (per unit, based on unit value, etc.), and the time of fee collection (at conversion, at sale of condo, etc.).

ECONOMIC NEXUS ANALYSIS

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INTRODUCTION

The City and County of San Francisco is pursuing the possibility of levying an impact fee on Condominium Conversions as an alternative to the current lottery-based system. The fee would be an impact fee subject to the requirements of AB 1600, or Government Code 66000 et seq. As such, a nexus analysis must demonstrate and quantify the impact of condo conversion on San Francisco affordable housing demand, the cost of mitigating that impact, and how the fee relates to the mitigation cost.

Keyser Marston Associates (KMA) has prepared a residential nexus analysis for the City and County (hereafter referred to as the "City") of San Francisco to support proposed revisions to the City's condominium conversion program. This residential nexus analysis addresses market rate residential projects that are converting from tenancies-in-common (TICs) to condominiums and demonstrates the need for more affordable housing in San Francisco as a result of the conversion.

Use of This Study

An impact analysis of this nature has been prepared for the limited purpose of demonstrating the nexus and quantifying the maximum fees supportable for the San Francisco Condominium Conversion Program. It has not been prepared as a document to guide fee level selection (beyond establishing a maximum) or other policy matters or program design in the broader context. We caution against the use of this study, or any impact study for that matter, for purposes beyond the intended use. In addition, this study is meant to be read in conjunction with the prior section, the Summary Report, which includes a real estate feasibility evaluation of various fee levels, considerations for designing a fee level, and other important information regarding a fee program.

Condo Conversion Nexus Concept

At its most simplified level, the underlying nexus concept is that condominium purchasers have higher incomes than do TIC purchasers. 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 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. Comparing a renter household to a condominium household captures the full impact over the life of the building. Since the building's construction, perhaps many decades earlier, no housing impact fee was collected at the interim transition to a

TIC unit. Based on the information we received from expert interviews and from discussion with City staff, virtually all units converting to condominiums were at one point rental units, then TIC units, and ultimately condominiums. Any exceptions to this – such as duplexes built for one unit to be owner occupied and the other rented out – can be addressed in the ultimate ordinance.

The incremental difference in the income of the renter versus the income of the condo 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 sales price of a TIC unit. Based on data review and a series of interviews with professionals involved in condo conversions, KMA estimated the value of the same unit as a condominium. The income of the household that will purchase the condominium, whether immediately or sometime in the future, was then computed based on financing terms for condominium units. Next, to cover the full continuum from the unit as a rental, the rent level achievable for the same unit was estimated and the income of renter household computed based on standard relationships between rent and income in San Francisco.

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 Francisco attributable to the two step conversion process. For analysis purposes, the two step conversions are assumed to occur at a single point in time – today. There are no time value adjustments required.

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 25 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 Francisco.

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 analysis assumes that the unit is sold upon conversion. Some existing owners will stay in the unit. Some of those who stay will refinance based on more favorable lending terms and higher unit value. In any case, the conversion of the unit generates an increase in unit value and ultimately, a higher income occupant.

Net New Underlying Assumption

An underlying assumption of the analysis is that households that purchase converted condominium units at the end of the continuum represent net new households at that income level in the City of San Francisco. If the condo purchasers have relocated from elsewhere in the City, a vacancy has been created that will be filled. In this case, rental housing and renter households are lost and condominium units and owner households are net new to the city. Therefore the difference between the average income of the condo household and the average income of the rental household is net new income in the City.

Since the analysis addresses net new income in the City and the impacts generated by that income, the analysis quantifies net new demand 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.

Other San Francisco Affordable Housing Programs

The City of San Francisco is committed to creating new housing opportunities for affordable housing as well as preserving the existing affordable housing stock. This is evidenced by the Draft Housing Element, which was issued in June 2010 and documents policies and programs intended to ensure provision of adequate housing for all income segments within the City.

Adopting an impact fee on condominium conversion would add to the City's many existing programs to develop and fund affordable housing development. These programs include an Inclusionary Housing Program for residential development, a Jobs-Housing Linkage Fee for new non-residential development, redevelopment tax increment funds, and others. In addition, the City regularly seeks additional funding from state and federal agencies for affordable housing. The many sources of revenues for housing are summarized in the Housing Element and other documents.

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 2000, California Employment Development Department and the IMPLAN model. While we believe all sources utilized are sufficiently sound and accurate for the purposes of this analysis, we cannot guarantee their accuracy. Keyser Marston Associates, Inc. assumes no liability for information from these and other sources.

SECTION I – TIC, CONDOMINIUM AND RENTAL UNIT VALUES

Section I describes the prototypical Tenancy in Common (TIC) units analyzed, develops estimates of the units' sales prices if under condominium ownership, develops rental rates were the units rented out, and then estimates the income of the rental household and the income of the condominium owner household. The incremental difference in gross household income between the renter and the condo owner is the input to the IMPLAN model described in Section II of this report. This is the initial starting point for the chain of linkages that connects units converting to condominiums to incremental demand for affordable residential units.

Introduction

It is difficult to rely on published data to assess the TIC real estate market, because it is a relatively small part of the market and is seldom tracked separately from the condo market. To develop an understanding of the TIC market, as well as the relationships between TIC values, condo values, and rent levels, KMA conducted a series of interviews with persons highly familiar with TIC conversions. The interviewees were selected with input from City staff and represent several aspects of the TIC conversion activity – realtors, lawyers, mortgage brokers, TIC owners, and city staff. The interviews were conducted with the understanding that KMA would not attribute specific facts or opinions to individuals, but rather would develop an overview of the TIC/condo conversion market based on the information provided by all of the experts.

In addition to the information gathered during the expert interviews, KMA conducted additional research including reviewing sales data, rental rates by neighborhood, articles concerning TIC ownership and the condo conversion process, and review of other condo conversion programs.

KMA distilled the information gathered from the above sources into a set of prototypes designed to represent the lower half of the TIC market. For each TIC prototype, KMA estimates the unit's value were it converted to a condominium, and the rental rate were it an apartment unit.

The Prototype Units

According to our market research and expert interviews, KMA estimates a very low end of the TIC market at about \$300,000. A unit selling for \$300,000 could be a studio in a mid-range neighborhood or a slightly larger unit in a less-expensive neighborhood. This is Prototype 1. Prototype 2 is priced at \$400,000, which could represent a studio in an upscale neighborhood or a one-bedroom unit in a mid-range neighborhood, etc. Prototype 3 is priced at \$500,000. Again, this could be a nicer one bedroom unit, or a small two bedroom unit depending on the location.

Compared to condominium ownership, TIC ownership is considered a less desirable ownership form, which keeps the value of a TIC lower than the price of a condo. Most TICs are still financed with a common shared mortgage, exposing individual owners to default risk if another

in the TIC fails to make a payment. In 2005, fractional loans were introduced by a few local banks; these loans were secured against the percentage of the building owned by the individual TIC owner and reduced some of the risks associated with TIC ownership. Fractional loans were very attractive to many TIC buyers, however they are difficult to find in today's lending market and may not always be available. Both TIC mortgage types, however, require conservative underwriting, with larger down payments and higher interest rates than a comparable condominium loan.

The gap between the value of a TIC and the value of a condo varies with the availability and cost of financing, the condition and age of the building, the location, and the number of units in the buildings. The gap in value also reflects other real or perceived difficulties with TIC ownership, including confusing property tax issues and other factors.

The experts consulted for this project estimated the gap in value between TIC and condo in a fairly consistent manner. In general, it is thought that a unit owned as a condo is worth approximately 10% to 20% more than the same unit owned as a TIC. All persons interviewed consistently cited value increases within this range. For the purposes of the nexus analysis, KMA used the average of the range – a 15% value increase after converting to a condominium.

Based on our expert interviews, market analysis, and a review of published sources summarizing rent levels, KMA estimated the monthly rent for the three TIC unit values. In general, published rent information does not provide appropriate estimates of rent levels for the three TIC unit values because TIC units are mostly in older buildings that have different physical layouts than recently constructed apartments. It is important to recognize that the rent levels do not represent averages in the City, but instead correspond to the typical characteristics of a TIC unit that sells for \$300,000, \$400,000 or \$500,000.

Findings are summarized below for the three prototypes.

	<i>Monthly Rent if Unit Rented</i>	<i>Value as a TIC</i>	<i>Value as a Condominium (15% premium)</i>
Prototype 1	\$1,400	\$300,000	\$345,000
Prototype 2	\$1,700	\$400,000	\$460,000
Prototype 3	\$2,000	\$500,000	\$575,000

The three values (rental, TIC, condominium) refer to a theoretical same unit at a single point in time – today. Thus no time value or appreciation factors are involved.

Income of Condominium Purchasers

The next step in the analysis is to determine the income of the purchasing household of the three units owned as condominiums. For the households purchasing condo units, we assume 35% of income for housing related expenses, including interest and principal, homeowners'

association dues, property taxes and mortgage insurance, as necessary. In recent years lending institutions have been more willing to accept higher than 35% for all debt as a share of income, but most households do have other forms of debt, such as auto loans, student loans, and credit card debt. During the recent downturn, there has been a return to more conservative lending practices than those of the previous few years.

Underwriting assumptions are based on the interviews with experts and are summarized below.

	<i>Condo Unit</i>
Downpayment	15% if loan >\$417,000; 10% otherwise
Interest Rate	5.5%
Homeowners Association Dues	\$400 per month
Property Taxes	1.14% of sales price
Mortgage Insurance	0.5% of loan amount

Table I-1 at the end of this section summarizes the analysis for the three prototype condo unit values. A summary is presented below.

	<i>Gross Income, Condo Purchaser</i>
Prototype 1	\$90,000
Prototype 2	\$115,000
Prototype 3	\$140,000

Income of Apartment Renter

The assumption for relating annual rent to household income is 30%. For affordable units, utilities are included in the 30%; for market rate units, the 30% used in this analysis does not include utilities. While leasing agents and landlords may permit rental payments to represent a higher share of total income, 30% represents an average, especially given that renters are likely to have debt payments. Also many renters do not choose to spend more than 30% of their income on rent, since, unlike ownership of a condominium, 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. See Table I-2.

The conclusion with respect to the gross incomes of apartment renter households in the three prototype units is shown below.

	<i>Gross Income, Renters</i>
Prototype 1	\$56,000
Prototype 2	\$68,000
Prototype 3	\$80,000

Incremental Increase in Gross Income

The incremental difference in gross household income between the average condominium owner and the average renter is the primary input into the IMPLAN model. To avoid awkward fractions, KMA conducts the analysis on a module of 100 converted condominium units. This does not affect the conclusions of the analysis; when the fee level is calculated, KMA converts the fee back to a per-unit basis.

	<i>Gross Income, Renters HH</i>	<i>Gross Income, Condo Owner HH</i>	<i>Incremental Increase in HH Income</i>	<i>Incremental Increase in HH Income, 100 units</i>
Prototype 1	\$56,000	\$90,000	\$34,000	\$3,400,000
Prototype 2	\$68,000	\$115,000	\$47,000	\$4,700,000
Prototype 3	\$80,000	\$134,000	\$54,400	\$5,400,000

Summary

Table I-3 presents a summary of the key assumptions and steps from the condominium sales price, to the condominium owner's gross household income, to the rental rate, the renters gross household income, and ultimately to the difference in gross household income between the two tenure types. This is shown on a per-unit basis, and for the 100-unit module, which is the input to the IMPLAN model.

**TABLE I-1
 CONVERTED CONDOMINIUM UNITS
 CONDO SALES PRICE TO HOUSEHOLD INCOME
 RESIDENTIAL NEXUS ANALYSIS - CONDOMINIUM CONVERSION
 CITY OF SAN FRANCISCO**

	Prototype 1 (\$300,000 TIC)	Prototype 2 (\$400,000 TIC)	Prototype 3 (\$500,000 TIC)
Value as Condominium Mortgage Payment	\$345,000	\$460,000	\$575,000
Downpayment ¹	\$34,500	\$46,000	\$66,250
Loan Amount	\$310,500	\$414,000	\$488,750
Interest Rate	5.50%	5.50%	5.50%
Term of Mortgage	30 years	30 years	30 years
Annual Mortgage Payment	\$21,156	\$28,208	\$33,301
Other Costs			
Mortgage Insurance	\$1,553	\$2,070	\$2,444
HOA Dues	\$4,800	\$4,800	\$4,800
Property Taxes	\$3,900	\$5,200	\$6,500
Total Annual Housing Cost	\$31,408	\$40,278	\$47,045
% of Income Spent on Hsg Annual Income Required	35%	35%	35%
Sales Price to Income Ratio	3.8	4.0	4.3
<i>TIC = Tenancy in Common Unit HOA = Homeowners Association</i>			

¹ Downpayment at 10% if loan amount is less than \$417,000 and 15% if it is more than \$417,000

TABLE I-2
 RENTAL UNITS
 ANNUAL RENT TO HOUSEHOLD INCOME
 RESIDENTIAL NEXUS ANALYSIS - CONDOMINIUM CONVERSION
 CITY OF SAN FRANCISCO

	Prototype 1 (\$300,000 TIC)	Prototype 2 (\$400,000 TIC)	Prototype 3 (\$500,000 TIC)
Market Rent			
Monthly	\$1,400	\$1,700	\$2,000
Annual	\$16,800	\$20,400	\$24,000
% of Income Spent on Rent (excludes utilities)	30%	30%	30%
Annual Household Income Required	\$56,000	\$68,000	\$80,000
Annual Rent to Income Ratio	3.3	3.3	3.3

TIC - Tenancy in Common

**TABLE I-3
 INCREMENTAL HOUSEHOLD INCOME
 RENTAL UNIT TO CONDO CONVERSION PROCESS
 RESIDENTIAL NEXUS ANALYSIS - CONDOMINIUM CONVERSION
 CITY OF SAN FRANCISCO**

	Prototype 1 (\$300,000 TIC)		Prototype 2 (\$400,000 TIC)		Prototype 3 (\$500,000 TIC)	
	100 Unit Building Module		100 Unit Building Module		100 Unit Building Module	
	Per Unit	Building Module	Per Unit	Building Module	Per Unit	Building Module
CONVERTED CONDOMINIUM PROTOTYPE¹						
Sales Price	\$345,000	\$34,500,000	\$460,000	\$46,000,000	\$575,000	\$57,500,000
Gross Household Income	\$90,000	\$9,000,000	\$115,000	\$11,500,000	\$134,000	\$13,400,000
IF SAME UNIT WAS RENTED OUT²						
Rent						
Monthly	\$1,400	\$140,000	\$1,700	\$170,000	\$2,000	\$200,000
Annual	\$16,800	\$1,680,000	\$20,400	\$2,040,000	\$24,000	\$2,400,000
Gross Household Income	\$56,000	\$5,600,000	\$68,000	\$6,800,000	\$80,000	\$8,000,000
		30% allocated to rent				
Income Differential Between a Rental Household and a Condominium Household						
Typical Condominium Household Gross Income	\$90,000	\$9,000,000	\$115,000	\$11,500,000	\$134,000	\$13,400,000
Typical Rental Household Gross Income	\$56,000	\$5,600,000	\$68,000	\$6,800,000	\$80,000	\$8,000,000
<i>Difference</i>	\$34,000	\$3,400,000	\$47,000	\$4,700,000	\$54,000	\$5,400,000
TIC - Tenancy in Common						

Notes:
¹ See Table I-1
² See Table I-2

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SECTION II – THE IMPLAN MODEL ANALYSIS

Consumer spending by residents generates jobs, particularly in sectors such as restaurants, health care, and retail that are driven most directly by household expenditures. The incremental increase in consumer spending due to the higher income levels, on average, for condominium owners than renters, creates an incremental increase in the number of jobs in the economy. 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 driven by tracking how changes in purchases for final use (final demand) 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 Francisco. The City is, of course, part of a larger regional economy and impacts will likewise extend throughout the region. However, consistent with the conservative approach taken in quantifying the nexus, only employment impacts occurring within the city of San Francisco have been included.

Application of the IMPLAN Model to Estimate Job Growth

IMPLAN has been applied to link the incremental increase in household income to job growth occurring in San Francisco. IMPLAN converts household income to disposable income by accounting for State and Federal income taxes, Social Security and Medicare (FICA) taxes, and personal savings. The IMPLAN model distributes disposable income to 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 the employment generated by the spending. Job creation, driven by increased demand for products and services, is projected for each of the industries affected by the increase in gross income. Table II-1 provides a detailed summary of direct employment by industry. The table shows industries sorted by projected employment. Estimated employment is shown for each IMPLAN industry sector representing 1% or more of employment. The employment generated by the incremental increase in household spending is summarized below.

Estimated Employment Growth Per IMPLAN

	<i>Incremental Increase in Gross Income, 100 Units</i>	<i>Employment Generated Per IMPLAN (Jobs), 100 Units</i>
Prototype 1	\$3,400,000	13.9
Prototype 2	\$4,700,000	19.4
Prototype 3	\$5,400,000	22.4

Only employment growth occurring within San Francisco has been included. The incremental increase in spending will generate jobs that produce demand for units for worker households employed throughout San Francisco Bay Area and beyond. However, as discussed above, the analysis conservatively limits the nexus to San Francisco.

**TABLE II-1
IMPLAN MODEL OUTPUT
EMPLOYMENT GENERATED
RESIDENTIAL NEXUS ANALYSIS - CONDOMINIUM CONVERSION
CITY OF SAN FRANCISCO**

Per 100 Converted Condominium Units	Prototype 1 (\$300,000 TIC)		Prototype 2 (\$400,000 TIC)		Prototype 3 (\$500,000 TIC)	
	Jobs	% of Jobs	Jobs	% of Jobs	Jobs	% of Jobs
Income Differential: Converted Condo Units	\$3,400,000		\$4,700,000		\$5,400,000	
Employment Generated by Income Differential by Industry²						
Food services and drinking place:	1.8	13%	2.5	13%	2.9	13%
Offices of physicians, dentists, and other health practitioners	0.6	4%	0.9	4%	1.0	4%
Private household operation	0.6	4%	0.8	4%	1.0	4%
Retail Stores - Food and beverage	0.6	4%	0.8	4%	0.9	4%
Wholesale trade businesses:	0.6	4%	0.8	4%	0.9	4%
Real estate establishment:	0.6	4%	0.8	4%	0.9	4%
Private hospitals	0.5	4%	0.7	4%	0.9	4%
Private junior colleges, colleges, universities, and professional schools	0.4	3%	0.5	3%	0.6	3%
Retail Stores - General merchandis:	0.3	2%	0.5	2%	0.5	2%
Securities, commodity contracts, investments, and related activities	0.3	2%	0.4	2%	0.5	2%
Retail Stores - Clothing and clothing accessories	0.3	2%	0.4	2%	0.5	2%
Retail Stores - Miscellaneous individual and family service:	0.3	2%	0.4	2%	0.5	2%
Insurance carriers	0.3	2%	0.4	2%	0.4	2%
Nursing and residential care facilities	0.2	2%	0.3	2%	0.4	2%
Private elementary and secondary school	0.2	2%	0.3	2%	0.4	2%
Legal services:	0.2	2%	0.3	2%	0.4	2%
Retail Stores - Health and personal care	0.2	1%	0.3	1%	0.3	1%
Personal care services:	0.2	1%	0.3	1%	0.3	1%
Services to buildings and dwelling:	0.2	1%	0.3	1%	0.3	1%
Other private educational service:	0.2	1%	0.3	1%	0.3	1%
Employment services:	0.2	1%	0.3	1%	0.3	1%
Retail Stores - Sporting goods, hobby, book and music	0.2	1%	0.3	1%	0.3	1%
Civic, social, professional, and similar organization	0.2	1%	0.2	1%	0.2	1%
Monetary authorities and depository credit intermediation activities:	0.1	1%	0.2	1%	0.2	1%
Child day care services	0.1	1%	0.2	1%	0.2	1%
Other state and local government enterprises	0.1	1%	0.2	1%	0.2	1%
All Other	4.2	30%	5.8	30%	6.7	30%
	14.0	100%	19.3	100%	22.2	100%

¹ The IMPLAN model tracks how increases in gross income, and therefore consumer spending creates jobs in the local economy. See Tables I-3 for estimates of the gross income of residents of the prototypical 100 unit buildings.

² For Industries representing more than 1% of total employment.

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SECTION III – THE JOBS HOUSING NEXUS MODEL ANALYSIS

This section presents a summary of the analysis linking the employment growth associated with the incremental increase in household income, or the output of the IMPLAN model (see Section II), to the estimated number of lower income housing units needed, attributable to the condominium conversion process.

Analysis Approach and Framework

The analysis approach is to examine the employment growth generated by the higher income levels of condominium owners relative to renters. This is conducted for a 100-unit module of converted condominiums for ease of presentation. In this Section, through a series of linkage steps, the number of employees generated is converted to the number of lower income households or housing units in need. The findings are expressed in terms of numbers of lower income households related to the 100-unit module.

The analysis addresses the incremental increase in affordable unit demand associated with condominium conversion process in San Francisco. The table below shows the income limits for the four income categories analyzed, presented as a percentage of San Francisco Median Income (SF MI). The median income definition is for San Francisco, not for a multi county region, per City policy. On an annual basis, the San Francisco Mayor's Office of Housing (SF MOH) establishes and publishes the median income for San Francisco for a range of household sizes.

The nexus model was configured for this San Francisco application to produce findings for households with incomes from zero through 120% of median, broken out in the following categories: under 60% of median, 60% to 80% of median, 80% to 100% of median, and 100% to 120% of median. The income categories are consistent with the range of incomes covered in the Inclusionary Program in San Francisco and the range of incomes assisted by the City's housing programs overall.

The most recent income definitions used in this analysis are from 2009 and are shown below:

Income Limits	Household Size					
	1	2	3	4	5	6+
60% of SF MI	\$36,300	\$41,450	\$46,650	\$51,850	\$56,000	\$60,100
80% of SF MI	\$48,400	\$55,300	\$62,200	\$69,100	\$74,650	\$80,150
100% of SF MI	\$60,500	\$69,100	\$77,750	\$86,400	\$93,300	\$100,200
120% of SF MI	\$72,600	\$82,900	\$93,300	\$103,700	\$111,950	\$120,250

The analysis is conducted using a model that KMA has developed for application in many jurisdictions for which the firm has conducted similar analyses of jobs and housing demand

analyses. This same model was utilized by KMA in 2007 in preparing the *Residential Nexus Analysis, City and County of San Francisco*, Keyser Marston Associates, April 2007. The model inputs are all local data to the extent possible, and are fully documented in the following description.

Analysis Steps

Tables III-1 through III-3 at the end of this section present a summary of the nexus analysis steps for the converted condominium units. The results are presented for each of three unit values. Following is a description of each step of the analysis:

Step 1 – Estimate of Total New Employees

The first step in Table III-1 commences with the total number of jobs or employees associated with the incremental increase in income and consumer spending. The employment figures applied here are estimated based on household expenditures using the IMPLAN model. There are 13.9 new employees associated with the conversion of 100 \$300,000 TIC units, 19.4 new employees associated with the \$400,000 TIC unit, and 22.4 new employees associated with the \$500,000 TIC unit.

Step 2 – Adjustment from Employees to Employee Households

This step (Table III-1) converts the number of jobs or employees to the number of employee households. This step recognizes that there is, on average, more than one worker per household, and thus the number of housing units in demand for new workers must be reduced. The workers per worker household ratio eliminates from the equation all non-working households, such as retired persons, students, and those on public assistance. On average, there are 1.63 workers per worker household (from the U. S. Census 2000) in San Francisco. The number of jobs is divided by 1.63 to determine the number of worker households. (By comparison, average household size is a lower ratio because all households are counted in the denominator, not just worker households; using average household size produces greater demand for housing units.)

Step 3 – Occupational Distribution of Employees

The occupational breakdown of employees is the first step to arrive at compensation 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 2008 Occupational Employment Survey (OES) to estimate the occupational composition of employees for each industry sector.

Pairing of OES and IMPLAN data was accomplished by matching IMPLAN industry sector codes with the four-digit NAICS industry codes used in the OES. Each IMPLAN industry sector is associated with one or more North American Industry Classification System Codes (NAICS), with matching NAICS codes ranging from two to five digits. Employment for IMPLAN sectors with multiple matching NAICS codes were 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 Occupational Employment Survey were pro-rated to match the employment distribution projected using the IMPLAN model. Occupational composition within each industry was held constant. The result is the estimated occupational mix of employees.

As shown on Table III-1, new jobs will be distributed across a variety of occupational categories. The three largest occupational categories are office and administrative support (18%), sales (15%), and food preparation and serving (14%).

The numbers in Step #3 (Table III-1) indicate both the percentage of total employee households and the number of employee households by occupation associated with 100-unit module of converted condominiums.

Step 4 – Estimates of Employee Households by Income Level

In this step, occupation is translated to income based on recent San Francisco PMSA wage and salary information (defined as San Francisco, Marin, and San Mateo Counties) from the California Employment Development Department (EDD). The wage and salary information indicated in Appendix Table 2 provides the income inputs to the model. This step in the analysis calculates the number of households in each income category.

Individual *employee* income data was used to calculate the number of lower income *households* by assuming that multiple earner households are, on average, made up of individuals with similar incomes. Employee households not falling into one of the major occupation categories per Appendix Table 1 were assumed to have the same income distribution as the major occupation categories.

Step 5 – Estimate of Household Size Distribution

The model employs a distribution of the number of workers per household by household size. For example, four-person households can have one, two, three, or four workers in the

household. The model uses Census data for San Francisco 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 then multiplied by the number of households. Table III-2 shows the result for Low Income Households (under 60% SF MI) after completing Steps #4, #5, and #6. At the end of these steps we have counted the worker households generated by the 100 converted condominium units, and distributed them by household income level.

Summary Findings

Table III-3 indicates the results of the analysis for the three prototype unit values. The summary indicates the number of new lower income households per 100 converted condominiums, by income level.

Based on the results shown in Table III-3, approximately 80% of households are “lower income,” or below 120% SF MI. The finding that the jobs associated with consumer spending tend to be low paying jobs where the workers will require housing affordable at lower than market rate is not surprising. As noted above, employment is concentrated in lower paid occupations including food preparation, administrative, and retail sales occupations as well as jobs in the service sectors.

Many of the higher paying occupations in San Francisco are not directly tied to consumer spending by San Francisco residents and therefore have miniscule representation in the analysis. Financial and professional services firms, for example, largely export their products and services outside of the City, mostly to the Northern California region, but also beyond.

A summary of the findings in Table III-3 is shown below.

Number of New Households per 100 Converted Units			
	<i>Prototype 1</i>	<i>Prototype 2</i>	<i>Prototype 3</i>
Under 60% SF MI	3.5	4.9	5.7
60% to 80% SF MI	1.5	2.1	2.4
80% to 100% SF MI	1.0	1.4	1.6
100% to 120% SF MI	0.7	1.0	1.1
Total	6.7	9.4	10.8

**TABLE III-1
NET NEW HOUSEHOLDS AND OCCUPATION DISTRIBUTION
EMPLOYEE HOUSEHOLDS GENERATED
RESIDENTIAL NEXUS ANALYSIS - CONDOMINIUM CONVERSION
CITY OF SAN FRANCISCO**

Per 100 Converted Condo Units	Prototype 1	Prototype 2	Prototype 3
	(\$300,000 TIC)	(\$400,000 TIC)	(\$500,000 TIC)
	Total Impacts	Total Impacts	Total Impacts
Step 1 - Employees ¹	14.0	19.3	22.2
Step 2 - Adjustment for Number of Households (1.63)	8.6	11.9	13.6
Step 3 - Occupation Distribution ²			
Management Occupations	4%	4%	4%
Business and Financial Operations	4%	4%	4%
Computer and Mathematical	2%	2%	2%
Architecture and Engineering	1%	1%	1%
Life, Physical, and Social Science	1%	1%	1%
Community and Social Services	2%	2%	2%
Legal	1%	1%	1%
Education, Training, and Library	4%	4%	4%
Arts, Design, Entertainment, Sports, and Media	2%	2%	2%
Healthcare Practitioners and Technicians	6%	6%	6%
Healthcare Support	3%	3%	3%
Protective Service	1%	1%	1%
Food Preparation and Serving Related	14%	14%	14%
Building and Grounds Cleaning and Maintenance	7%	7%	7%
Personal Care and Service	4%	4%	4%
Sales and Related	15%	15%	15%
Office and Administrative Support	18%	18%	18%
Farming, Fishing, and Forestry	0%	0%	0%
Construction and Extraction	1%	1%	1%
Installation, Maintenance, and Repair	3%	3%	3%
Production	2%	2%	2%
Transportation and Material Moving	5%	5%	5%
Other / Not Identified	0%	0%	0%
Totals	100%	100%	100%
Management Occupations	0.4	0.5	0.6
Business and Financial Operations	0.4	0.5	0.6
Computer and Mathematical	0.1	0.2	0.2
Architecture and Engineering	0.1	0.1	0.1
Life, Physical, and Social Science	0.0	0.1	0.1
Community and Social Services	0.1	0.2	0.2
Legal	0.1	0.1	0.1
Education, Training, and Library	0.3	0.5	0.5
Arts, Design, Entertainment, Sports, and Media	0.2	0.2	0.3
Healthcare Practitioners and Technicians	0.5	0.7	0.8
Healthcare Support	0.3	0.3	0.4
Protective Service	0.1	0.2	0.2
Food Preparation and Serving Related	1.2	1.7	1.9
Building and Grounds Cleaning and Maintenance	0.6	0.8	0.9
Personal Care and Service	0.3	0.5	0.6
Sales and Related	1.3	1.8	2.1
Office and Administrative Support	1.6	2.2	2.5
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	0.4	0.5
Production	0.2	0.2	0.3
Transportation and Material Moving	0.5	0.6	0.7
Other / Not Identified	0.0	0.0	0.0
Totals	8.6	11.9	13.6

Notes:

¹ Estimated employment generated by the difference in gross income between 100 rental households and 100 converted condominium households. Employment estimates are based on the IMPLAN Group's economic model, IMPLAN, for San Francisco City and County.

² See Appendix Tables 1 and 2 for additional information from which the percentage distributions were derived.

**TABLE III-2
 LOW INCOME EMPLOYEE HOUSEHOLDS¹ GENERATED
 RESIDENTIAL NEXUS ANALYSIS - CONDOMINIUM CONVERSION
 CITY OF SAN FRANCISCO**

PER 100 CONVERTED CONDO UNITS	Prototype 1	Prototype 2	Prototype 3
	(\$300,000 TIC) Total Impacts	(\$400,000 TIC) Total Impacts	(\$500,000 TIC) Total Impacts
Step 4, 5, & 6 - Low Income Households (under 60% SF MI) within Major Occupation Categories²			
Management	0.01	0.01	0.01
Business and Financial Operations	0.00	0.01	0.01
Computer and Mathematical	-	-	-
Architecture and Engineering	-	-	-
Life, Physical and Social Science	-	-	-
Community and Social Services	-	-	-
Legal	-	-	-
Education Training and Library	0.09	0.13	0.15
Arts, Design, Entertainment, Sports, & Media	-	-	-
Healthcare Practitioners and Technical	0.00	0.00	0.00
Healthcare Support	0.10	0.14	0.16
Protective Service	-	-	-
Food Preparation and Serving Related	0.86	1.19	1.37
Building Grounds and Maintenance	0.31	0.43	0.49
Personal Care and Service	0.19	0.26	0.30
Sales and Related	0.75	1.04	1.20
Office and Admin	0.49	0.67	0.77
Farm, Fishing, and Forestry	-	-	-
Construction and Extraction	-	-	-
Installation Maintenance and Repair	0.05	0.07	0.08
Production	-	-	-
Transportation and Material Moving	0.23	0.31	0.36
Total Low Income Households - Major Occupations	3.08	4.26	4.90
Low Income Households ¹ - "all other" occupations	0.49	0.67	0.77
Total Low Income Households¹	3.57	4.93	5.67

¹ Includes households earning from zero through 60% of San Francisco Median Income.

² See Appendix Tables 1 and 2 for additional information on Major Occupation Categories.

**TABLE III-3
 IMPACT ANALYSIS SUMMARY
 EMPLOYEE HOUSEHOLDS GENERATED BY INCOME TIER
 RESIDENTIAL NEXUS ANALYSIS - CONDOMINIUM CONVERSION
 CITY OF SAN FRANCISCO**

RESIDENTIAL UNIT DEMAND IMPACTS Per 100 Converted Condo Units	Prototype 1 (\$300,000 TIC) Total Impacts	Prototype 2 (\$400,000 TIC) Total Impacts	Prototype 3 (\$500,000 TIC) Total Impacts
Number of New Households			
Under 60% SF Median Income	3.57	4.93	5.67
60% to 80% SF Median Income	1.48	2.05	2.36
80% to 100% SF Median Income	1.02	1.40	1.61
100% to 120% SF Median Income	0.68	0.95	1.09
Subtotal through 120% of SF Median	6.75	9.33	10.72
Over 120% of SF Median Income	1.82	2.52	2.89
Total Employee Households	8.57	11.85	13.62

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SECTION IV – TOTAL HOUSING NEXUS COSTS

This section takes the conclusions of the previous section on the number of households in the lower income categories associated with the converted condominium units and identifies the total cost of assistance required to make housing affordable. This section puts a cost on the units for each income level to produce the “total nexus cost.” This is done for each of the three prototype values.

A key component of the analysis is the size of the gap between what households can afford and the cost of producing additional housing in San Francisco, known as the ‘affordability gap.’ Affordability gaps are calculated for each of the four categories of San Francisco median income: under 60%, 60% to 80%, 80% to 100%, and 100% to 120%.

Income and Household Size Assumptions

For estimating the affordability gap, there is a need to match a household of each income level with a unit type and size according to governmental regulations and policies. An even mix of one- and two-bedroom rental apartments is assumed for the under 60% and 60% to 80% of median income groups. An even mix of one- and two-bedroom ownership condominium units is assumed for the 80% to 100% and 100% to 120% of median income groups. While the City sponsors smaller (SRO) and larger (family housing) units, SF MOH estimates that 1.5 bedrooms per unit is approximately the average unit size.

On average, a two-person household is assumed to be accommodated in a one-bedroom unit, and a three-person household is assumed to be accommodated in a three-bedroom unit, per local policy.

Maximum housing costs are determined by the San Francisco Mayor’s Office of Housing (SF MOH). Rents are set to be affordable at 60% of median income and at 80% of median income. Maximum sales prices are calculated based on 100% of median income and 120% of median income.

Development Costs

The cost of developing new residential units in San Francisco was based on input from the SF MOH. The City estimates development costs for ownership units for the purposes of establishing the Inclusionary Housing In-Lieu fee, which it regularly posts on-line. The most recent analysis was conducted in 2008. At that time, the City estimated total development cost for a one-bedroom unit at \$457,000 and a two-bedroom unit at \$572,000. With a 50/50 unit mix, this represents an average development cost of approximately \$514,000 per unit.

For rental units, the SF MOH estimated total development costs based on the City’s recent experience developing affordable rental units in the city. On average, SF MOH estimates that

the development cost of new affordable rental housing in San Francisco is approximately \$450,000 per unit.

Total development cost estimates include hard construction costs, land, plus all indirect and financing costs.

The affordability gaps used in the analysis are the difference between development cost and affordable price or unit value. No other sources of funding and financing are assumed to be available to cover a portion of the total assistance needed. There are other forms of assistance used by cities but none are assured to be available. All funds or forms of assistance are limited in supply and not available for all projects. The federal tax credit program coupled with low interest financing from the State of California is by far the most effective and widely used means of funding and financing affordable units. Both the tax credits and the lower interest loans, which rely on bond issuance at the state level, are competitively allocated and not at all guaranteed.

Table IV-1 presents the estimates of total development costs assumed for the purposes of the nexus analysis.

Affordability Gap

The affordability gap is the difference between the cost of developing a residential unit and the amount a household can afford to pay. SF MOH publishes maximum affordable sales prices by income level and household size, as well as maximum rent levels. Table IV-2 presents the affordable purchase prices by income level and unit size.

Table IV-3 presents the affordable rent levels, and the calculation of unit value supported by the restricted rent levels. For rental units, two additional assumptions are necessary to calculate unit value. Apartment buildings have operating costs to cover management, property taxes, and certain other expenses. An additional allowance for vacancy during turnover is also in order. Based on SF MOH's experience operating affordable apartment units in the city, the operating expense and vacancy allowance is estimated at \$7,500 per unit per year. Finally, the annual net operating income (after operating expenses) from an apartment unit is an annual figure, which must be converted to a one time capital cost. To make the conversion, a 6.0% capitalization rate is used.

Table IV-4 presents the Affordability Gaps for the four income categories. For ownership units, the Affordability Gap is the difference between the total development cost and the affordable purchase price. For rental units, the affordability gap is the difference between total development costs and the unit value supported by the restricted rent levels.

The affordability gap conclusions used in the analysis are:

- \$368,000 for households in the under 60% of median income category.

- \$294,000 for households in the 60% to 80% of median income category.
- \$277,000 for households in the 80% to 100% of median income category.
- \$216,000 for the households in the 100% to 120% of median income category.

Total Linkage Costs

The last step in the linkage fee analysis marries the findings on the numbers of households at each of the lower income ranges associated with the three prototypes to the affordability gaps, or the costs of delivering housing to them in San Francisco.

Table IV-5 summarizes the analysis. The Affordability Gaps are drawn from the prior discussion. The "Total Supported Fee/Nexus" shows the results of the following calculation: the affordability gap times the number of affordable units demanded per converted condominium unit. (Demand for affordable units for each of the income ranges is drawn from Table III-3 in the previous section, adjusted to a per-unit basis from the 100 unit module.)

The total nexus cost for each of the three TIC prototypes are as follows:

	<i>Maximum Supported Nexus Cost</i>
Prototype 1	\$21,600
Prototype 2	\$30,200
Prototype 3	\$34,900

These costs express the total linkage or nexus costs for the three prototype TICs converted to condominiums. These total nexus costs represent the ceiling for any impact fee requirement placed on condominium conversion. The totals are not recommended levels for fees; they represent only the maximums established by this analysis, below which fees or other requirements may be set.

In the prior section, the Summary Report, an analysis of the market feasibility of fee levels from a real estate perspective is provided to assist the City in determining an appropriate fee program.

Summary and Conclusions

The proposed Condominium Conversion Impact Fee would assess a fee on the conversion of apartment buildings and buildings owned as tenancies-in-common to condominium units. The fees collected would be used by the City to create new affordable housing opportunities in the City, in order to mitigate the increase in demand for affordable housing generated by the conversion of the rental or tenancy-in-common units to condominiums.

The Condominium Conversion Nexus Analysis demonstrates and quantifies the nexus between the conversion of apartment buildings or tenancies-in-common to condominium units and the increased demand for affordable housing in the City that is generated by such conversion. Specifically, this analysis has demonstrated:

- That there is a reasonable relationship between the fee's use, which is to fund the creation of additional affordable housing, and the development projects on which the fee is imposed, or the conversion to condominium units of units that have remained rental or were previous rentals, then tenancy in common owned units.
- That there is a reasonable relationship between the need for the facility or housing, and the newly created condominium units.
- That there is a reasonable relationship between the amount of the fee and the cost of the facility or housing attributable to the development project or new condominium units, on which the fee is imposed.
- That the increased demand generated by the net new development or creation of condominium units supports the maximum fee level determined by the analysis. Further, the costs attributable to existing deficiencies in the supply of affordable housing in San Francisco are not included in the analysis.

For other sources of funding for developing affordable housing in San Francisco, reference is made to the 2010 Housing Element and other reports prepared by the City. These document find that all funding sources and programs in combination continue to be insufficient to meet the needs for affordable housing in San Francisco as established by the Regional Housing Needs Allocation and other analyses.

**TABLE IV-1
 DEVELOPMENT COSTS FOR AFFORDABLE UNITS
 RESIDENTIAL NEXUS ANALYSIS - CONDOMINIUM CONVERSION
 CITY OF SAN FRANCISCO**

	<u>One BR</u>	<u>Two BR</u>	<u>Average, 50/50 Unit Mix</u>
Condominium Units	\$457,240	\$571,550	\$514,000
Rental Units			\$450,000

Source: San Francisco Mayor's Office of Housing.

**TABLE IV-2
 2009 AFFORDABLE SALES PRICE
 RESIDENTIAL NEXUS ANALYSIS - CONDOMINIUM CONVERSION
 CITY OF SAN FRANCISCO** **INTERNAL DRAFT - NOT FOR PUBLIC DISTRIBUTION**

	<u>1 Bedroom</u>	<u>2 Bedroom</u>	<u>50/50 Unit Mix</u>
80% SF Median			
Unit Mix	50%	50%	100%
Affordable Sales Price	\$165,285	\$187,771	\$176,528
100% SF Median			
Unit Mix	50%	50%	100%
Affordable Sales Price	\$222,269	\$251,982	\$237,126
120% SF Median			
Unit Mix	50%	50%	100%
Affordable Sales Price	\$279,254	\$316,192	\$297,723

Notes:

Household size based on number of bedrooms plus one.

Source: San Francisco Mayor's Office of Housing.

**Table IV-3
2009 VALUE OF AFFORDABLE RENTAL UNITS
RESIDENTIAL NEXUS ANALYSIS - CONDOMINIUM CONVERSION
CITY OF SAN FRANCISCO**

	<u>1 Bedroom</u>	<u>2 Bedroom</u>	<u>Blended Rental</u>
60% SF Median			
Unit Mix	50%	50%	100%
Affordable Rent Per Month ¹	\$1,036	\$1,166	\$1,101
<u><Less> Utility Allowance²</u>	<u>(\$57)</u>	<u>(\$74)</u>	<u>(\$66)</u>
Affordable Rent	\$979	\$1,092	\$1,036
Affordable Rent, Annual	\$11,751	\$13,107	\$12,429
<u><Less> Operating Expenses</u>	<u>(\$7,500)</u>	<u>(\$7,500)</u>	<u>(\$7,500)</u>
Net Revenue per Unit	\$4,251	\$5,607	\$4,929
Capitalized Value (@ 6.0%)	\$70,900	\$93,500	\$82,200
80% SF Median			
Unit Mix	50%	50%	100%
Affordable Rent Per Month ¹	\$1,383	\$1,555	\$1,469
<u><Less> Utility Allowance²</u>	<u>(\$57)</u>	<u>(\$74)</u>	<u>(\$66)</u>
Affordable Rent	\$1,326	\$1,481	\$1,403
Affordable Rent, Annual	\$15,906	\$17,772	\$16,839
<u><Less> Operating Expenses</u>	<u>(\$7,500)</u>	<u>(\$7,500)</u>	<u>(\$7,500)</u>
Net Revenue per Unit	\$8,406	\$10,272	\$9,339
Capitalized Value (@ 6.0%)	\$140,100	\$171,200	\$155,650

Notes:

¹ San Francisco Mayor's Office of Housing. Household size based on number of bedrooms plus one.

² Utility allowance from City of San Francisco Mayor's Office of Housing.

Source: San Francisco Mayor's Office of Housing; KMA.

**TABLE IV-4
AFFORDABILITY GAPS
RESIDENTIAL NEXUS ANALYSIS - CONDOMINIUM CONVERSION
CITY OF SAN FRANCISCO**

	<u>Affordable Condo</u>	<u>Affordable Rental</u>
Total Development Costs		
Total Development Costs	\$514,000	\$450,000
Affordability Gaps		
60% SF Median		
Affordable Unit Value ¹		\$82,200
Gap		\$367,800
80% SF Median		
Affordable Unit Value ¹		\$155,650
Gap		\$294,350
100% SF Median		
Affordable Sales Price ²	\$237,126	
Gap	\$276,875	
120% SF Median		
Affordable Sales Price ²	\$297,723	
Gap	\$216,277	

Notes:

¹ See Table IV-3.

² See Table IV-2.

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APPENDIX TABLES

**APPENDIX TABLE 1
 2008 JOB IMPACTS: DISTRIBUTION BY OCCUPATION
 TOTAL EMPLOYMENT IMPACTS WITHIN THE CITY OF SAN FRANCISCO
 RESIDENTIAL NEXUS ANALYSIS - CONDOMINIUM CONVERSION ANALYSIS
 CITY OF SAN FRANCISCO, CA**

Major Occupations (2% or more)	2008 National Resident Services Occupation Distribution ¹
Management occupations	4.2%
Business and financial operations occupations	4.1%
Education, training, and library occupations	3.9%
Healthcare practitioners and technical occupations	5.5%
Healthcare support occupations	2.9%
Food preparation and serving related occupations	13.8%
Building and grounds cleaning and maintenance occupations	6.6%
Personal care and service occupations	4.0%
Sales and related occupations	15.0%
Office and administrative support occupations	17.8%
Installation, maintenance, and repair occupations	3.4%
Transportation and material moving occupations	5.2%
All Other Resident Services Related Occupations	<u>13.6%</u>
INDUSTRY TOTAL	100.0%

¹ Distribution of employment by industry is per the IMPLAN model and the distribution of occupational employment within those industries is based on the Bureau of Labor Statistics Occupational Employment Survey.

APPENDIX TABLE 2
AVERAGE ANNUAL COMPENSATION BY OCCUPATION, 2009
EMPLOYMENT IMPACTS WITHIN THE CITY OF SAN FRANCISCO
RESIDENTIAL NEXUS ANALYSIS - CONDOMINIUM CONVERSION ANALYSIS
CITY OF SAN FRANCISCO, CA

Occupation ³	2009 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Resident Services Workers
<i>Page 1 of 3</i>			
<i>Management occupations</i>			
Chief executives	\$196,000	4.5%	0.2%
General and operations managers	\$135,500	30.0%	1.3%
Sales managers	\$143,000	5.3%	0.2%
Administrative services managers	\$95,200	4.2%	0.2%
Financial managers	\$145,000	9.5%	0.4%
Food service managers	\$58,500	5.4%	0.2%
Medical and health services managers	\$101,700	4.3%	0.2%
Property, real estate, and community association managers	\$65,100	8.1%	0.3%
Managers, all other	\$121,700	4.4%	0.2%
All Other Management occupations (Avg. All Categories)	<u>\$122,800</u>	<u>24.4%</u>	<u>1.0%</u>
	Weighted Mean Annual Wage	100.0%	4.2%
<i>Business and financial operations occupations</i>			
Claims adjusters, examiners, and investigators	\$69,500	7.6%	0.3%
Management analysts	\$108,100	7.0%	0.3%
Business operations specialists, all other	\$87,400	15.3%	0.6%
Accountants and auditors	\$79,300	19.7%	0.8%
Financial analysts	\$121,800	8.6%	0.4%
Personal financial advisors	\$141,000	8.3%	0.3%
Loan officers	\$95,400	5.0%	0.2%
All Other Business and financial operations occupations (Avg. All Categories)	<u>\$96,200</u>	<u>28.4%</u>	<u>1.2%</u>
	Weighted Mean Annual Wage	100.0%	4.1%
<i>Education, training, and library occupations</i>			
Vocational education teachers, postsecondary	\$75,500	4.1%	0.2%
Postsecondary teachers, all other	\$74,900	4.6%	0.2%
Preschool teachers, except special education	\$36,700	11.6%	0.4%
Elementary school teachers, except special education	\$61,600	8.1%	0.3%
Secondary school teachers, except special and vocational education	\$63,800	5.6%	0.2%
Self-enrichment education teachers	\$45,600	7.6%	0.3%
Teachers and instructors, all other	\$48,300	7.9%	0.3%
Teacher assistants	\$32,700	13.3%	0.5%
All Other Education, training, and library occupations (Avg. All Categories)	<u>\$49,300</u>	<u>37.2%</u>	<u>1.4%</u>
	Weighted Mean Annual Wage	100.0%	3.9%
<i>Healthcare practitioners and technical occupations</i>			
Physicians and surgeons, all other	\$166,400	4.3%	0.2%
Registered nurses	\$98,600	31.1%	1.7%
Licensed practical and licensed vocational nurses	\$57,200	8.4%	0.5%
All Other Healthcare practitioners and technical occupations (Avg. All Categories)	<u>\$97,200</u>	<u>56.2%</u>	<u>3.1%</u>
	Weighted Mean Annual Wage	100.0%	5.5%

APPENDIX TABLE 2
AVERAGE ANNUAL COMPENSATION BY OCCUPATION, 2009
EMPLOYMENT IMPACTS WITHIN THE CITY OF SAN FRANCISCO
RESIDENTIAL NEXUS ANALYSIS - CONDOMINIUM CONVERSION ANALYSIS
CITY OF SAN FRANCISCO, CA

Occupation ³	2009 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Resident Services Workers
Page 2 of 3			
<i>Healthcare support occupations</i>			
Home health aides	\$23,600	19.9%	0.6%
Nursing aides, orderlies, and attendants	\$38,500	29.9%	0.9%
Dental assistants	\$42,100	11.8%	0.3%
Medical assistants	\$39,200	17.3%	0.5%
Healthcare support workers, all other	\$39,400	4.7%	0.1%
All Other Healthcare support occupations (Avg. All Categories)	<u>\$35,700</u>	<u>16.4%</u>	<u>0.5%</u>
Weighted Mean Annual Wage	\$35,700	100.0%	2.9%
<i>Food preparation and serving related occupations</i>			
First-line supervisors/managers of food preparation and serving workers	\$33,900	7.0%	1.0%
Cooks, fast food	\$21,100	5.4%	0.7%
Cooks, restaurant	\$27,600	8.2%	1.1%
Food preparation workers	\$24,100	7.1%	1.0%
Bartenders	\$24,300	4.6%	0.6%
Combined food preparation and serving workers, including fast food	\$22,700	24.4%	3.4%
Counter attendants, cafeteria, food concession, and coffee shop	\$21,600	4.7%	0.6%
Waiters and waitresses	\$23,500	21.6%	3.0%
Dishwashers	\$21,300	4.5%	0.6%
All Other Food preparation and serving related occupations (Avg. All Categories)	<u>\$24,200</u>	<u>12.5%</u>	<u>1.7%</u>
Weighted Mean Annual Wage	\$24,200	100.0%	13.8%
<i>Building and grounds cleaning and maintenance occupations</i>			
Janitors and cleaners, except maids and housekeeping cleaners	\$28,400	50.0%	3.3%
Maids and housekeeping cleaners	\$28,500	9.9%	0.6%
Landscaping and groundskeeping workers	\$34,700	27.4%	1.8%
All Other Building and grounds cleaning and maintenance occupations (Avg. All Cat)	<u>\$30,400</u>	<u>12.7%</u>	<u>0.8%</u>
Weighted Mean Annual Wage	\$30,400	100.0%	6.6%
<i>Personal care and service occupations</i>			
First-line supervisors/managers of personal service workers	\$49,100	4.0%	0.2%
Nonfarm animal caretakers	\$28,700	5.4%	0.2%
Ushers, lobby attendants, and ticket takers	\$24,400	7.0%	0.3%
Amusement and recreation attendants	\$22,200	6.9%	0.3%
Hairdressers, hairstylists, and cosmetologists	\$32,700	18.5%	0.7%
Child care workers	\$30,600	14.0%	0.6%
Personal and home care aides	\$23,600	15.2%	0.6%
Fitness trainers and aerobics instructors	\$46,600	6.2%	0.2%
Recreation workers	\$30,000	5.2%	0.2%
All Other Personal care and service occupations (Avg. All Categories)	<u>\$30,500</u>	<u>17.7%</u>	<u>0.7%</u>
Weighted Mean Annual Wage	\$30,500	100.0%	4.0%
<i>Sales and related occupations</i>			
First-line supervisors/managers of retail sales workers	\$46,300	8.1%	1.2%
Cashiers	\$25,300	26.5%	4.0%
Retail salespersons	\$29,600	34.9%	5.2%
Sales representatives, wholesale and manufacturing, except technical and scientific	\$64,600	5.6%	0.8%
All Other Sales and related occupations (Avg. All Categories)	<u>\$32,500</u>	<u>24.9%</u>	<u>3.7%</u>
Weighted Mean Annual Wage	\$32,500	100.0%	15.0%

**APPENDIX TABLE 2
 AVERAGE ANNUAL COMPENSATION BY OCCUPATION, 2009
 EMPLOYMENT IMPACTS WITHIN THE CITY OF SAN FRANCISCO
 RESIDENTIAL NEXUS ANALYSIS - CONDOMINIUM CONVERSION ANALYSIS
 CITY OF SAN FRANCISCO, CA**

Occupation ³	2009 Avg. Compensation ¹	% of Total Occupation Group ²	% of Total Resident Services Workers
<i>Page 3 of 3</i>			
<i>Office and administrative support occupations</i>			
First-line supervisors/managers of office and administrative support workers	\$59,900	5.6%	1.0%
Bookkeeping, accounting, and auditing clerks	\$45,200	7.8%	1.4%
Customer service representatives	\$42,000	9.7%	1.7%
Receptionists and information clerks	\$33,300	6.3%	1.1%
Stock clerks and order fillers	\$27,600	9.8%	1.7%
Executive secretaries and administrative assistants	\$55,000	6.8%	1.2%
Secretaries, except legal, medical, and executive	\$40,200	8.1%	1.5%
Office clerks, general	\$34,100	12.8%	2.3%
All Other Office and administrative support occupations (Avg. All Categories)	<u>\$40,600</u>	<u>33.0%</u>	<u>5.9%</u>
	Weighted Mean Annual Wage	100.0%	17.8%
<i>Installation, maintenance, and repair occupations</i>			
First-line supervisors/managers of mechanics, installers, and repairers	\$76,000	7.5%	0.3%
Automotive body and related repairers	\$52,600	4.7%	0.2%
Automotive service technicians and mechanics	\$48,700	14.5%	0.5%
Maintenance and repair workers, general	\$45,600	32.8%	1.1%
All Other Installation, maintenance, and repair occupations (Avg. All Categories)	<u>\$50,800</u>	<u>40.5%</u>	<u>1.4%</u>
	Weighted Mean Annual Wage	100.0%	3.4%
<i>Transportation and material moving occupations</i>			
Bus drivers, school	\$32,900	7.3%	0.4%
Driver/sales workers	\$28,900	7.3%	0.4%
Truck drivers, heavy and tractor-trailer	\$45,500	10.3%	0.5%
Truck drivers, light or delivery services	\$39,100	11.2%	0.6%
Taxi drivers and chauffeurs	\$30,800	4.2%	0.2%
Parking lot attendants	\$26,700	4.0%	0.2%
Cleaners of vehicles and equipment	\$24,000	5.3%	0.3%
Laborers and freight, stock, and material movers, hand	\$29,100	22.6%	1.2%
Packers and packagers, hand	\$21,800	9.1%	0.5%
All Other Transportation and material moving occupations (Avg. All Categories)	<u>\$31,700</u>	<u>18.6%</u>	<u>1.0%</u>
	Weighted Mean Annual Wage	100.0%	5.2%
			86.4%

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

² Occupation percentages are based on the 2008 National Industry - Specific Occupational Employment survey compiled by the Bureau of Labor Statistics. Wages are based on the 2008 Occupational Employment Survey data for San Francisco-San Mateo-Redwood City MD, California (San Francisco, San Mateo, and Marin Counties) updated by the California Employment Development Department to 2009 wage levels.

³ Including occupations representing 4% or more of the major occupation group

