Draft Report

Commercial Linkage Fee Nexus Study

The Economics of Land Use

Prepared for:
City of Paramount

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1. Introduction and Executive Summary

Background

The City of Paramount is exploring various tools to address the City's affordable housing needs, including the potential adoption of a commercial linkage fee program. A commercial linkage fee, also known as a jobs-housing linkage fee, is a type of development impact fee charged to developers of new, nonresidential properties to help support affordable housing for lower-wage workers. The conceptual underpinning of the fee is that new nonresidential development creates new jobs, and some of these jobs will pay wages below what is required for a worker to afford a market-rate housing unit in the City. If the cost to construct new housing units is higher than can be supported by the rents or home prices that workers can afford to pay, the difference is considered an "affordability gap." The nexus (or reasonable relationship) established between the projected number of lower-wage jobs created by new development, and the subsidy needed to fund this "affordability gap" and support the creation and maintenance of units that are affordable to workers in these jobs is the basis for the linkage fee.

Economic & Planning Systems (EPS) was retained to analyze the feasibility of a commercial linkage fee program in Paramount. EPS has completed the required nexus analysis that quantifies the relationship between the growth in several nonresidential land uses (commercial land use categories), including retail/restaurant/services, office, industrial, and warehousing, and the demand for and cost of affordable housing for the local workforce.

Assessing an impact fee, such as a linkage fee, based on an established nexus is allowed pursuant to the State of California's Mitigation Fee Act (California Government Code sections 66000 et seq.). As a development impact fee, this linkage fee can only be charged to new development and must be based on the impact of new development on the need for resources to subsidize the development of new affordable housing. Fee revenue may be collected by the City and used to subsidize the production or preservation of affordable units for lower-income households.

Regional Context

Commercial linkage fees are common across the state but most common in high-demand, high-value jurisdictions with strong nonresidential development trends. Fees are often set well below the nexus-based maximums and typically range from $1 to $10. **Appendix C** exhibits examples of commercial linkage fees in other cities by land use category.

Key Findings

Table 1 summarizes the maximum justifiable linkage fee by commercial land use category. The methodology used to establish the maximum justifiable fees is described in the subsequent chapters of this report. Please note that these maximum fees are supported by the nexus analysis but are likely to exceed levels that could feasibly be borne by new commercial developments. The City has the opportunity to adopt fees up to these maximum levels but may want to consider other economic development and fiscal revenue factors in determining the fee level for adoption.

Table 1 Summary of Maximum Allowable Linkage Fees

Employment Category	Maximum Fee *per sq. ft.*
Retail/Restaurant/Services	$288
Office	$189
Industrial	$96
Warehousing	$51

Source: Economic & Planning Systems, Inc.

Table 2 presents the income categories that are relevant for this fee program. This study uses incomes defined by the State of California's Department of Housing and Community Development (HCD)[1]. The number of worker households that are generated as a result of commercial development are categorized on the basis of these income levels. Within Los Angeles County, the maximum income defined for Acutely-Low, Extremely-Low, Very-Low, and Low-Income households is adjusted upwards from the associated percentage of area median income (AMI) by approximately 30 percent. Due to this adjustment, for example, the maximum income for a Low-Income household in Los Angeles County is actually higher than the County median income. HCD applies these adjustments in counties with relatively high housing costs and/or relatively high or low household incomes.

Table 2 Los Angeles County Income Category Definitions (2024)

Income Group and Standard Definition		HCD 2024 Maximum Income 4-Person Household
Acutely Low	≤15% AMI	$14,750
Extremely Low	>15% to ≤30% AMI	$41,600
Very Low Income	>30% to ≤50% AMI	$69,350
Low Income	>50% to ≤80% AMI	$110,950
Median Income	100% AMI	$98,200
Moderate Income	>80% AMI to ≤120% AMI	$117,850

Source: California Department of Housing and Community Development

Primary Sources

To estimate the fee, EPS relied on numerous sources of data, including the following:

[1] See HCD State Income Limits 2024 for Los Angeles County, https://www.hcd.ca.gov/sites/default/files/docs/grants-and-funding/income-limits-2024.pdf

- JobsEQ, which is a software tool that compiles industry and wage occupation data for 2023 from a variety of sources, including U.S. Census Bureau, Bureau of Labor Statistics, Bureau of Economic Analysis, National Center of Education Statistics, and others
- State Department of Housing and Community Development (HCD) annual income limits for 2024
- U.S. Census Bureau American Community Survey (ACS) 5-Year Estimates (2019-2023)
- Input from City of Paramount's staff regarding affordability levels, recently developed affordable housing projects, market assumptions, and nexus study methodology

These and other data sources are identified on the tables provided throughout this report. In addition, data from recent Paramount and regional developments and land transactions have been combined with information collected from various market-rate and affordable housing developers to estimate appropriate development cost assumptions for use in Paramount.

Organization of Report

Following this **Introduction and Executive Summary**, this study includes the following chapters:

- **Chapter 2** summarizes the required nexus findings of the Study.
- **Chapter 3** describes the methodology used to calculate the fee.

2. REQUIRED NEXUS FINDINGS FOR FEE PROGRAM

The following section confirms that this Nexus Study contains the findings required under the Mitigation Fee Act for the establishment of a new development impact fee (Commercial Linkage Fee), should the City Council decide to proceed with adoption of a commercial linkage fee program.

Background

The City of Paramount (City) has not previously adopted a commercial linkage fee for affordable housing. The City of Paramount's 6th Cycle Housing Element, which was certified as of October 7, 2022, addressed regional housing trends, local housing needs, and broader goals and policies to support the City's needs. The City retained Economic & Planning Systems, Inc. (EPS) to explore the feasibility of an affordable housing impact fee for new commercial (i.e., nonresidential) development.

Authority

This study serves as the basis for requiring development impact fees under AB 1600 legislation, as codified by the Mitigation Fee Act (California Government Code sections 66000 *et seq*.). This section of the Mitigation Fee Act sets forth the procedural requirements for establishing and collecting development impact fees. These procedures require that a reasonable relationship, or nexus, must exist between a governmental exaction and the purpose of the condition.

In 1991, the Ninth Circuit U.S. Court of Appeals upheld the City of Sacramento's nonresidential linkage fee.[2] In that case, the court found that the City of Sacramento's fee program "substantially advanced a legitimate interest." EPS is using a similar methodology to the nexus study reviewed in that case to develop the City of Paramount's fee program.

Required Nexus Findings

The Mitigation Fee Act clearly identifies the required nexus findings.

Required Nexus Findings

- Identify the purpose of the fee.
- Identify how the fee is to be used.
- Determine how a reasonable relationship exists between the fee's use and the type of development project on which the fee is imposed.
- Determine how a reasonable relationship exists between the demand for affordable housing and the type of development project on which the fee is imposed.
- Demonstrate a reasonable relationship between the amount of the fee and the cost of the public benefit attributable to the development on which the fee is imposed.

[2] *Commercial Builders of Northern California v. City of Sacramento,* 941 F2d 872 (1991).

Purpose of Fee

The fee program established through this Nexus Study will fund the development and preservation of affordable housing in the City to serve lower-wage workers employed by new nonresidential development.

Use of Fee

The fee will be collected by the City. The funds are used to assist in the production or rehabilitation of affordable housing units and/or the acquisition of land or existing at-risk units in the City. The fee may also fund the studies and administration to support the fee program.

Relationship between Use of Fee and Type of Development

New commercial development in the City will generate new jobs. Some portion of the workers in those jobs will not earn wages high enough to afford rent prices necessary to support new residential development without subsidy. The linkage fee will be used to help fund this subsidy, resulting in the development of residential units affordable to the local workforce.

Relationship between Demand for Affordable Housing and Type of Project

The City and EPS have identified four commercial land use categories (retail/restaurant/services, office, industrial, and warehousing) for which a separate fee has been calculated. The proportion of lower wage workers and the number of square feet per employee for each employment category has been assessed to ensure a proper nexus is established.

Relationship between Amount of Fee and Cost of Public Benefit Attributed to New Development

EPS estimated the difference between the cost of developing new rental housing and the value of the new rental units based on rents affordable to workers at wages typical of businesses in different commercial land uses. The affordable rents yielded unit values below the cost of construction, indicating an "affordability gap." To estimate the fee for each Commercial Land Use, this gap was multiplied by the anticipated number of lower wage workers generated by the new development projects and the number of households of various income categories those workers are likely to form.

Assembly Bill 602 Provisions

AB 602 passed in the California Assembly in 2021 and was signed by the Governor. The legislation adds some new requirements for impact fees in addition to those required under AB 1600. While much of the intent of AB 602 was to clarify and limit impact fees applied to residential development, certain aspects of AB 602 may also apply to nonresidential development.

Existing Level of Service

Under Government Code 66016.5, AB 602 requires that an impact fee nexus study "identify the existing level of service for each public facility, identify the proposed new level of service, and include an explanation of why the new level of service is appropriate."

The City of Paramount currently has 30 affordable housing units for an employment base of 25,099 workers.[3] This represents a ratio of 0.0012 assisted affordable rental units per worker. The "adjusted maximum" linkage fee levels identified herein would allow the City to subsidize a greater number of affordable units per worker – 0.4 per retail/restaurant/services worker, 0.2 per office/R&D/medical office worker, 0.3 per industrial worker, and 0.3 per warehouse worker.[4] These higher proportions may be appropriate given the shortfall of such affordable units in the city, region, and state, and the demonstrated impacts of new commercial development on the City's need for affordable housing.

As an example of public policy reflecting that shortfall, the State's Regional Housing Needs Allocation (RHNA) process has indicated that Paramount should aim to produce 364 total housing units between 2021 and 2029, including 184 units priced at moderate or lower incomes. This target would represent a significant increase in the pace of both targeted and actual affordable housing production in recent years.

Collection of Fees at Previous Levels

Under Government Code 66016.5, AB 602 requires that "if a nexus study supports the increase of an existing fee, the local agency shall review the assumptions of the nexus study supporting the original fee and evaluate the amount of fees collected under the original fee." The City has not previously adopted a commercial linkage fee nexus study or fee program. The City of Paramount wishes to use the commercial linkage fee program to generate revenue to increase the number of deed-restricted affordable housing as new workers are added to the local employment base.

Capital Improvement Plan

Under Government Code 66016.5, AB 602 requires that "large jurisdictions shall adopt a capital improvement plan as a part of the nexus study." Under Government Code 66002, "any local agency which levies a fee subject to Section 66001 may adopt a capital improvement plan, which shall indicate the approximate location, size, time of availability, and estimates of cost for all facilities or improvements to be financed with the fees." Capital improvement plans typically include specific infrastructure projects and public facilities rather than affordable housing developments, and affordable housing is not listed in the statute as the type of "facility" or "improvement" for which a capital improvement plan must be adopted. However, the City has expressed its intent to support the permitting and construction of affordable housing units as specified in the State's RHNA process, including 184 moderate- and lower-income units. These units may be located in various areas within the City's boundaries, may range from single units to larger complexes of 100 or more units, and are intended to be permitted and/or developed by 2029. This nexus study estimates the costs to develop such units, less their value as income-

[3] Assisted rental unit count is from correspondence with City staff.

[4] Proportions are calculated as the number of affordable units that could be subsidized by the maximum fee on a 100,000 square foot space, discounted by 7.6 percent of that figure given commute patterns to reflect the "adjusted maximum" (as shown on **Tables 9-12**) and then divided by the total number of employees that would work in a given building size (as shown on **Table 6**).

restricted units, which represents the housing production subsidies to be financed with the collected linkage fees.

3. Methodology and Fee Calculation

Land Use Categories

The commercial land uses analyzed in this study are presented in **Table 3**, along with a description of the types of businesses that are included in each category. In general, each land use category is intended to be associated with a particular type of building or land use, to which the fees can be applied. The City has asked EPS to evaluate four distinct land use categories, but the City may choose not to adopt fees for all land use categories. While most land use categories are discretely associated with a particular type of building, others may be interchangeable as tenants may shift between building types (e.g., businesses located in industrial space moving to office space). This analysis bases its employment projections on North American Industry Classification System (NAICS) codes associated with the most typical tenants for each land use category, as defined in **Appendix B**.

Table 3 Land Use Category Descriptions

Land Use Category	Description and Examples	NAICS Sectors
Retail/Restaurant/Services	Businesses selling merchandise, entertainment, and personal services to the general public. Examples include grocery stores, drug stores, clothing stores, general merchandise stores, beauty salons, and gas stations. Restaurants are also included in this category.	44 - Retail Trade 722 - Food Services and Drinking Places 812 - Personal Laundry Services
Office/R&D/Medical Offices	Employers engaged in business activity with limited direct access from the general public; businesses focused on professional and financial services. Examples include finance, insurance, real estate, law, engineering, medical offices, and science and technology.	51 - Information 52 - Finance and Information 53 - Real Estate and Rental and Leasing 54 - Professional, Scientific, and Technical Services 55 - Management of Companies and Enterprises 561 - Administrative and Support Services 6211 - Offices of Physicians 6212 - Offices of Dentists 6213 - Offices of Other Health Practitioners 6214 - Outpatient Care Centers 6215 - Medical and Diagonistics Laboratories
Industrial	Employers engaged in business activity with limited direct access from the general public; businesses focused on assembling, distributing, or repairing products; businesses focused on the testing and invention of new materials, products, or processes; and businesses engaged in the transformation of raw materials into consumable products. Examples include auto repair, self-storage facilities, and food/beverage products manufacturing. Additionally includes utilities.	22 - Utilities 23 - Construction 31 - Manufacturing 484 - Truck Transportation 811 - Repair and Maintenance
Warehousing	Employers engaged in business activity with limited direct access from the general public; businesses specifically focused on the storage and distribution of goods.	42 - Wholesale Trade 484 - Truck Transportation 493 - Warehousing & Storage

Source: Economic & Planning Systems, Inc.

Estimates of New Worker Households

The following section details the methodology for estimating the distribution of household income levels for new worker households in the City, and the number of these households that will be generated by new development in each commercial land use category.

Occupational Category and Wage Distribution

The first step in determining the number of new worker households requiring affordable residential units is to associate each land use type with occupational categories and the wage distribution within those categories. This estimate included the following analytical steps:

- EPS used JobsEQ to calculate the proportion of occupations likely to be represented under each land use category in the Los Angeles-Long Beach-Anaheim Metropolitan Statistical Area (MSA). For example, EPS evaluated the occupation categories within the utilities, construction, manufacturing, truck transportation, and repair and maintenance industries to determine the proportional distribution of occupations for the land use category "Industrial." Using JobsEQ, EPS found that the NAICS sector 310000 ("Manufacturing") for Los Angeles-Long Beach-Anaheim MSA shows that 8.00 percent of the jobs in the industrial industry nationwide are filled by managers, while 23.66 percent of jobs are categorized as production-related occupations (see **Table B-3**). The occupational distribution for all designated employment categories is provided in **Appendix B**. In addition to the distribution of occupation, JobsEQ provides the average wage for each occupation category in each land use category.

- The wages for each occupation were multiplied by 1.95, the average number of workers per working household in the City.[5] The resulting figure represents estimated annual household income under the assumption that all workers in a household have similar earning potential. While certainly there will be some variation in wages per employee within a household, in the absence of more specific data, this analysis assumes comparable levels of education and training and thus hourly earnings among all workers in a given household.

Table 4 presents an example of how household income is calculated for each occupational category and the corresponding income category for that household.

[5] From the Census Bureau's American Community Survey 2023 5-Year Estimate.

Table 4 Illustration of Employees' Household Income Calculation

Item	Source	Example
Employment Category	City of Paramount and EPS	Industrial
Industry	JobsEQ	Manufacturing (NAICS Code 310000)
Occupation Category	JobsEQ	Buildings and Grounds Cleaning and Maintenance
Median Wage for the Los Angeles-Long Beach-Anaheim MSA for Occupation within Industry	JobsEQ	$43,667
Workers per Household	American Community Survey 5-Year Estimates 2023	1.95
Median Income per Household	Workers per HH Multiplied by Med. Annual Wage	$85,150
Income Category for 4-person Household	California Housing and Community Development (HCD)	Low

Sources: City of Paramount; California Housing and Community Development (HCD); JobsEQ, 2022; U.S. Census American Community Survey 5-Year Estimates 2023; Economic & Planning Systems, Inc.

Distribution of Workers by Land Use Type

After identifying income ranges for each occupation category, EPS summed the percentages of the households in each income bracket across all occupations represented in the land use categories. These estimates of the proportion of worker households in each income brackets by land use category are presented in **Table 5**.

As illustrated, no employment categories are expected to generate any households at the Very Low-Income levels. Retail/Restaurant/Services, Industrial, and Warehousing uses are expected to generate significant numbers of households at the Low-Income level, while jobs in the Office/R&D/Medical Offices use are expected to yield more households with incomes at or above Moderate-Income levels. See **Appendix B** for details regarding the distribution of occupations and wages within each land use type.

Employment Densities

Different land use categories operate with varying levels of employment densities. A 100,000 square foot warehousing facility, for example, typically has fewer employees than an office building of the same size. The number of building square feet anticipated for an employee is termed the "employment density" of each land use category.

Based on research and experience with other comparable cities, EPS estimated the employment density for each of the land use categories (detailed in **Appendix Table A-1**). Using these employment density assumptions, EPS estimated the number of employees that would occupy a prototypical 100,000-square foot building for each land use category, as shown in **Table 6**.

Household Formation

After calculating the estimated number of new employees generated for each land use category, EPS estimated the number of households represented by these new employees, detailed in **Table 6**. To calculate new households, EPS first adjusted the number of workers expected to form new households, accounting for those workers who are typically too young (aged 16 to 19) to form their own households.[6] The resulting adjusted estimate of new workers was divided by 1.95, which represents the average number of workers per household in Paramount.[7]

[6] Data from the Bureau of Labor Statistics indicate this age cohort represents about 2.3 percent of the overall workforce. This proportion was applied to all industries except retail/restaurant/services industries, where the younger worker cohort represent 7.9 percent of the overall industry employment.

[7] Based on the Census Bureau's American Community Survey 2019-2023 data regarding the number of Paramount residents who are defined as "workers" in households that have workers.

Table 5 Income Distribution of Worker Households by Employment Category

Employment Category [1]	Income Level			
	Very Low 50% AMI	Low 80% AMI	Moderate 120% AMI	Above Moderate >120% AMI
Retail/Restaurant/Services	0.0%	89.0%	2.8%	8.2%
Office/R&D/Medical Offices	0.0%	35.6%	0.0%	64.4%
Industrial	0.0%	53.6%	0.0%	46.4%
Warehousing	0.0%	56.4%	0.0%	43.6%

[1] Designation of household income assumes a 3-person household and 1.95 workers per household, based on American Community Survey data.

Sources: JobsEQ, 2022; California Housing and Community Development (HCD); Economic & Planning Systems, Inc.

Table 6 Household Generation Rates by Employment Category

Employment Category	Sq.Ft. per Worker[1]	Total Workers per 100k Sq.Ft.	% of Workers Forming Households[2]	Total Households per 100k Sq.Ft.[3, 4]	Households by Income Level[5]			
					Very Low 50% AMI	Low 80% AMI	Moderate 120% AMI	Above Moderate >120% AMI
Retail/Restaurant/Services	400	250	92.1%	118	0	105	0	13
Office/R&D/Medical Offices	250	400	97.7%	200	0	39	0	161
Industrial	750	133	97.7%	67	0	29	7	31
Warehousing	1,500	67	97.7%	34	0	14	5	15

[1] See **Appendix Table A-1** for sources on employment densities in different land uses.
[2] U.S. Bureau of Labor Statistics data indicates that 7.9% of retail/restaurant workers are aged 16-19, but an average of only 2.3% of workers in other industries fall into that age cohort. EPS has assumed that workers aged 16-19 do not form their own households.
[3] Assumes 1.95 workers per household based on Census data; rounded.
[4] This maximum nexus-based fee calculation assumes that Paramount fees account for all worker households generated by new employers in City of Paramount, though some workers and their households may choose to reside outside of Paramount. Total number of households may not match sum of households by income level due to rounding.
[5] Figures are rounded to nearest whole number.

Sources: U.S. Census American Community Survey 5-Year Estimates 2023; JobsEQ, 2022; California Housing and Community Development (HCD); Economic & Planning Systems, Inc.

Housing Development Costs and Affordability Gap

To calculate the maximum justifiable fee for each land use category, EPS estimated the "affordability gap" related to developing residential units affordable to very-low, low, and moderate-income households. The average household size in Paramount is 3.64 people per household according to 2023 Five-Year Estimates from the American Community Survey (ACS), but the average number of people, per *working* household (households with earnings – not including retired households, etc.) is 4.09. Thus, this analysis estimates the costs of providing affordable housing for a four-person household, to represent the average size of working households (rounded). California State law (California Health and Safety Code Section 50052.5) assumes that a four-person household would occupy a three-bedroom unit, and this assumption is used in this analysis.

The assumed prototype reflects multifamily construction at 30 dwelling units to the acre with structured parking, consistent with typical multifamily zoning allowances in the City. Based on comparable recent projects in the vicinity of Paramount, EPS assumes that the typical net square footage of a three-bedroom rental unit in Paramount will be approximately 1,100 square feet.

Development Cost Assumptions

Affordable housing development costs include land costs, direct costs (e.g., labor and materials), and indirect or "soft" costs (e.g., architecture, entitlement, marketing, etc.). Data from recent land transactions in and around Paramount have been combined with EPS's information from various market-rate and affordable housing developers in the surrounding region to estimate appropriate development cost assumptions for use in Paramount. A developer fee is also estimated and represents the compensation to the developer for their efforts, investment, and risk. These assumptions are shown on **Table 7** and indicate that the total cost per unit for rental apartments is about $778,000. By necessity, this figure represents a "prototypical" project; the actual costs for a given project will vary by location and project design characteristics.

Revenue Assumptions

Assumptions must be made regarding the applicable income level (very-low, low, and moderate) and the percentage of household income spent on housing costs to calculate the values of the affordable units. In addition, translating these assumptions into unit prices and values requires estimates of operating expenses and capitalization rates. The following assumptions were used in these calculations:

- *Income Levels*—This analysis estimates the subsidy required to produce units for households falling into the very low, low, and moderate-income categories for a four-person household. While these categories are generally defined as a percentage of area median income (AMI) by HCD, EPS has assumed the maximum income level allowable under each nominal income category (for instance "moderate income" levels are set at 120 percent AMI, the very top of the range typically defined as 80 to 120 percent AMI). This assumption thus minimizes the development subsidy required for units at each income category.
- *Percentage of Gross Household Income Available for Housing Costs*— HCD standards on overpaying for rent indicate that households should pay no more than 30 percent of their

gross income on housing cost.[8] For this analysis, EPS has assumed that all households shall spend 30 percent of their gross income on housing costs, including the cost of utilities stated by the Los Angeles County Development Authority (LACDA) utility allowance schedule.

- *Operating Costs for Rental Units*—This analysis assumes that apartment operators incur annual operating costs of $7,700 per unit for units affordable to Very-Low and Low-Income households. EPS has assumed the units affordable to Moderate-Income households would have similar operating costs but would be built by for-profit builders and thus also subject to property taxes, increasing their annual operating cost to $10,000 per unit.

Affordability Gap Results

Table 7 shows the costs and values for developing rental apartments in the City for households at various income levels. Across all categories, the cost of constructing the unit is higher than the supportable value of the unit. This is considered the "affordability gap," and serves as the basis for calculating the subsidies required to provide housing for the lower-wage worker households generated by new nonresidential development. The results of the analysis illustrate that rents affordable to households earning Moderate Income levels and below cannot support the costs of new construction without subsidy.

[8] See HCD standards for Overpayment and Overcrowding, Building Blocks: Overpayment and Overcrowding (ca.gov)

Table 7 Affordability Gap Analysis – Rental Product Type (Per Unit)

Item	Multifamily Rental Apartments with Structure Parking		
	Very Low Income 50% AMI	Low Income 80% AMI	Moderate Income 120% AMI
Development Program Assumptions			
Density/Acre [1]	30	30	30
Gross Unit Size	1,100	1,100	1,100
Number of Bedrooms	3	3	3
Occupants per 3-bedroom Unit [2]	4	4	4
Parking Spaces/Unit [3]	2.25	2.25	2.25
Project Cost Assumptions per Unit (1-Acre Site)			
Land Acquisition and Site Improvement [4]	$148,333	$148,333	$148,333
Direct Development Costs [5]	$427,450	$427,450	$427,450
Indirect Development Costs [6]	$106,863	$106,863	$106,863
Developer Fee	$95,570	$95,570	$95,570
Total Development Costs	$778,216	$778,216	$778,216
Maximum Supported Home Price			
Household Income [7]	$69,350	$110,950	$117,850
Income Available for Housing Costs/Year [8]	$20,805	$33,285	$35,355
(less) Operating Expenses per Unit/Year [9]	($7,700)	($7,700)	($10,000)
Net Operating Income	$13,105	$25,585	$25,355
Capitalization Rate [10]	5.0%	5.0%	5.0%
Total Supportable Unit Value [11]	**$262,100**	**$511,700**	**$507,100**
Affordability Gap	**$516,116**	**$266,516**	**$271,116**

[1] Reflects the highest allowable densities in multifamily residential zone in Paramount.
[2] Consistent with guidance in State law (Health and Safety Code Section 50052.5), a 3-bedroom unit should be assumed to be occupied by a 4-person household.
[3] Parking requirement in multifamily residential zone is 2 spaces per unit plus guest parking.
[4] Includes land acquisition, site preparation costs, entitlement consultants, and fees/permits. Land acquisition value reflects a weighted average, based on TCAC applications within the last four years.
[5] Includes on-site work, offsite work, vertical construction, general requirements, overhead and builder fees. The cost estimate reflects wood-frame construction. Assumes workers are paid prevailing wage.
[6] Includes costs for architecture and engineering; project management; appraisal and market study; marketing, commissions, and general administration; financing and charges; insurance; and contingency.
[7] Incomes are based on 2024 HCD Income Limits for three-person households in Los Angeles County and revised to reflect State Density Bonus Law affordability requirements.
[8] Assumes that no more than 30% of a household's income should be spent on housing-related costs for housing to be considered affordable.
[9] Operating expenses are generally based on EPS feasibility studies in the region and are inclusive of utility costs; lower-income units (at or below 80% of AMI) are assumed to be built as non-profit and are, therefore, exempt from property taxes. Property taxes are assumed to comprise a share of the operating expenses for the moderate-income category.
[10] The capitalization rate is used to determine the current value of a property based on estimated future operating income, and is typically a measure of estimated operating risk.
[11] The total supportable unit value is determined by dividing the net operating income by the capitalization rate.

Sources: California Tax Credit Allocation Committee; California Housing and Community Development (HCD); CoStar; Economic & Planning Systems, Inc.

Fee Calculation

Table 9 through **Table 12** provide the maximum nonresidential housing fee calculations for each of the three land use categories.

The fee is calculated by the following steps:

1. Estimate the number of new households by income category generated by a prototypical 100,000-square foot building in the land use category.

2. Multiply the number of households generated by the per-unit affordability gap (as calculated in **Table 9**) to determine the level of subsidy required to provide housing in Paramount for all new worker households.

3. Divide the total affordability gap by 100,000 square feet (the size of the prototype building) to determine a maximum fee per building square foot.

The "Maximum Fee per Square Foot" calculated in the following tables represents the maximum justifiable linkage fee that the City can charge for each land use category based on the required nexus findings. The City may, however, decide to adopt fees below the maximum justifiable levels based on economic or policy considerations, as the maximum fee levels likely exceed levels that could feasibly be borne by new commercial developments.

For example, EPS has calculated an "Adjusted Maximum" fee reflecting the idea that not every employee of newly developed workplaces will in fact reside in Paramount, as shown in **Table 8**. According to the most recently available data from the US Census Bureau's American Community Survey, only 7.6 percent of people who work in Paramount also live in Paramount. EPS has applied that proportion to the "Maximum Fee" to calculate an "Adjusted Maximum" for each land use category. To be clear, however, this type of adjustment is not legally required, but does yield a lower fee.

Table 8 Adjusted Maximum Allowable Linkage Fees

Employment Category	Maximum Fee *per sq. ft.*	Adjusted Maximum [1] per sq. ft.
Retail/Restaurant/Services	$288	$266
Office	$189	$175
Industrial	$96	$89
Warehousing	$51	$47

[1] Adusted to avoid potential double-counting of the 7.6% of people who work in Paramount and also live in Paramount (as of 2022 LEHD data).

Source: Economic & Planning Systems, Inc.

Table 9 Fee Calculation – Retail/Restaurant/Services

Item	Worker Households per 100k sq. ft.	Affordability Gap per household	Total Gap
Table References:	*Table 6*	*Table 7*	
Aggregate Financing Gap per 100K Sq. Ft			
Affordability Level			
Very Low Income	0	$516,116	$0
Low Income	105	$266,516	$27,984,206
Moderate	3	$271,116	$813,349
Total	**108**		**$28,797,555**
Fee Calculation		*formula*	
Total Financing Gap		*a*	$28,797,555
Total Building Sq. Ft.		*b*	100,000
Maximum Fee per Sq. Ft.		*c = a / b*	**$287.98**
Adjustment for % of Workers Living in Paramount [1]			7.6%
Adjusted Fee per Sq. Ft.			**$266.09**

[1] The US Census Bureau indicates that 7.6% of people working in Paramount also lived in Paramount in 2022 (most recent data available).

Sources: US Census Bureau "On The Map"; Economic & Planning Systems, Inc.

Table 10 Fee Calculation – Office/R&D/Medical Offices

Item	Worker Households per 100k sq. ft.	Affordability Gap per household	Total Gap
Table References:	*Table 6*	*Table 7*	
Aggregate Financing Gap per 100K Sq. Ft			
Affordability Level			
Very Low Income	0	$516,116	$0
Low Income	71	$266,516	$18,922,654
Moderate	0	$271,116	$0
Total	**71**		**$18,922,654**
Fee Calculation		*formula*	
Total Financing Gap		*a*	$18,922,654
Total Building Sq. Ft.		*b*	100,000
Maximum Fee per Sq. Ft.		***c = a / b***	**$189.23**
Adjustment for % of Workers Living in Paramount [1]			7.6%
Adjusted Fee per Sq. Ft.			**$174.85**

[1] The US Census Bureau indicates that 7.6% of people working in Paramount also lived in Paramount in 2022 (most recent data available).

Sources: US Census Bureau "On The Map"; Economic & Planning Systems, Inc.

Table 11 Fee Calculation – Industrial

Item	Worker Households per 100k sq. ft.	Affordability Gap per household	Total Gap
Table References:	*Table 6*	*Table 7*	
Aggregate Financing Gap per 100K Sq. Ft			
Affordability Level			
Very Low Income	0	$516,116	$0
Low Income	36	$266,516	$9,594,585
Moderate	0	$271,116	$0
Total	**36**		**$9,594,585**
Fee Calculation		*formula*	
Total Financing Gap		*a*	$9,594,585
Total Building Sq. Ft.[1]		*b*	100,000
Maximum Fee per Sq. Ft.		*c = a / b*	**$95.95**
Adjustment for % of Workers Living in Paramount [1]			7.6%
Adjusted Fee per Sq. Ft.			**$88.65**

[1] The US Census Bureau indicates that 7.6% of people working in Paramount also lived in Paramount in 2022 (most recent data available).

Sources: US Census Bureau "On The Map"; Economic & Planning Systems, Inc.

Table 12 Fee Calculation – Warehousing

Item	Worker Households per 100k sq. ft.	Affordability Gap per household	Total Gap
Table References:	*Table 6*	*Table 7*	
Aggregate Financing Gap per 100K Sq. Ft			
Affordability Level			
Very Low Income	0	$516,116	$0
Low Income	19	$266,516	$5,063,809
Moderate	0	$271,116	$0
Total	**19**		**$5,063,809**
Fee Calculation		*formula*	
Total Financing Gap		*a*	$5,063,809
Total Building Sq. Ft.[1]		*b*	100,000
Maximum Fee per Sq. Ft.		*c = a / b*	**$50.64**
Adjustment for % of Workers Living in Paramount [1]			7.6%
Adjusted Fee per Sq. Ft.			**$46.79**

[1] The US Census Bureau indicates that 7.6% of people working in Paramount also lived in Paramount in 2022 (most recent data available).

Sources: US Census Bureau "On The Map"; Economic & Planning Systems, Inc.

APPENDICES:

Appendix A: Assumptions and Sources

Appendix B: Occupation Distribution by Employment Category

Appendix C: Survey of Commercial Linkage Fees in Other Jurisdictions

APPENDIX A:

Assumptions and Sources

Table A-1 Assumptions and Sources

Item	Total	Unit	Source
Demographic Assumptions			
Total Population	52,546	persons	American Community Survey 5-Year Estimates 2023
Total Employed	25,099	persons	American Community Survey 5-Year Estimates 2023
Households	14,348	households	American Community Survey 5-Year Estimates 2023
People per Household	3.64	persons	American Community Survey 5-Year Estimates 2023
Households with Earnings	12,858	households	American Community Survey 5-Year Estimates 2023
Workers per Household with Workers	1.95	persons	American Community Survey 5-Year Estimates 2023
Persons per Working Household	4.09	persons	American Community Survey 5-Year Estimates 2023
Paramount Workers Living in Paramount	7.6%	of workers	US Census Bureau "On The Map" 2022 data
Employment Density Assumptions			
Retail/Restaurant/Services	400	sq. ft. per employee	EPS Professional Industry Assumption
Office	250	sq. ft. per employee	EPS Professional Industry Assumption
Industrial	750	sq. ft. per employee	EPS Professional Industry Assumption
Warehousing	1,500	sq. ft. per employee	EPS Professional Industry Assumption

Sources: U.S. Census American Community Survey 5-Year Estimates 2023; US Census Bureau "On The Map"; Economic & Planning Systems, Inc.

APPENDIX B:

Occupation Distribution by Employment Category

Table B-1
Occupation and Wage Distribution - Retail/Restaurant
City of Paramount Commercial Linkage Fee Study; EPS #244011

Retail/Restaurant/Services

Occupation Category [1]	Los Angeles-Long Beach-Anaheim MSA Average Wage	% of Industry Jobs in Occupation Category	HH Income at 1.95 workers/HH	Income Category
Management Occupations	$102,983.13	4.06%	$200,817.10	Above Moderate
Business and Financial Operations Occupations	$74,555.77	1.26%	$145,383.76	Above Moderate
Computer and Mathematical Occupations	$102,151.76	0.28%	$199,195.94	Above Moderate
Architecture and Engineering Occupations	$97,643.27	0.01%	$190,404.38	Above Moderate
Life, Physical, and Social Science Occupations	$61,912.07	0.01%	$120,728.53	Above Moderate
Community and Social Service Occupations	$44,262.50	0.05%	$86,311.87	Low
Legal Occupations	$106,095.33	0.02%	$206,885.89	Above Moderate
Educational Instruction and Library Occupations	$58,828.72	0.04%	$114,716.01	Moderate
Arts, Design, Entertainment, Sports, and Media Occupations	$62,600.98	0.83%	$122,071.90	Above Moderate
Healthcare Practitioners and Technical Occupations	$91,542.32	1.74%	$178,507.52	Above Moderate
Healthcare Support Occupations	$58,761.50	0.51%	$114,584.92	Moderate
Protective Service Occupations	$43,608.34	0.33%	$85,036.27	Low
Food Preparation and Serving Related Occupations	$39,945.75	40.09%	$77,894.20	Low
Building and Grounds Cleaning and Maintenance Occupations	$42,848.79	0.82%	$83,555.15	Low
Personal Care and Service Occupations	$46,141.69	5.78%	$89,976.31	Low
Sales and Related Occupations	$42,971.66	24.72%	$83,794.74	Low
Office and Administrative Support Occupations	$48,691.09	5.01%	$94,947.62	Low
Farming, Fishing, and Forestry Occupations	$41,497.10	0.10%	$80,919.35	Low
Construction and Extraction Occupations	$58,892.21	0.12%	$114,839.81	Moderate
Installation, Maintenance, and Repair Occupations	$57,815.28	2.12%	$112,739.79	Moderate
Production Occupations	$43,756.09	2.11%	$85,324.38	Low
Transportation and Material Moving Occupations	$41,352.29	9.98%	$80,636.96	Low
Total or Weighted Average	**$46,535.58**	**100.00%**	**$90,744.38**	

[1] Includes NAICS Sectors: 44 and 45 - Retail Trade; 532000 - Rental and Leasing Services; 812000 - Personal and Laundry Services; and 722000 - Food Services and Drinking Places.

Sources: JobsEQ, 2023; U.S. Census American Community Survey 5-Year Estimates 2023; Economic & Planning Systems, Inc.

Table B-2
Occupation and Wage Distribution - Office/R&D/Medical Offices
City of Paramount Commercial Linkage Fee Study; EPS #244011

Office/R&D/Medical Offices

Occupation Category [1]	Los Angeles-Long Beach-Anaheim MSA Average Wage	% of Industry Jobs in Occupation Category	HH Income at 1.95 workers/HH	Income Category
Management Occupations	$165,815.18	10.78%	$323,339.59	Above Moderate
Business and Financial Operations Occupations	$96,635.30	13.04%	$188,438.84	Above Moderate
Computer and Mathematical Occupations	$128,823.13	6.78%	$251,205.11	Above Moderate
Architecture and Engineering Occupations	$111,845.69	2.50%	$218,099.10	Above Moderate
Life, Physical, and Social Science Occupations	$104,423.33	1.35%	$203,625.49	Above Moderate
Community and Social Service Occupations	$68,096.84	1.51%	$132,788.84	Above Moderate
Legal Occupations	$161,303.88	3.10%	$314,542.57	Above Moderate
Educational Instruction and Library Occupations	$69,585.07	0.21%	$135,690.88	Above Moderate
Arts, Design, Entertainment, Sports, and Media Occupations	$113,044.74	7.48%	$220,437.24	Above Moderate
Healthcare Practitioners and Technical Occupations	$139,321.88	7.48%	$271,677.67	Above Moderate
Healthcare Support Occupations	$48,685.03	3.88%	$94,935.80	Low
Protective Service Occupations	$43,505.48	3.62%	$84,835.69	Low
Food Preparation and Serving Related Occupations	$41,304.79	0.40%	$80,544.34	Low
Building and Grounds Cleaning and Maintenance Occupations	$45,391.84	5.74%	$88,514.09	Low
Personal Care and Service Occupations	$48,573.27	0.64%	$94,717.87	Low
Sales and Related Occupations	$83,780.63	7.06%	$163,372.22	Above Moderate
Office and Administrative Support Occupations	$54,451.35	16.02%	$106,180.12	Low
Farming, Fishing, and Forestry Occupations	$46,323.69	0.10%	$90,331.20	Low
Construction and Extraction Occupations	$69,398.25	0.82%	$135,326.59	Above Moderate
Installation, Maintenance, and Repair Occupations	$64,656.46	2.26%	$126,080.10	Above Moderate
Production Occupations	$44,016.53	2.01%	$85,832.23	Low
Transportation and Material Moving Occupations	$41,533.06	3.23%	$80,989.46	Low
Total or Weighted Average	**$93,948.96**	**100.00%**	**$183,200.46**	

[1] Includes NAICS Sectors: 51 - Information; 52 - Finance and Insurance; 53 - Real Estate and Rental and Leasing (excluding 532000 -Rental and Leasing Services); 54 - Professional, Scientific, and Technical Services; 55 - Management of Companies and Enterprises; 561 - Admin. and Support Services; 6211 - Offices of Physicians; 6212 - Offices of Dentists; 6213 - Offices of Other Health Practitioners; 6214 - Outpatient Care Centers; and 621500 - Medical and Diagonostic Laboratories.

Sources: JobsEQ, 2023; U.S. Census American Community Survey 5-Year Estimates 2023; Economic & Planning Systems, Inc.

Table B-3
Occupation and Wage Distribution - Industrial
City of Paramount Commercial Linkage Fee Study; EPS #244011

Industrial

Occupation Category [1]	Los Angeles-Long Beach-Anaheim MSA Average Wage	% of Industry Jobs in Occupation Category	HH Income at 1.95 workers/HH	Income Category
Management Occupations	$159,041.63	8.00%	$310,131.18	Above Moderate
Business and Financial Operations Occupations	$93,554.97	5.87%	$182,432.19	Above Moderate
Computer and Mathematical Occupations	$136,225.69	2.85%	$265,640.10	Above Moderate
Architecture and Engineering Occupations	$119,130.44	4.14%	$232,304.36	Above Moderate
Life, Physical, and Social Science Occupations	$89,236.58	0.77%	$174,011.32	Above Moderate
Community and Social Service Occupations	$79,959.18	0.00%	$155,920.40	Above Moderate
Legal Occupations	$210,129.64	0.07%	$409,752.79	Above Moderate
Educational Instruction and Library Occupations	$74,158.93	0.01%	$144,609.91	Above Moderate
Arts, Design, Entertainment, Sports, and Media Occupations	$82,169.22	1.42%	$160,229.98	Above Moderate
Healthcare Practitioners and Technical Occupations	$102,069.46	0.17%	$199,035.44	Above Moderate
Healthcare Support Occupations	$60,934.74	0.02%	$118,822.75	Above Moderate
Protective Service Occupations	$52,151.69	0.12%	$101,695.80	Low
Food Preparation and Serving Related Occupations	$41,913.15	0.51%	$81,730.65	Low
Building and Grounds Cleaning and Maintenance Occupations	$43,666.74	0.52%	$85,150.15	Low
Personal Care and Service Occupations	$62,900.93	0.04%	$122,656.82	Above Moderate
Sales and Related Occupations	$83,307.33	8.58%	$162,449.30	Above Moderate
Office and Administrative Support Occupations	$54,351.86	10.46%	$105,986.13	Low
Farming, Fishing, and Forestry Occupations	$44,702.28	0.36%	$87,169.44	Low
Construction and Extraction Occupations	$62,494.52	7.43%	$121,864.31	Above Moderate
Installation, Maintenance, and Repair Occupations	$65,647.75	7.06%	$128,013.12	Above Moderate
Production Occupations	$50,861.42	23.66%	$99,179.77	Low
Transportation and Material Moving Occupations	$48,426.63	17.92%	$94,431.94	Low
Total or Weighted Average	**$72,754.41**	**100.00%**	**$141,871.09**	

[1] Includes NAICS Sectors: 22 - Utilities; 23 - Construction; and 811 - Repair and Maintenance; and 484 - Truck Transportation.

Sources: JobsEQ, 2023; U.S. Census American Community Survey 5-Year Estimates 2023; Economic & Planning Systems, Inc.

Table B-4
Occupation and Wage Distribution - Warehousing
City of Paramount Commercial Linkage Fee Study; EPS #244011

Warehousing

Occupation Category [1]	Los Angeles-Long Beach-Anaheim MSA Average Wage	% of Industry Jobs in Occupation Category	HH Income at 1.95 workers/HH	Income Category
Management Occupations	$158,601.55	8.77%	$309,273.02	Above Moderate
Business and Financial Operations Occupations	$89,939.30	5.90%	$175,381.64	Above Moderate
Computer and Mathematical Occupations	$116,400.50	2.38%	$226,980.98	Above Moderate
Architecture and Engineering Occupations	$109,931.13	0.77%	$214,365.70	Above Moderate
Life, Physical, and Social Science Occupations	$89,053.71	0.36%	$173,654.74	Above Moderate
Community and Social Service Occupations	$81,879.27	0.01%	$159,664.57	Above Moderate
Legal Occupations	$192,222.63	0.08%	$374,834.12	Above Moderate
Educational Instruction and Library Occupations	$74,246.94	0.02%	$144,781.53	Above Moderate
Arts, Design, Entertainment, Sports, and Media Occupations	$82,628.15	2.03%	$161,124.89	Above Moderate
Healthcare Practitioners and Technical Occupations	$102,219.55	0.35%	$199,328.13	Above Moderate
Healthcare Support Occupations	$57,000.00	0.02%	$111,150.00	Moderate
Protective Service Occupations	$47,864.39	0.19%	$93,335.56	Low
Food Preparation and Serving Related Occupations	$40,409.66	0.14%	$78,798.84	Low
Building and Grounds Cleaning and Maintenance Occupations	$44,983.33	0.41%	$87,717.48	Low
Personal Care and Service Occupations	$66,087.42	0.09%	$128,870.47	Above Moderate
Sales and Related Occupations	$84,869.96	17.83%	$165,496.43	Above Moderate
Office and Administrative Support Occupations	$53,939.14	13.90%	$105,181.32	Low
Farming, Fishing, and Forestry Occupations	$44,027.70	0.78%	$85,854.01	Low
Construction and Extraction Occupations	$76,258.11	0.38%	$148,703.32	Above Moderate
Installation, Maintenance, and Repair Occupations	$66,672.86	4.63%	$130,012.07	Above Moderate
Production Occupations	$49,893.81	4.55%	$97,292.92	Low
Transportation and Material Moving Occupations	$49,775.42	36.42%	$97,062.07	Low
Total or Weighted Average	**$72,498.93**	**100.00%**	**$141,372.92**	

[1] Includes NAICS Sectors: 493 - Warehousing & Storage; 484 - Truck Transportation; and 42 - Wholesale Trade.

Sources: JobsEQ, 2023; U.S. Census American Community Survey 5-Year Estimates 2023; Economic & Planning Systems, Inc.

APPENDIX C:

Survey of Commercial Linkage Fees in Other Jurisdictions

Table C Survey of Commercial Linkage Fees in Other Jurisdictions

Land Use Category	Glendale	West Hollywood	Santa Monica [1]	Fontana [2]	Los Angeles [3]
Office (Per Sq. Ft.)	$4.00	$9.39	$14.93	$1.15	$3.75 - $6.25
Retail (Per Sq. Ft.)	$4.00	$9.39	$12.98	$1.66	$3.75 - $6.25
Industrial (Per Sq. Ft.)	$4.00	$9.39	$10.03	$0.12	$3.75 - $6.25
Warehouse (Per Sq. Ft.) [4]	-	-	-	$0.13	-

[1] Santa Monica's linkage fee program has additional land use categories of "Creative Office" at $12.58 per sq. ft., "Medical Office" at $9.04 per sq. ft., "Hospital" at $8.06 per sq. ft., and "Institutional" at $9.88 per sq. ft.

[2] Fontana's linkage fee program has additional land use categories of "Hospital/Medical" at $1.43 per sq. ft..

[3] Los Angeles' linkage fee is different for different areas of the City.

[4] Of the cities selected in this comparison, only Fontana has a linkage fee specifically for the "Warehouse" use.

Source: Economic & Planning Systems, Inc.