

City of Capitola Council Meeting Agenda



Mayor: Yvette Brooks
Vice Mayor: Sam Storey
Council Members: Jacques Bertrand
Margaux Keiser
Kristen Petersen

THURSDAY, OCTOBER 14, 2021

REGULAR MEETING - 7 PM

CLOSED SESSION – 6 PM

An announcement regarding the items to be discussed in Closed Session will be made in the City Hall Council Chambers prior to the Closed Session. Members of the public may, at this time, address the City Council on closed session items only. There will be a report of any final decisions in City Council Chambers during the Open Session Meeting.

CONFERENCE WITH REAL PROPERTY NEGOTIATORS [Govt. Code § 54956.8]

Property: 4400 Jade Street, Capitola, CA 034-551-02 & 034-551-03

City Negotiator: Jamie Goldstein, City Manager

Negotiating Parties: Soquel Union Elementary School District

Under Negotiation: Price and terms of agreement

LIABILITY CLAIMS [Govt. Code § 54956.95]

Claimant: Sheri Milazzo

Agency claimed against: City of Capitola

REGULAR MEETING OF THE CAPITOLA CITY COUNCIL - 7 PM

All correspondences received prior to 5:00 p.m. on the Wednesday preceding a Council Meeting will be distributed to Councilmembers to review prior to the meeting. Information submitted after 5 p.m. on that Wednesday may not have time to reach Councilmembers, nor be read by them prior to consideration of an item. All matters listed on the Regular Meeting of the Capitola City Council Agenda shall be considered as Public Hearings.

1. ROLL CALL AND PLEDGE OF ALLEGIANCE

Council Members Kristen Petersen, Jacques Bertrand, Margaux Keiser, Sam Storey, and Mayor Yvette Brooks

2. REPORT ON CLOSED SESSION

3. ADDITIONAL MATERIALS

Additional information submitted to the City after distribution of the agenda packet.

4. ADDITIONS AND DELETIONS TO AGENDA

5. ORAL COMMUNICATIONS

Please review the Notice of Remote Access for instructions. Oral Communications allows time for members of the Public to address the City Council on any "Consent Item" on tonight's agenda, or on any topic within the jurisdiction of the City that is not on the "General Government/Public Hearings" section of the Agenda. Members of the public may speak for up to three minutes, unless otherwise specified by the Mayor. Individuals may not speak more than once during Oral Communications. All speakers must address the entire legislative body and will not be permitted to engage in dialogue. A MAXIMUM of 30 MINUTES is set aside for Oral Communications.

6. STAFF / CITY COUNCIL COMMENTS

City Council Members/Staff may comment on matters of a general nature or identify issues for staff response or future council consideration. No individual shall speak for more than two minutes.

7. CONSENT ITEMS

All items listed as "Consent Items" will be enacted by one motion in the form listed below. There will be no separate discussion on these items prior to the time the Council votes on the action unless members of the City Council request specific items to be discussed for separate review. Items pulled for separate discussion will be considered following General Government. Note that all Ordinances which appear on the public agenda shall be determined to have been read by title and further reading waived.

- A. Consider the September 23, 2021, City Council Meeting Minutes
RECOMMENDED ACTION: Approve minutes.
- B. Authorize Police Records Technician Position Full-Time
RECOMMENDED ACTION: Authorize the City Manager to fill Police Records Technician as a full time position.
- C. Liability Claim of Sheri Milazzo
RECOMMENDED ACTION: Deny liability claim.
- D. Continue the hearing to consider Adoption of an Uncodified Library Lease Ordinance
RECOMMENDED ACTION: Continue the hearing to consider the second reading of a proposed Ordinance allowing the City to enter a lease with a term in excess of 55 years and authorizing a 99-year lease with Santa Cruz County for the Capitola Library to October 28, 2021.
- E. Approve Plans, Specifications, and Construction Budget for the 2021 Road Repair Project and Authorize Advertising for Bids
RECOMMENDED ACTION: Approve the plans, specifications, and construction budget for the 2021 Road Repair Project and authorize the Public Works Department to advertise for construction bids.
- F. Proclamation Policy Update
RECOMMENDED ACTION: Approve the proposed changes to Policy I-35: Proclamations.

- G. Receive Update on Pandemic Response and Consider Adoption of Resolution Authorizing Continuance of Online/Virtual Meetings
RECOMMENDED ACTION: 1) Make the determination that all hazards related to the worldwide spread of the coronavirus (COVID-19) as detailed in Resolution No. 4168 adopted by the City Council on March 12, 2020, still exist and that there is a need to continue action, and 2) Adopt the proposed resolution authorizing the Capitola City Council (along with the Planning Commission and all advisory bodies) to conduct teleconferencing meetings.

8. GENERAL GOVERNMENT / PUBLIC HEARINGS

All items listed in "General Government" are intended to provide an opportunity for public discussion of each item listed. The following procedure pertains to each General Government item: 1) Staff explanation; 2) Council questions; 3) Public comment; 4) Council deliberation; 5) Decision.

- A. Redistricting Presentation
RECOMMENDED ACTION: Accept presentation.
- B. Consider an Agreement with Caltrans to Include Highway 1 Ramp Signals in the Adaptive Signals Project
RECOMMENDED ACTION: Take the following actions:
1. Approve an agreement between the City and California Department of Transportation (Caltrans) for Installation, Operation and Maintenance of Adaptive Traffic Management System and authorize the Public Works Director to sign the agreement: and
 2. Authorize the City Manager to issue a Contract Change Order to Bear Electric Solutions, the contractor for the 41st Avenue Traffic Signal Adaptive Coordination project, in an amount not to exceed \$400,000 to add two Caltrans intersections to the project.
- C. Consideration of first readings of an ordinance amending Chapter 18.02 Affordable (Inclusionary) Housing and an ordinance adding Chapter 18.05 for Affordable Housing Impact Fees.
RECOMMENDED ACTION: Staff recommends the City Council:
1. Introduce for first reading, by title only, waiving further reading of the text, an ordinance amending chapter 18.02 of the Capitola Municipal Code, Affordable (Inclusionary) Housing.
 2. Introduce for first reading, by title only, waiving further reading of the text, an ordinance adding Chapter 18.05 of the Capitola Municipal Code, Affordable Housing Impact Fees.
- D. GreenWaste Franchise Agreement
RECOMMENDED ACTION: Authorize the City Manager to enter into the amended and restated Franchise Agreement with GreenWaste Recovery, Inc. for collection and disposal of garbage, recycling, organics, food waste, yard waste, and construction and demolition debris.
- E. Recreation Registration System Update
RECOMMENDED ACTION: Authorize the City Manager to enter into an ongoing contract with CivicPlus to provide the City Recreation Division with a new registration management system.

9. ADJOURNMENT

NOTICE OF REMOTE ACCESS

In accordance with the current Santa Cruz County Health Order outlining social distancing requirements and Executive Order N-29-20 from the Executive Department of the State of California, the City Council meeting is not physically open to the public and in person attendance cannot be accommodated.

To watch:

- Online <http://capitolaca.igam2.com/Citizens/Default.aspx>
- Spectrum Cable Television channel 8

To join Zoom:

- Join the Zoom Meeting by clicking the following link:
<https://us02web.zoom.us/j/84559688807?pwd=TIFVTDIPSTR0ZINjeXA1WldldVlvQT09>

If prompted for a passcode, enter **358116**

- **-OR-** With a landline or mobile phone, call one of the following numbers:
 - **1 669 900 6833**
 - **1 408 638 0968**
 - **1 346 248 7799**
- Enter the meeting ID number: **845 5968 8807**
- When prompted for a Participant ID, press #

To submit public comment:

When submitting public comment, one comment (via phone **or** email, not both), per person, per item is allowed. If you send more than one email about the same item, the last received will be read.

- Zoom Meeting (Via Computer or Phone) Link:
 - IF USING COMPUTER:
 - § Use participant option to “raise hand” during the public comment period for the item you wish to speak on. Once unmuted, you will have up to 3 minutes to speak
 - IF CALLED IN OVER THE PHONE:
 - § Press *9 on your phone to “raise your hand” when the mayor calls for public comment. Once unmuted, you will have up to 3 minutes to speak
- Send Email:
 - During the meeting, send comments via email to publiccomment@ci.capitola.ca.us
 - § Emailed comments on items will be accepted after the start of the meeting until the Mayor announces that public comment for that item is closed.
 - § Emailed comments should be a maximum of 450 words, which corresponds to approximately 3 minutes of speaking time.
 - § Each emailed comment will be read aloud for up to three minutes and/or displayed on a screen.
 - § Emails received by publiccomment@ci.capitola.ca.us outside of the comment period outlined above will not be included in the record.

Note: Any person seeking to challenge a City Council decision made as a result of a proceeding in which, by law, a hearing is required to be given, evidence is required to be taken, and the discretion in the determination of facts is vested in the City Council, shall be required to commence that court action within ninety (90) days following the date on which the decision becomes final as provided in Code of

CAPITOLA CITY COUNCIL REGULAR MEETING AGENDA
October 14, 2021

Civil Procedure §1094.6. Please refer to code of Civil Procedure §1094.6 to determine how to calculate when a decision becomes “final.” Please be advised that in most instances the decision become “final” upon the City Council’s announcement of its decision at the completion of the public hearing. Failure to comply with this 90-day rule will preclude any person from challenging the City Council decision in court.

Notice regarding City Council: The City Council meets on the 2nd and 4th Thursday of each month at 7:00 p.m. (or in no event earlier than 6:00 p.m.), in the City Hall Council Chambers located at 420 Capitola Avenue, Capitola.

Agenda and Agenda Packet Materials: The City Council Agenda and the complete Agenda Packet are available for review on the City’s website: www.cityofcapitola.org and at Capitola City Hall prior to the meeting. Agendas are also available at the Capitola Post Office located at 826 Bay Avenue, Capitola. Need more information? Contact the City Clerk’s office at 831-475-7300.

Agenda Materials Distributed after Distribution of the Agenda Packet: Pursuant to Government Code §54957.5, materials related to an agenda item submitted after distribution of the agenda packet are available for public inspection at the Reception Office at City Hall, 420 Capitola Avenue, Capitola, California, during normal business hours.

Americans with Disabilities Act: Disability-related aids or services are available to enable persons with a disability to participate in this meeting consistent with the Federal Americans with Disabilities Act of 1990. Assisted listening devices are available for individuals with hearing impairments at the meeting in the City Council Chambers. Should you require special accommodations to participate in the meeting due to a disability, please contact the City Clerk’s office at least 24 hours in advance of the meeting at 831-475-7300. In an effort to accommodate individuals with environmental sensitivities, attendees are requested to refrain from wearing perfumes and other scented products.

Televised Meetings: City Council meetings are cablecast “Live” on Charter Communications Cable TV Channel 8 and are recorded to be rebroadcasted at 8:00 a.m. on the Wednesday following the meetings and at 1:00 p.m. on Saturday following the first rebroadcast on Community Television of Santa Cruz County (Charter Channel 71 and Comcast Channel 25). Meetings are streamed “Live” on the City’s website at www.cityofcapitola.org by clicking on the Home Page link “**Meeting Agendas/Videos.**” Archived meetings can be viewed from the website at any time.



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF OCTOBER 14, 2021

FROM: City Manager Department

SUBJECT: Consider the September 23, 2021, City Council Meeting Minutes

RECOMMENDED ACTION: Approve minutes.

DISCUSSION: Attached for Council review and approval are the minutes from the regular City Council meeting held on September 23, 2021.

ATTACHMENTS:

1. 9-23-21 draft

Report Prepared By: Chloe Woodmansee
City Clerk

Reviewed and Forwarded by:

A handwritten signature in black ink, appearing to be "JG", written over a horizontal line.

Jamie Goldstein, City Manager

10/8/2021

**CAPITOLA CITY COUNCIL
DRAFT REGULAR MEETING MINUTES
THURSDAY, SEPTEMBER 23, 2021 - 7 PM**

REGULAR MEETING OF THE CAPITOLA CITY COUNCIL - 7 PM

1. ROLL CALL AND PLEDGE OF ALLEGIANCE

Council Member Jacques Bertrand: Absent, Council Member Kristen Petersen: Remote, Vice Mayor Sam Storey: Remote, Mayor Yvette Brooks: Remote, Council Member Margaux Keiser: Remote.

2. PRESENTATIONS

A. Proclaim October 2021 College and Career Awareness Month

Mayor Brooks presented the proclamation to Dr. De la Sura, the Vice President of Instruction at Cabrillo College.

3. ADDITIONAL MATERIALS

4. ADDITIONS AND DELETIONS TO AGENDA

5. ORAL COMMUNICATIONS – NONE

6. STAFF / CITY COUNCIL COMMENTS

City Manager Jamie Goldstein announced that Governor Gavin Newsom signed Assembly Bill 361, allowing for continued virtual meetings.

Vice-Mayor Storey asked staff to arrange a presentation on the County’s redistricting efforts during the next Council meeting.

7. CONSENT ITEMS

RESULT:	APPROVE ITEMS 7.B, 7.C, 7.D, 7.E, AND 7.G AS RECOMMENDED [UNANIMOUS]
MOVER:	Kristen Petersen
SECONDER:	Margaux Keiser
AYES:	Kristen Petersen, Sam Storey, Yvette Brooks, Margaux Keiser
ABSENT:	Jacques Bertrand

A. Consider the September 9, 2021, City Council Meeting Minutes
RECOMMENDED ACTION: Approve minutes.

Mayor Brooks requested an amendment to the minutes to include a comment made at the September 9 meeting encouraging the applicant to consider eco-friendly hotel initiatives when/if the hotel development is approved.

Attachment: 9-23-21 draft (Approve Council Minutes)

CAPITOLA CITY COUNCIL REGULAR MEETING MINUTES
September 23, 2021

RESULT:	APPROVE THE MINUTES WITH ADDITION REGARDING ECO-FRIENDLY HOTEL INITIATIVES [UNANIMOUS]
MOVER:	Sam Storey
SECONDER:	Margaux Keiser
AYES:	Kristen Petersen, Sam Storey, Yvette Brooks, Margaux Keiser
ABSENT:	Jacques Bertrand

- B. Planning Commission Action Minutes
RECOMMENDED ACTION: Receive minutes.
- C. Approval of City Check Registers Dated August 20, August 27, September 3 and September 10
RECOMMENDED ACTION: Approve check registers.
- D. Wharf Rehabilitation Project - Phase 1 Award of Contract
RECOMMENDED ACTION: Award contract to Power Engineering, Inc. for construction of the Wharf Rehabilitation Project - Phase 1 in the amount of \$484,740.
- E. Community Development Block Grant Coronavirus Response 2&3 Resolution
RECOMMENDED ACTION: Adopt the proposed resolution repealing Resolution No.4211 and approving the CDBG-CV2/3 application.
- F. Authorize Senior Planner Position
RECOMMENDED ACTION: Authorize the City Manager to fill one vacancy at either the Senior or Associate Planner Classification.

Staff explained that there had been a recruitment for both Senior and Associated Planners, and dependent on the response Staff would like authority to hire one candidate at either classification.

RESULT:	AUTHORIZE THE CITY MANAGER TO FILL ONE VACANCY AT EITHER THE SENIOR OR THE ASSOCIATE PLANNER CLASSIFICATION [3 TO 0]
MOVER:	Sam Storey
SECONDER:	Margaux Keiser
AYES:	Sam Storey, Yvette Brooks, Margaux Keiser
ABSENT:	Jacques Bertrand
RECUSED:	Kristen Petersen

- G. Receive Update on Pandemic Response
RECOMMENDED ACTION: Make the determination that all hazards related to the worldwide spread of the coronavirus (COVID-19) as detailed in Resolution No. 4168 adopted by the City Council on March 12, 2020, still exist and that there is a need to continue action.

8. GENERAL GOVERNMENT / PUBLIC HEARINGS

- A. Authorize the Public Works Department to Apply for Grant Funding from the Santa Cruz County Regional Transportation Commission for Road Projects
RECOMMENDATION: Authorize the Public Works Department to submit a grant application to the Santa Cruz County Regional Transportation Commission for the

CAPITOLA CITY COUNCIL REGULAR MEETING MINUTES
September 23, 2021

following projects: 1) 41st Avenue Paving Rehabilitation Project and 2) Kennedy Drive Sidewalk Project

Public Works Director Jesberg presented a staff report.

Vice-Mayor Storey asked why previously prioritized projects were not suggested for the grant application, and about the timing of budgeting for projects. Director Jesberg responded that 41st Avenue is a prioritized project and that the other projects were being addressed under current fund allocations; he also said that budgeting would be included either at the mid-year budget review, or at the budget hearings in June 2022.

There was no public comment.

MOTION:	AUTHORIZE THE PUBLIC WORKS DEPARTMENT TO SUBMIT A GRANT APPLICATION TO SCCRTC FOR THE 41ST AVENUE PAVING REHABILITATION PROJECT AND THE KENNEDY DRIVE SIDEWALK PROJECT
RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Sam Storey
SECONDER:	Kristen Petersen
AYES:	Kristen Petersen, Sam Storey, Yvette Brooks, Margaux Keiser
ABSENT:	Jacques Bertrand

B. Digital Reading Device Purchasing Policy Update
RECOMMENDED ACTION: Receive report and direct staff regarding any desired changes to Administrative Policy V-10: Digital Reading Device Purchasing.

City Manager Goldstein presented a brief staff report.

There was no public comment.

Mayor Brooks stated that an annual technology reimbursement would be more useful than a specific reimbursement for e-readers only and suggested an annual allowance of \$250.

Council Member Petersen agreed with the idea of a technology reimbursement but did not suggest a dollar amount.

Council Member Keiser asked staff if members would need to make purchases to get reimbursed, or if this would be an annual stipend regardless of purchases. In response, Mayor Brooks asked staff if the proposed program could be available upon an individual Council Member’s request for reimbursement of up to \$250 a year.

Vice-Mayor Storey agreed that this was a satisfactory idea.

City Manager Goldstein asked Council if the proposed idea would be for Council Members only, or if it would include Planning Commissioners and department heads, as is stated on the current policy. The consensus was to allot a reimbursement of \$250 a year for all Council Members, eligible staff and Planning Commissioners.

MOTION:	DIRECT STAFF TO UPDATE THE POLICY TO OUTLINE A TECHNOLOGY REIMBURSEMENT PROGRAM FOR ELIGIBLE STAFF,
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Attachment: 9-23-21 draft (Approve Council Minutes)

CAPITOLA CITY COUNCIL REGULAR MEETING MINUTES
September 23, 2021

	COMMISSIONERS, AND COUNCIL MEMBERS TO QUALIFY FOR UP TO \$250 IN REIMBURSEMENT ANNUALLY
RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Margaux Keiser
SECONDER:	Sam Storey
AYES:	Kristen Petersen, Sam Storey, Yvette Brooks, Margaux Keiser
ABSENT:	Jacques Bertrand

C. Consider the Selection of Pavement Engineering Inc. for on-call Pavement Management Design Services and Kimley Horn for on-call Traffic Engineering and Civil Design Services to Support Capital Improvement Project Design and Implementation

RECOMMENDED ACTION: Approve the selection of the following consulting engineers to provide on-call engineering design services for implementation of the City’s Capital Improvement Program for a five-year period (FY 21/22 through FY 26/27):

1. Pavement Engineering Incorporated in an amount not to exceed \$100,000 for FY 2021/22 for pavement management program projects.
2. Kimley-Horn and Associates in an amount not to exceed \$100,000 for FY 2021/22 for traffic engineering and civil design projects.

Director Steve Jesberg presented a staff report.

Vice-Mayor Storey stated he was happy to see Park Avenue traffic calming on the list of upcoming projects and asked staff when Council could expect to see a preliminary design. Director Jesberg answered that the priority is Clares Street, but preliminary plans for Park Avenue could come before Council in late November or December, at the latest January 2022.

There was no public comment.

MOTION:	APPROVE THE SELECTION OF PAVEMENT ENGINEERING INCORPORATED AND KIMLEY-HORN AND ASSOCIATES AS RECOMMENDED
RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Margaux Keiser
SECONDER:	Kristen Petersen
AYES:	Kristen Petersen, Sam Storey, Yvette Brooks, Margaux Keiser
ABSENT:	Jacques Bertrand

9. ADJOURNMENT

Mayor Brooks announced that considering the Governor signed AB 361, Capitola Council would continue meeting via teleconference or Zoom. The meeting was closed at 8:01 p.m. to the next regular Council meeting on October 14, 2021.

Attachment: 9-23-21 draft (Approve Council Minutes)

CAPITOLA CITY COUNCIL REGULAR MEETING MINUTES
September 23, 2021

Yvette Brooks, Mayor

ATTEST:

Chloé Woodmansee, City Clerk

Attachment: 9-23-21 draft (Approve Council Minutes)



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF OCTOBER 14, 2021

FROM: City Manager Department

SUBJECT: Authorize Police Records Technician Position Full-Time

RECOMMENDED ACTION: Authorize the City Manager to fill Police Records Technician as a full time position.

BACKGROUND: The City of Capitola currently has two authorized Records Technicians in the Police Department. One is filled at full-time (40-hours/week) and the other is filled at $\frac{3}{4}$ time (30 hours/week).

The individual who works in the $\frac{3}{4}$ time position recently announced she will be retiring this November. City staff is recommending that position be fill on a full-time basis moving forward.

DISCUSSION: During the Fiscal Year 2021-22 budget hearings, the City Council authorized \$100,000 to help with staffing levels that were reduced during the COVID-19 pandemic. Of that amount approximately \$30,000 was allocated to assist the Police Department where the administrative and records area was reduced by one full-time employee during the pandemic.

Changing the $\frac{3}{4}$ time Records Technician position to full time was one option the Department originally examined to increase administrative support, however the incumbent in the $\frac{3}{4}$ time position was unavailable to increase hours.

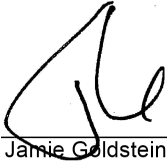
With the pending retirement staff is requesting the Records Technician position be reclassified as full time. The additional 10-hours per week will help with coverage at the front counter and allow other tasks in the Department to be completed in a timely manner. In addition, City staff believes it will be easier to recruit at the full-time level rather than the $\frac{3}{4}$ time.

FISCAL IMPACT: The anticipated additional Fiscal Year 2021-22 costs for increasing the position to full-time will be less than \$10,000. This amount is included in the approved budget.

Report Prepared By: Larry Laurent
Assistant to the City Manager

Police Record Technician Full-Time
October 14, 2021

Reviewed and Forwarded by:



Jamie Goldstein, City Manager

10/7/2021



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF OCTOBER 14, 2021

FROM: City Manager Department
SUBJECT: Liability Claim of Sheri Milazzo

RECOMMENDED ACTION: Deny liability claim.

DISCUSSION: Sheri Milazzo has filed a liability claim against the City in the amount of \$79,614.15.

Report Prepared By: Chloe Woodmansee
City Clerk

Reviewed and Forwarded by:

A handwritten signature in black ink, appearing to be "JG", is written over a horizontal line.

Jamie Goldstein, City Manager

10/7/2021



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF OCTOBER 14, 2021

FROM: City Manager Department

SUBJECT: Continue the hearing to consider Adoption of an Uncodified Library Lease Ordinance

RECOMMENDED ACTION: Continue the hearing to consider the second reading of a proposed Ordinance allowing the City to enter a lease with a term in excess of 55 years and authorizing a 99-year lease with Santa Cruz County for the Capitola Library to October 28, 2021.

BACKGROUND/DISCUSSION: At the July 23, 2021, meeting Council reviewed a draft 99-year lease with Santa Cruz County for the Capitola Branch Library, and approved the first reading of the uncodified ordinance to allow the City to enter the long term lease. The lease includes all the relevant terms for the County to maintain and ensure staffing of the facility. Staff anticipates the County will sublease the building to the Santa Cruz Public Libraries Joint Powers Authority (SCPL), which will operate the library.

Staff noticed the second reading of the ordinance approving the lease for October 14, 2021. However the City has not yet received final comments on the lease from SCPL. Therefore, staff recommends continuing the second reading and approval of the uncodified ordinance to the October 28 City Council meeting. The final version of the lease and ordinance will be included when the item returns for Council review and approval.

FISCAL IMPACT: Approval of the ordinance and lease meets the terms of the 2004 contract with the County, ensuring the new library will be maintained and staffed for 99 years at no cost to the City.

Report Prepared By: Jamie Goldstein
City Manager

Reviewed and Forwarded by:

Jamie Goldstein, City Manager

10/8/2021



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF OCTOBER 14, 2021

FROM: Public Works Department

SUBJECT: Approve Plans, Specifications, and Construction Budget for the 2021 Road Repair Project and Authorize Advertising for Bids

RECOMMENDED ACTION: Approve the plans, specifications, and construction budget for the 2021 Road Repair Project and authorize the Public Works Department to advertise for construction bids.

BACKGROUND: In June the City Council approved a list of streets for pavement resurfacing. Staff has divided the scope of work into two phases. First the City will remove and replace structurally deficient sections of roadway with a new four-inch section of asphalt. The second phase will place a rubberized cape seal over the entire roadway.

Public Works recommends the two phases be completed under separate contracts, to allow the patching to be finished this fall/winter with the cape seal to follow in the spring. Cape seals cannot be completed during the cooler temperatures in fall/winter and staff is coordinating with the County of Santa Cruz to include the City's work in their much larger street improvement project scheduled for next Spring, which should reduce the project's total costs to the City.

DISCUSSION: The following roads, which were approved by the City Council for resurfacing, have been inspected by Staff, who located and measured the areas to be patched:

- 42nd Avenue from Jade Street to Capitola Road
- Diamond Street – entire length
- Ruby Court – entire length
- Fanmar Way – entire length
- Bay Avenue from Highway 1 to Capitola Avenue

Based on the public comments received during the street repair hearing in June and the available funding in the Pavement Management Program fund, staff is recommending adding the following work to the project:

Capitola Road from Clares Street to 30th Avenue. There were several isolated areas along this stretch that could be patched to address the major concerns on the street section. Staff recommends adding work on Capitola Avenue to the project's scope at an estimated cost of \$3,000.

Diamond Street, five sections of street gutter were identified as needing replacement to eliminate areas where water ponds along the street. The five sections total 294 feet of gutter that needs replacing. The estimated cost to complete the work as part of this project is \$62,480.

Dig out project 2021
October 14, 2021

Staff recommends adding this work to the project.

Bay Avenue from Capitola Avenue to Monterey Avenue. This section of was identified as needing repairs but was removed from the original list due to estimated funding levels. The recommended treatment includes dig outs, included in this contract, and then a cape seal next Spring. Estimated cost is \$3,700 for this phase and an additional \$57,800 to cape seal.

The base estimated cost of construction for this phase of work, as originally scoped, is \$66,200.

The additional work recommended by Public Works is \$69,180.

Making the total project budget estimate for this phase of work \$135,380.

The plan sheet showing the streets to be worked on and the construction budget estimate is included as Attachment 1 and 2 respectively.

FISCAL IMPACT: The cost estimates for both phases of this project is \$520,380, as outlined below:

Phase 1: Street resurfacing	\$135,380
Phase 2: Cape Seal	\$385,000
Total project	\$520,380

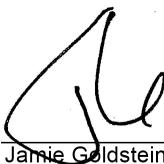
Based on the current cost estimates there will remain a \$330,000 fund balance in the Pavement Management Program project to cover any unanticipated cost increases in this project and the Clares Street project. Remaining funds in the Pavement Management Program from this project and the Clares Street project can be used on a second slurry seal project next year.

ATTACHMENTS:

1. Project Maps
2. 2021 Road Repair Estimate

Report Prepared By: Steve Jesberg
Public Works Director

Reviewed and Forwarded by:



Jamie Goldstein, City Manager

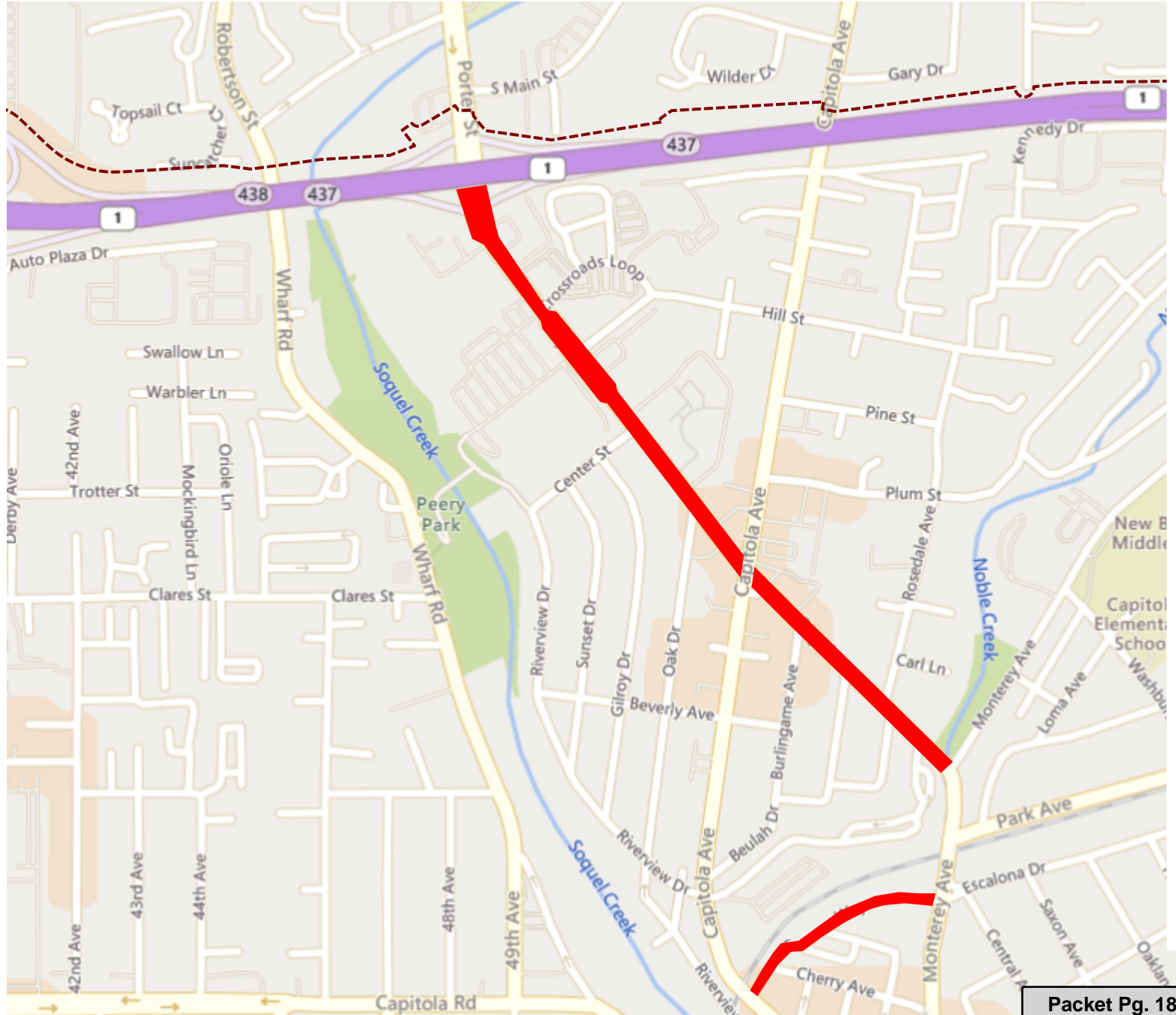
10/8/2021



CITY OF CAPITOLA
420 Capitola Avenue
Capitola, CA 95010
8314757300

2021 Road Repair Project

Bay Avenue
Fanmar Way



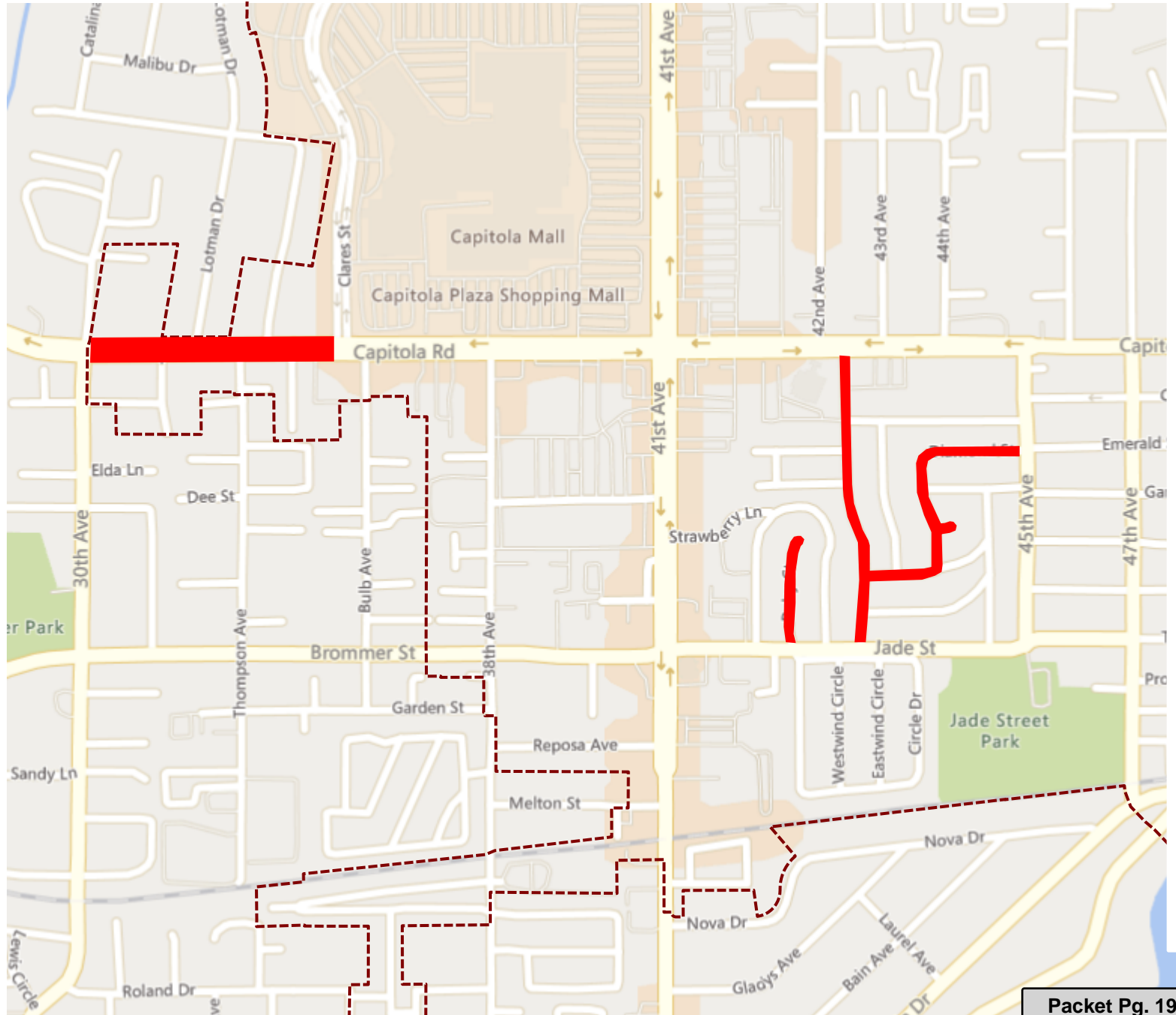
Attachment: Project Maps (Dig out project 2021)



CITY OF CAPITOLA
 420 Capitola Avenue
 Capitola, CA 95010
 8314757300

2021 Road Repair Project

Capitola Road
 Ruby Court
 42nd Avenue
 Diamond Street



Attachment: Project Maps (Dig out project 2021)

City of Capitola
2021 Road Repair Project
Construction Cost Estimate

Date: 10-08-2021

Item	Description	Quantity	Unit	Estimated Unit Cost	Total
1	Traffic Control	1	LS	\$5,000	\$5,000
2	Mobilization	1	LS	\$10,000	\$10,000
3	Temporary Water Pollution Control	1	LS	\$2,000	\$2,000
5	Curb & Gutter remove and replace	284	LF	\$220	\$62,480
8	4-inch asphalt remove and replace	118	TON	\$200	\$23,600
9	Tree Root Removal	5	EA	\$4,000	\$20,000
Construction Estimate					\$123,080
Contingency @ 10%					\$12,300.00
Construction Total					\$135,380

Attachment: 2021 Road Repair Estimate (Dig out project 2021)



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF OCTOBER 14, 2021

FROM: City Manager Department
SUBJECT: Proclamation Policy Update

RECOMMENDED ACTION: Approve the proposed changes to Policy I-35: Proclamations.

BACKGROUND: During the 2021 Budget Goals and Principals agenda item, Council identified an administrative policy review as a priority for the current fiscal year. The City Clerk office identified several policies in need for updates. Only one, Policy 1-35: Proclamations, requires Council adoption.

DISCUSSION: The original Policy I-35: Proclamations was issued in 2016 under City Council's jurisdiction (Attachment 1). Staff has re-written the policy to be clearer regarding the types of proclamations and how and when proclamations will be presented during a City Council Meeting. The process to request a proclamation is also outlined. A draft of the policy with proposed changes is included as Attachment 2.

FISCAL IMPACT: None.

ATTACHMENTS:

1. I-35 Proclamation
2. I-35 Proclamation Policy_rewrite 2021

Report Prepared By: Chloe Woodmansee
City Clerk

Reviewed and Forwarded by:

Jamie Goldstein, City Manager

10/7/2021

ADMINISTRATIVE POLICY

Number: I-35
 Issued: May 26, 2016
 Jurisdiction: City Council

PROCLAMATION POLICY AND PROCEDURE

I. PURPOSE

The purpose of this policy is to provide a process for processing City proclamations.

II. POLICY

A proclamation may honor an individual, an organization, commemorate a special event, or a special day, month or year. Members of the public may request to have a proclamation prepared, or a City Council Member may request one. Only proclamations dealing with local, county, state issues or those that positively impact the community and convey an affirmative message to residents will be considered, and are issued in the City's sole and absolute discretion.

Those proclamations selected by the City will be issued and, due to the number of requests received for proclamations only the following types of proclamations will generally be issued:

Type I Proclamation

These proclamations give recognition to local individuals and organizations or recognize local regular and special events.

Type II Proclamation

These proclamations are more routine in nature and are for regional or statewide events/recognitions such as Amateur Radio Week, Child Abuse Prevention Month, September Childhood Cancer Awareness Month, etc. These proclamations will be issued administratively and will generally not be read at a City Council meeting unless the Mayor and City Manager make the determination that the proclamation shall be read at a Council meeting.

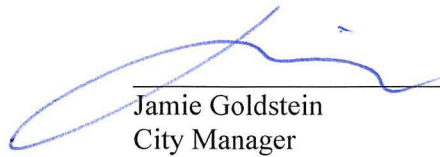
III. PROCEDURE

Following is the procedures for preparing a Type I or Type II Proclamation:

1. Proclamation requests must be transmitted to the City Clerk's Office at least two weeks prior to the requested completion date. The request shall include either a sample proclamation to be used as a guide or shall provide sufficient information to assist the City Clerk staff in preparing the proclamation.
2. City Clerk will finalize the proclamation for the Mayor's signature.
3. The City Clerk shall agendize all Type I Proclamations, which shall be read and presented at a City Council meeting.

4. The City Clerk shall post Type I and Type II Proclamations on the City's website.
5. The City Manager or Mayor shall determine if a Type II Proclamation will be issued administratively or presented at a City Council meeting.

This policy is approved and authorized by



Jamie Goldstein
City Manager

ADMINISTRATIVE POLICY

Number: I-35
 Issued: May 26, 2016
 Revised: October 14, 2021
 Jurisdiction: City Council

PROCLAMATION POLICY AND PROCEDURE

I. PURPOSE

The purpose of this policy is to outline the process for the public to request and the City to issue proclamations.

II. POLICY

A proclamation may honor an individual, an organization, commemorate a special event, or a special day, month, or year. Members of the public or the City Council may request to have a proclamation prepared. Only proclamations dealing with local, county, state issues or those that positively impact the community and convey an affirmative message to residents will be considered, and are issued in the City's sole and absolute discretion.

Those proclamations selected by the City will be issued. Generally, the following types of proclamations will be considered:

1. Recognition for local individuals and organizations, examples are:
 - Individuals who have positively impacted the City of Capitola, or the greater County/community, examples include:
 - 20 years of service with local nonprofit
 - Retiring from City of Capitola after years of service
 - Businesses or organizations that have positively impacted the City of Capitola, upon significant achievement, examples include:
 - St. John's Helpful Shop, store in the Village for 65 years
 - An organization that runs an effective program that benefits the community
2. Recognition for local regular and special events, or regional or statewide events/recognitions, examples are:
 - Child Abuse Prevention Month
 - Red Cross Month
 - Hunger Fighter of the Year
 - Special Olympics Torch Run

III. PROCEDURE

- All proclamation requests must be made to the City Clerk's Office. Requesters (members of the public and Council Members) are expected to include either a sample proclamation to be used as a guide, or sufficient information to assist City Clerk staff in preparing the proclamation.

- The City Clerk Office will process requests and write proclamations on behalf of the City Council/Mayor.
 - Members of the public, local/regional organizations, and all City Council Members can request proclamations. All proclamations are made in the Mayor's name on behalf of the entire City Council.
1. Proclamations presented at City Council meetings
 - a. Requests should be made at least three weeks prior to the date the proclamation is desired
 - b. Proclamation requests may be made by members of the public or Council members.
 - c. Proclamations presented at City Council meetings must be reviewed and approved by both the City Manager and the Mayor.
 2. Proclamations presented outside of City Council meetings
 - a. Requests should be made at least two weeks prior to the date the proclamation is desired
 - b. Proclamation requests may be made by members of the public or Council members.
 - c. Proclamations presented outside City Council meetings must be reviewed and approved by the City Manager and the Mayor if the request is from the public. If the request is from a Council member, the proclamation will be reviewed and approved by the requesting Council member and City Manager

This policy is approved and authorized by

Jamie Goldstein
City Manager



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF OCTOBER 14, 2021

FROM: City Manager Department

SUBJECT: Receive Update on Pandemic Response and Consider Adoption of Resolution Authorizing Continuance of Online/Virtual Meetings

RECOMMENDED ACTION: 1) Make the determination that all hazards related to the worldwide spread of the coronavirus (COVID-19) as detailed in Resolution No. 4168 adopted by the City Council on March 12, 2020, still exist and that there is a need to continue action, and 2) Adopt the proposed resolution authorizing the Capitola City Council (along with the Planning Commission and all advisory bodies) to conduct teleconferencing meetings.

BACKGROUND: In December 2019, an outbreak of a respiratory illness linked to the novel coronavirus (COVID-19) was first identified. In March 2020, the State of California, the County of Santa Cruz, and the City of Capitola each declared a state of emergency due to the virus. Also in March, the World Health Organization declared COVID-19 a pandemic.

Since March 2020, State and local health officers have issued health orders to stop the spread of COVID-19; in Santa Cruz County this included March, April, and May 2020 Shelter-In-Place orders that were more restrictive than statewide guidance. Since then, the County Health Officer has incorporated all Orders of the State Public Health Officer, which set baseline statewide restrictions on travel and business activities.

As of early-October 2021, more than 4.8 million people worldwide have died of COVID-19 and more than 236 million people have been infected with the virus.

Since the beginning of the pandemic in the United States more than 44 million COVID-19 cases have been reported and more than 710,342 people have died from the virus.

In California, 69,507 deaths have been reported; there is a daily average of 96 deaths a day due to COVID-19. According to data from October 7, the average new COVID-19 case count per 100k was 13.1 (this number has continued to decrease; and is down from 20 three weeks ago).

The Delta Variant

As stated by the World Health Organization (WHO), “all viruses, including SARS-CoV-2, the virus that causes COVID-19, change over time. Most changes have little to no impact on the virus’ properties. However, some changes may affect the virus’s properties, such as how easily it spreads, the associated disease severity, or the performance of vaccines, therapeutic medicines, diagnostic tools, or other public health and social measures”. One of several variants on SARS-CoV-2 is of particular concern, known as the Delta Variant.

The WHO designated Delta a variant of interest on April 4, 2021, and a variant of concern on

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October 14, 2021

May 11, 2021. Since July 13, the Delta variant has been the dominant strain of the coronavirus in the United States. Health organizations maintain that complete vaccination is highly effective against the Delta variant, and the variant is proven to be particularly dominant in areas of the U.S. with lower vaccination rates. Our County, the State of California, and the entire United States saw a surge of COVID-19 cases as the Delta Variant has increased the spread of the virus. Case counts have been especially high in areas of lower rate of vaccination.

The Delta Transmission Surge & Decline

After the summer Delta surge seen throughout the United States and reflected in Santa Cruz County, it seems that COVID-19 case counts are once again stabilizing and going down. On September 9, the Santa Cruz County Health Department announced that the Centers for Disease Control (CDC) updated their COVID-19 data tracker and reflected a downward turn in the Delta variant surge. The CDC has its own Tiers indicating community transmission; Red-High, Orange-Substantial, Yellow-Moderate, and Blue-Low. On September 9, the CDC moved the County from Red-High to Orange-Substantial. At this same time, County data showed a preliminary shift and a decrease in daily cases, indicating that the current surge in cases was slowing.

On September 29, the Santa Cruz County Health Department announced that the CDC had updated their COVID-19 data tracker and had moved the County to the Moderate (Yellow) Transmission tier. Due to this progress, the Santa Cruz County face covering requirements were rescinded. The requirements issued by the State of California (including those for unvaccinated individuals, school districts, and businesses) are still in effect. In summary, those that are unvaccinated are required to wear masks when in public indoor places. Face coverings and vaccinations remain the best way to stop the spread of COVID-19. It is strongly recommended that face coverings continue to be worn in all indoor public spaces, regardless of an individuals' vaccination status.

On October 8, 2021, the CDC's COVID-19 data tracker shows Santa Cruz County back in the Substantial (Orange) tier.

Vaccines & Local Status

On August 23, 2021, the Food and Drug Administration (FDA) announced that the Pfizer-BioNTech COVID-19 Vaccine (now marketed as Comirnaty) is fully approved for people ages 16 and older. The Pfizer-BioNTech vaccine remains available under emergency use authorization for individuals aged between 12 and 15. The other two COVID-19 vaccines available, the Moderna COVID-19 Vaccine and Janssen COVID-19 Vaccine, remain authorized for emergency use for people ages 18 and older.

According to data recorded on October 5, more than 57 million COVID-19 vaccine doses have been delivered in the State of California. 70.9% of Californians over the age of 12 are fully vaccinated and 8% are partially vaccinated. There is an average vaccination rate of about 97,231 doses per day. All Californians aged 12 and older are eligible for a vaccination. The State has 5,017,502 vaccine doses on hand, the equivalent to 52 days of inventory.

As of October 5, 372,985 doses of the vaccine have been administered by Santa Cruz County.

Local Case Numbers and Statistics in Santa Cruz County

As of October 7, there were 19,647 total known COVID-19 cases in Santa Cruz County. Rather than the total number of all COVID-19 cases since March 2020, it is helpful to compare the currently active known case count to identify trends and/or a surge. On September 15 the active

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October 14, 2021

case number was 626 (with 30 active cases in Capitola). On October 4, the active case count was at 439 (with 20 cases in Capitola) and on October 7 the active case count rose slightly to 441. Between the dates of September 21 and October 8, Cruz County Public Health announced five additional deaths due to COVID-19 bringing the County's total to 216.

DISCUSSION: City Hall has been open to the public since June 2020 in one configuration or another, dependent upon applicable health guidance and local COVID-19 case levels. Current City Hall operations are business as usual, with masking required of all regardless of vaccination status when in public spaces (not in private, individual office spaces). Members of the public are helped one-at-a-time at the front counter and masks are required to enter City Hall.

The original Governor Order N-29-20, under which City Council (and other City boards and commissions) were legally allowed to meet via teleconferencing/video conferencing, was extended by Order N-08-21 and expired on September 30, 2021.

Continuing Virtual/Teleconferencing Meetings

Assembly Bill 361 - Open Meetings and Local Agencies: Teleconferences passed by Assembly on September 10 and State Senate on September 15. The Bill relates to open meetings, and the ability for meetings of legislative bodies of local agencies to meet by teleconference under abbreviated teleconferencing procedures, less strict than required by the Brown Act (like Governor Order N-29-20 which suspended many Brown Act requirements due to the coronavirus and proclamation of state of emergency related to the pandemic). AB 361 allows cities to continue virtual meetings (much as Capitola City Council Meetings function now) as long as the state is under a proclaimed state of emergency; through 2024 when the bill will sunset. The Bill is not tied to the coronavirus pandemic specifically and would allow for virtual meetings under any state of emergency declared by the Governor. The Governor signed AB 361 on September 16, 2021. The Bill requires legislative bodies to comply with the requirements set forth in Government Code section 54953E(2) to ensure the public can safely participate and observe local government meetings. One of the requirements is adopting a resolution (Attachment 1) that includes the following:

- 1) Find that current conditions authorize teleconference public meetings, based on the Governor's state of emergency regarding the COVID-19 Pandemic
- 2) Authorize legislative bodies to conduct teleconference meetings, allowing Capitola City Council, Planning Commission, and other advisory bodies to continue to meet using Zoom.

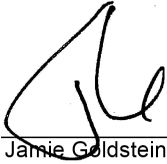
If major changes occur between the date of agenda publication and the City Council meeting, further updates on the regional and local coronavirus response will be provided in a verbal report at the meeting.

FISCAL IMPACT: Fiscal impacts are continually reviewed by Staff as business restrictions and consumer behaviors change in our community. In addition, the City Council has set aside \$600,000 to help ensure the City has available resources should the pandemic result in further unforeseen impacts, which remains in the approved FY 2021/22 Budget.

Report Prepared By: Chloe Woodmansee
City Clerk

COVID-19 Emergency- Update 33
October 14, 2021

Reviewed and Forwarded by:



Jamie Goldstein, City Manager

10/8/2021



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF OCTOBER 14, 2021

FROM: City Manager Department

SUBJECT: Redistricting Presentation

RECOMMENDED ACTION: Accept presentation.

BACKGROUND/DISCUSSION: Elissa Benson, Assistant County Administrative Officer with the County of Santa Cruz, will present regarding the local County redistricting process.

After every Decennial Census, election districts must be redrawn so that each district is substantially equal in population. This process is called redistricting and is important in ensuring that each elected official represents about the same number of constituents.

In Santa Cruz County, the Board of Supervisors is responsible for drawing supervisorial districts. The Board of Supervisors appointed an Advisory Redistricting Commission (ARC 21) to assist with this work. The process must be completed by December 15, 2021.

Four Advisory Redistricting Commission Meetings were held this last summer; additional Public Workshops were held on September 1, September 22, 29, and 30, and October 6. The final planned Advisory Redistricting Commission Meeting is scheduled for October 13. Those meetings were open to the public in-person and via Zoom. Information regarding those meetings can be accessed from the dedicated Redistricting website, at: santacruzcounty.us/redistricting2021.aspx

The Board of Supervisors is scheduled to receive proposals and maps from ARC 21 to consider during a public hearing on October 26, 2021.

Report Prepared By: Chloe Woodmansee
City Clerk

Reviewed and Forwarded by:

Jamie Goldstein, City Manager

10/8/2021



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF OCTOBER 14, 2021

FROM: Public Works Department

SUBJECT: Consider an Agreement with Caltrans to Include Highway 1 Ramp Signals in the Adaptive Signals Project

RECOMMENDED ACTION: Take the following actions:

1. Approve an agreement between the City and California Department of Transportation (Caltrans) for Installation, Operation and Maintenance of Adaptive Traffic Management System and authorize the Public Works Director to sign the agreement: and
2. Authorize the City Manager to issue a Contract Change Order to Bear Electric Solutions, the contractor for the 41st Avenue Traffic Signal Adaptive Coordination project, in an amount not to exceed \$400,000 to add two Caltrans intersections to the project.

BACKGROUND: On August 26, 2021, the City awarded a construction contract to Bear Electric Solutions (Bear) for the installation of a traffic signal adaptive control system which will coordinate the City-owned traffic signals along 41st Avenue. As reported to the Council at the time of the award, the project scope did not include coordination with the Caltrans signals at Highway 1 due to difficulty in receiving the required approvals from Caltrans.

Caltrans has since indicated they are interested in the project. They have provided an agreement for the installation, maintenance, and operation of the adaptive control systems in their signal control cabinets (Attachment 1).

The following Caltrans intersections will be added to the project:

- 41st Avenue at the Northbound Ramps to HWY 1; and
- 41st Avenue at the Southbound Ramps to HWY 1 / 41st Avenue at Gross Road

Based on Caltrans comments the project plans were revised. Staff has submitted the revised plans to Caltrans and anticipates their approval by October 15, 2021. With approved plans and signed agreement, Caltrans will issue the required encroachment permit to the City.

DISCUSSION: Upon issuance of the encroachment permit by Caltrans, Bear will finalize a proposal for a contract change order to add the Caltrans intersections to the project. Staff is recommending that the Council authorize the City Manager to approve this change order in an amount not to exceed \$400,000.

FISCAL IMPACT: Approval of the agreement with Caltrans has no direct fiscal impact. The cost of the work on the Caltrans intersection (which will be reflected in Bear's proposal) is funded by a grant from the Monterey Bay Air Resources Control District.

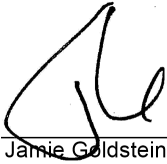
41st Signal Coordination Caltrans Agreement
October 14, 2021

ATTACHMENTS:

1. Final Adaptive_Signals_Capitola

Report Prepared By: Steve Jesberg
Public Works Director

Reviewed and Forwarded by:



Jamie Goldstein, City Manager

10/8/2021

AGREEMENT

Between the State of California Department of Transportation
and the City of Capitola for
Installation, Operation and Maintenance of
Adaptive Traffic Management System

This AGREEMENT is made and entered into this _____ day of _____, _____ by and
between California Department of Transportation (“CALTRANS”), and the City of Capitola
 (“CITY”), collectively referred to herein as “PARTIES”.

INTRODUCTION

This is an AGREEMENT between CALTRANS and the CITY covering the installation, operation,
and maintenance responsibilities of an adaptive traffic signal coordination system (System) at 2
CALTRANS operated intersections in the CITY located at:

- 1) 41st Avenue at the Northbound Ramps to HWY 1; and
- 2) 41st Avenue at the Southbound Ramps to HWY 1 / 41st Avenue at Gross Road (Intersections).

RECITALS

WHEREAS, CITY and CALTRANS share the strategic goal of providing a safe, and efficient
transportation system for 41st Avenue by the installation of an Adaptive Traffic Signal Coordination
System (System); and

WHEREAS, the purpose and intent of this AGREEMENT, is to set forth the understanding of the
PARTIES in connection with the provision and installation of the System along 41st Avenue and the
Caltrans owned intersections listed above; and

NOW THEREFORE, in consideration of the mutual goals and commitments of the PARTIES to
promote the safety and welfare of the public in Capitola, the PARTIES hereby express the following
understandings:

UNDERSTANDINGS

1. CITY intends to install (Project) at its own costs, under a duly issued Encroachment Permit
from Caltrans, the following equipment at the Intersections, within CALTRANS owned
signal control boxes:
 - InSync processors
 - InSync equipment panels with power supply, communication switch, and surge protector
 - Digital Input (DIN) relays
 - Video cameras and camera mounting equipment
 - Ethernet switches
 - Ethernet extenders
 - Power supplies
 - Cables for CITY equipment

2. Any CITY owned or provided equipment used in the Project, shall be reviewed and approved by CALTRANS prior to installation.
3. CALTRANS will continue to maintain, at its own costs, Caltrans-owned standard equipment located at the CALTRANS-operated intersection, including but not limited to the traffic signal controller, controller cabinet assembly, signal detection not installed as part of the System, signal and lighting poles, signal and lighting conductors and conduit, and pull boxes.
4. CALTRANS may disconnect or disable System equipment and return the signal operation to pre-Project connections and settings at any time.
5. CALTRANS will make a reasonable effort to notify CITY in advance of making any changes to City equipment i.e. System, and shall notify the CITY within 48 hours regarding any changes made to CITY equipment.
6. CITY will maintain the System and all associated equipment for a period of two years, referred to hereafter as TRIAL PERIOD. TRIAL PERIOD will begin when the System equipment is activated. If CALTRANS chooses to keep the System equipment after TRIAL PERIOD, CALTRANS will adopt the System into Caltrans-owned standard equipment by issuing a duly authorized written notice and thereafter CALTRANS will assume ownership and maintenance responsibilities. If CALTRANS chooses to not to adopt the System into Caltrans-owned standard equipment, by duly issued notice to CITY, CITY shall remove System within 60 (sixty) days of receipt of such notice.
7. In the event of adoption of System by CALTRANS, CALTRANS will make a good-faith effort to confer with CITY on any potential operational changes to the System before implementing said changes.
8. CITY will only access the State's controller cabinet with a CALTRANS representative from Electrical Maintenance or Signal Operations present. CITY will notify CALTRANS at least 48 hours in advance of need to access a State cabinet.
9. CITY will clearly label all equipment and cables belonging to CITY.
10. In the case of Caltrans-owned equipment or cabinet damage, CALTRANS will provide emergency response and restore CALTRANS equipment to proper operation. CALTRANS may disconnect damaged CITY equipment if necessary. CALTRANS shall notify CITY within 48 hours regarding damage to CITY equipment or failure of CITY System components. CITY maintenance crews will provide service after CALTRANS maintenance/restoration operations and restore CITY equipment to proper working order.
11. CITY shall provide and maintain a laminated printed list in cabinet of steps for CALTRANS Maintenance personnel to take in event of incident or problems with CITY equipment, including how to disconnect/ disable CITY equipment and CITY emergency maintenance contact information.

12. System operating parameters that affect CALTRANS-operated traffic signals are subject to review and approval by CALTRANS. Once approved by CALTRANS, settings will not be changed without CALTRANS's consent.
13. CITY equipment will be installed, maintained, and operated by CITY under CALTRANS's observation during on a trial basis during TRIAL PERIOD. CITY will defend, indemnify, and hold harmless CALTRANS and all of its officers and employees from all claims, suits, or actions of every name, kind and description brought forth under including, but not limited to, tortuous, contractual, inverse condemnation, or other theories or assertions of liability occurring by reason of the operation and maintenance of the System, with the exception of claims or portions of claims caused by the active negligence or willful actions of CALTRANS.
14. CITY will maintain remote web-based access via virtual private network (VPN) for select CALTRANS staff to remotely make System parameter changes or disable the System in case of malfunctions. Each CALTRANS user will have a VPN login username and password.
15. The source of electricity for the System will be the CALTRANS signal cabinet power supply.
16. If during TRIAL PERIOD, CALTRANS chooses to discontinue participation in the System, CALTRANS will send a written request to CITY to uninstall its equipment. CITY will uninstall its equipment and return the signals to their pre-Project condition within 30 calendar days of receipt of notice.
17. CITY will maintain an inventory of at least one replacement unit for each System component, in order to expedite repairs. If System is adopted by CALTRANS at the end of the TRAIL PERIOD, CITY shall turn over replacement unit inventory to CALTRANS for future use.
18. CITY will not alter, adjust, modify, remove, replace, disconnect, activate, or deactivate CALTRANS equipment without authorization from CALTRANS.
19. CITY will not make data available from CALTRANS-operated intersections and CALTRANS will not make data from CITY- operated intersections available to 3rd parties, except to the System developer for troubleshooting and optimization, or as required by law.
20. This Agreement will terminate upon: 1) either the adoption of System by CALTRANS into Caltrans-owned standard equipment or the choice by CALTRANS not to adopt the System, whichever comes earlier; 2) the PARTIES meeting all scope, cost, and schedule commitments included in this Agreement and; 3) the PARTIES signing a Closure Statement, which is a document signed by parties that verifies the completion of commitments under the Agreement.

However, all indemnification, document, retention, audit, claims, legal challenge, will remain in effect until terminated or modified in writing by mutual agreement.

SIGNATURES

PARTIES declare that:

- 1. Each PARTY is an authorized legal entity under California state law.
- 2. Each PARTY has the authority to enter into this Agreement.
- 3. The individuals signing this agreement have the authority to do so on behalf of their respective public agencies.

IN WITNESS WHEREOF, the PARTIES hereto have executed this Agreement on the date first set above.

CITY
 CITY OF CAPITOLA
 420 Capitola Avenue
 Capitola, CA 95010
 831-475-7300

CALTRANS
 Sara von Schwind
 Deputy Director Maintenance & Operations
 50 Higuera Street
 San Luis Obispo, CA 93401
 805-549-3281

By: _____
 Steven Jesberg, Public Works Director

By: _____
 Sara von Schwind, DD Maint & Ops

Dated: _____

Dated: _____

Attachment: Final Adaptive_Signals_Capitola (41st Signal Coordination Caltrans Agreement)



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF OCTOBER 14, 2021

FROM: Community Development

SUBJECT: Consideration of first readings of an ordinance amending Chapter 18.02 Affordable (Inclusionary) Housing and an ordinance adding Chapter 18.05 for Affordable Housing Impact Fees.

RECOMMENDED ACTION: Staff recommends the City Council:

1. Introduce for first reading, by title only, waiving further reading of the text, an ordinance amending chapter 18.02 of the Capitola Municipal Code, Affordable (Inclusionary) Housing.
2. Introduce for first reading, by title only, waiving further reading of the text, an ordinance adding Chapter 18.05 of the Capitola Municipal Code, Affordable Housing Impact Fees.

BACKGROUND: The City of Capitola's Inclusionary Housing Ordinance (IHO), codified under Capitola Municipal Code Chapter 18.02: Affordable (Inclusionary) Housing, requires housing developers to include dedicated affordable housing as a component of residential developments.

The City's IHO was originally adopted in 2004 and was last updated in 2013. Since that time, there have been several changes in state law and the housing market, making it an opportune time to update the ordinance.

On August 26, 2020, the City Council received an update on the City's IHO and provided direction on six policy items related to updating the IHO.

On October 8, 2020, staff published a report summarizing the City Council's direction and provided a draft of the proposed amendments to the IHO. However, that hearing was not conducted, and the item was continued.

On March 29, 2021, the State of California Department of Housing and Community Development (HCD) awarded the City of Capitola \$65,000 to update the City's IHO and perform a nexus study to analyze the impact that development of market rate housing has on the demand for below market rate housing and based on the results, determine a defensible fee that could be charged to a developer for for-sale or rental units. The nexus study justifies potential AB1600 affordable housing impact fees. The City contracted Economic and Planning Systems, Inc. (EPS) to complete the nexus study and feasibility analysis.

Consider the First Reading of an Ordinance Amending Chapter 18.02: Affordable (Inclusionary) Housing
October 14, 2021

On September 9, 2021, the City Council reviewed the three EPS housing studies, the Nexus-Based Affordable Housing Fee Analysis: For-Sale Developments, the Nexus-Based Affordable Housing Fee Analysis: For Rent Developments (“Nexus Studies”), and the Affordable Housing Fee Feasibility Analysis. The Affordable Housing Fee Feasibility Analysis evaluated the feasibility of potential changes to the City’s affordable housing programs to determine the fee levels or inclusionary requirements that the City may enact without adversely impacting new development. During the hearing, the City Council provided policy direction to keep the inclusionary requirement at 15 percent in conjunction with a \$25 per square foot fee-out option, establish an affordable housing impact fee of \$25, and maintain the \$6 square foot fee for rental housing projects.

An ordinance to amend the City’s existing IHO and a resolution amending the City’s fee schedule to adopt inclusionary housings in-lieu fees and affordable housing impact fee have been prepared based on the policy direction provided by the City Council on August 26, 2020, and September 9, 2021, as described in further detail below.

ANALYSIS/DISCUSSION: Capitola’s IHO requires housing developers to include dedicated affordable housing as a component of residential developments. “Affordable housing” means housing capable of being purchased or rented by households at a variety of income levels, including those with very low, low, or moderate incomes. These are defined as households that earn a specified percentage of the Area Median Income (AMI) for Santa Cruz County ranging from 50% of the AMI for very low-income households up to 120% of the AMI for moderate income households. Under the IHO, the price for an affordable housing unit is based on a household’s ability to make monthly payments necessary to obtain housing. For example, for-sale housing in the IHO is considered affordable when a household pays no more than thirty-five percent of its gross monthly income for housing, including utilities and rental housing is considered affordable when a household pays no more than thirty percent of its gross monthly income for rent.

Overview of Capitola’s Existing IHO

Under CMC §18.02.030, new housing development projects creating seven or more for-sale housing units, residential parcels, mobile home parcels, or converted condominium units are required to reserve and restrict one unit for every seven units (approximately 15%) as affordable to median income households. Housing development projects that would result in a fractional requirement (e.g., propose a unit count that is not evenly divisible by seven) must pay in lieu fees for the remainder of the units at a cost of \$10 per square foot.

The City of Capitola’s in-lieu fee requirements are included in CMC §18.02.050. Housing development projects that consist solely of rental housing units, or fewer than seven for-sale housing units, residential parcels or converted condominiums, or mobile home parcels are required to pay affordable housing in-lieu fees or provide affordable units. In addition, a structural addition to an existing housing unit which will result in a fifty percent or greater increase in the housing unit’s square footage is required to pay affordable housing in-lieu fees.

Current affordable housing requirements and in-lieu fees are summarized in the table below.

Affordable Housing In-Lieu Fees – CMC §18.02.050	
For Sale New Single-Family Development or Structural Addition >50% of Existing Unit	
Per Unit or Addition	\$2.50 per sq. ft.

Consider the First Reading of an Ordinance Amending Chapter 18.02: Affordable (Inclusionary) Housing
October 14, 2021

For Sale Housing Developments of 2-6 units (CMC 18.02/Reso. 3473)		
All Units		\$10 per sq. ft.
For Sale Housing Developments of 7+ units – 15% Affordability Requirement		
# of Units	# of Units Built	
7	1	
8-13	1	Total # units minus 7 @ \$10/avg. sq. ft./unit
14	2	
15-20	2	Total # units minus 14 @ \$10/avg. sq. ft./unit
21	3	
22-27	3	Total # units minus 21 @ \$10/avg. sq. ft./unit
28	4	
Rental Multi-Family		\$6 per sq. ft.

In addition, Sections 18.02.060 through 18.02.150 define policies and procedures that apply to the administration of the City's affordable housing program applicable to all existing affordable housing in the City. These provisions define procedures for calculating the sale price of affordable housing units, prescribe marketing procedures for the resale of affordable housing units, and include eligibility criteria for identifying households that may purchase affordable housing units.

Housing In-Lieu Fees vs. Affordable Housing Impact Fees

Inclusionary housing requirements mandate that new ownership housing projects restrict a certain number of units to be affordable for moderate, low, or very low-income households. Many inclusionary housing programs also allow developers to pay an in-lieu fee, rather than dedicate the units, to comply with the affordable housing requirement. Under recent case law, the inclusionary requirements and the voluntary in lieu fee are not considered impact fees, and therefore, the City does not need to demonstrate a nexus between the impacts of the project and the imposition of the inclusionary requirements. (*California Building Industry Assn. v. City of San Jose* (2015) 61 Cal.4th 435.) Instead, to justify the inclusionary requirements on ownership housing, the City only needs to show that the requirements are reasonably related to the enhancement of public welfare.

In contrast to an in-lieu fee, nexus-based affordable housing fees are impact fees that are justified based on the impacts market rate housing has on the need for below market rate housing. To adopt an affordable housing impact fee, the City must show the fee cost is reasonably related to the City's costs of addressing the increased need for affordable housing created by new market rate housing. To make this showing, cities typically complete nexus studies that (1) quantify the impacts of market rate housing on the need for below market rate housing; (2) calculate the costs of addressing those impacts; and (3) determine the per square foot fee necessary to cover those costs.

Since inclusionary housing requirements mean a development project must dedicate a certain percentage of the total project units, they are usually only applied to projects that are large enough to support the dedication of a full unit. For instance, for cities that have a 15% inclusionary housing requirement, the requirement would only apply to projects with 7 or more units, allowing at least one full unit to be dedicated. For smaller projects, cities may adopt affordable housing impact fees to address the need for below market housing created by

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smaller development projects. A resolution amending the City's fee schedule is included for Council review and adoption to amend the City's inclusionary housing in-lieu fees and adopt new affordable housing impact fees (Attachment #) .

City Council Direction on Key Policies for the IHO Update

1. Maintain the existing the 15 percent inclusionary requirement for all for-sale housing development with seven or more units.

Draft IHO: Section 18.02.030 of the draft ordinance requires each proposed housing development project creating seven or more units be required to reserve and restrict fifteen percent of the units as affordable.

2. Allow a housing developer to pay an in-lieu fee rather than produce the required inclusionary housing units onsite, to ensure project feasibility consistent with EPS studies.

Draft IHO: Section 18.02.050.A of the draft IHO update adds an alternative in which a housing developer may elect to pay affordable housing in-lieu fees rather than produce the required onsite inclusionary housing consistent with the fee schedule.

3. Update the City's affordable housing in-lieu fee and adopt new housing impact fees, as supported by the EPS feasibility study. The updates to fees should include:
 - a. Impact fee for all multifamily rental housing development projects at six dollars per square foot;
 - b. Impact fee for all structural additions greater than 50 percent to pay an impact fee of \$2.50 per square foot for the area of the new addition; and
 - c. Impact feet for for-sale housing developments of six or less units: \$25 per square foot.
 - d. In-lieu fee of \$25 per square foot for all housing developments with seven or more units.

Proposed Resolution: On October 28, 2021, a resolution will be brought forward for adoption which will amend the City's fee schedule to increase the in-lieu fee to \$25 per square foot and add affordable housing impact fees as listed above.

4. Update the asset limitation in the IHO, as follows:
 - Update the asset limitation for for-sale housing units (not designated senior citizen housing or within a mobile home park) to exclude up to five hundred thousand dollars in a qualified retirement plan, with annual increases tied to the Consumer Price Index.
 - Create asset limit for affordable housing units that are designated senior housing (55+) that are not in a mobile home park from one and a half to three times the annual household income limit, and increase the \$500,000 exception in qualified retirement accounts to \$1,000,000, increased annually according to the Consumer Price Index.
 - Continue to govern asset limitations of mobile home parks through recorded agreements and an administrative policy, as applicable.

Draft IHO: Section 18.02.070.B and C of the draft IHO update incorporates the requested modifications to asset limits as outlined above.

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5. Consider alternatives to onsite production and in-lieu fees

Draft IHO: The City Council was open to considering new alternatives to onsite production and in-lieu fees. The draft IHO section 18.02.050.B includes new *Alternative Compliance Options*. The *Alternative Compliance Options* include:

Option 1: Offsite Development. The developer may provide affordable housing units offsite, on another site in the Capitola city limits. Within this option, two or more developers may also jointly propose off-site construction of affordable housing units on a single site, with specific conditions that have to be met including adequate financing, not causing residential segregation or concentrations of poverty, and timing of development and occupancy.

Option 2. Land Dedication. The developer may propose to meet the IHO requirements by dedicating property to the city in-lieu of constructing inclusionary units. Conditions tied to this option include an overall increase in affordable housing units of 10% above what the project could have provided, financing for a future project, suitable property that will not cause residential segregation and concentration of property, and timing for development.

Administrative Modifications to the IHO

Staff also made several minor administrative changes to the IHO for the purpose of creating consistency within the text and clarity for the public. Administrative modifications include:

- Updated findings to reflect Capitola's most recent housing element
- Updated words and phrases to create consistency in definitions
- Updated text to include defined words and phrases
- Removed allowance for decrease size for dedicated inclusionary housing units.
- Clarified the requirements for marketing affordable housing units to include specific time frames for pricing estimates (90 days) and marketing to Capitola residents and workers (30 days)
- Clarified how the maximum allowable sales price is calculated and referenced administrative policy to be adopted by City Council
- Clarified how substantial improvements to affordable units are calculated
- Updated refinance amount to match the amount allowed during initial purchase (90% of the value of the home)
- Applied asset limitations to all affordable housing in the City, regardless of when constructed;
- Consolidated all eligibility requirements within the IHO

FISCAL IMPACT: There are fiscal impacts associated with modifying the IHO and adopting new Housing Impact Fees. The fee for new residential units will increase from \$10 per square foot to \$25 dollars per square foot. Also, the new ordinance allows an option for a developer to pay the in-lieu fee rather than produce the inclusionary units on site. These two modifications will result in an increase in the affordable housing trust fund. For example, in fiscal year 2019, the City collected approximately \$51,000 of in-lieu housing fees at \$10 per square feet. At \$25 per square foot this number would have been \$127,500.

ATTACHMENTS:

1. Capitola - Inclusionary Housing Ordinance (DOCX)
2. Capitola - Affordable Housing Impact Fee Ordinance (DOCX)

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3. Nexus Study For-sale Housing (PDF)
4. Nexus Study For-rent Housing (PDF)
5. Affordable Housing Fee Feasibility Analysis (PDF)

Report Prepared By: Katie Herlihy
Community Development Director

Reviewed and Forwarded by:


Katie Herlihy, Community Development Director 10/5/2021

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CAPITOLA AMENDING CHAPTER 18.02 “AFFORDABLE (INCLUSIONARY) HOUSING” TO CLARIFY WHICH HOUSING DEVELOPMENTS ARE SUBJECT TO THE CITY’S INCLUSIONARY HOUSING ORDINANCE, PROVIDE FOR AN AFFORDABLE HOUSING IN LIEU FEE FOR FOR-SALE PROJECTS, AND IDENTIFY ALTERNATIVE COMPLIANCE OPTIONS

WHEREAS, a decent home and suitable living environment for all Capitola residents and workers is a priority of the highest order; and

WHEREAS, there is currently an inadequate supply of housing in the City of Capitola (City) which is affordable to lower and moderate income households, and Federal and State financial assistance and subsidy programs are not sufficient to close the gap between the cost of most housing in the City and the ability of lower income households to pay those housing costs; and

WHEREAS, in 2004, the City Council adopted an Inclusionary Housing Ordinance set forth in Chapter 18.02, adopting affordable housing regulations to advance and protect the general health and welfare of the City’s residents, workers and economy, and authorize the City Council to adopt affordable housing in-lieu fees, which a project developer may pay as an alternative compliance option; and

WHEREAS, State Housing Element Law and the Mello Act articulate policies, goals, and impose legal obligations upon the City relative to the creation, protection and ongoing provisions of affordable housing in the City, and the City wishes to comply with such obligations; and

WHEREAS, City’s most recent Housing Element Update indicates a need for both more housing affordable to the City’s moderate- and lower- income households and also to protect and maintain the affordability of existing affordable housing in the City; and

WHEREAS, City Council desires to amend its inclusionary housing program to clarify the housing developments projects exempt from its program, increase its affordable housing in lieu fee for for-sale development projects, and identify alternative compliance options.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CAPITOLA DOES ORDAIN AS FOLLOWS:

Section 1: Amending Chapter 18.02 of the Capitola Municipal Code. Chapter 18.02 of Title 18 of the Capitola Municipal Code titled “Affordable (Inclusionary) Housing” is hereby amended in its entirety as shown in Attachment A. Additions are shown as double underline and deletions are shown with ~~strikethrough~~.

Section 2: CEQA. The City Council hereby finds that the action to adopt this Ordinance is exempt from the requirements of the California Environmental Quality Act (Public Resources Code Section 21000, et seq.) pursuant to Guidelines Section

15061(b)(3), where it can be seen with certainty that the proposed action will have no significant effect on the environment.

Section 3: Severability. If any section, subsection, sentence, clause, or phrase of this Ordinance is for any reason held to be invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision will not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have passed this Ordinance and each and every section, subsection, sentence, clause, or phrase not declared invalid or unconstitutional without regard to whether any portion of the Ordinance would be subsequently declared invalid or unconstitutional.

Section 4: Effective Date. This Ordinance of the City of Capitola shall take effect and be in force 30 days after the date of its passage.

Section 5: Publication. Within fifteen (15) days of its passage, this Ordinance shall be published at least once in a newspaper of general circulation published and circulated in the City of Capitola, along with the names of the members of the City Council voting for and against its passage.

This Ordinance was introduced at a regular meeting of the Capitola City Council on the ___ day of October 2021, and was adopted at a regular meeting of the Capitola City Council on the ___ day of October 2021, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED:

Yvette Brooks, Mayor

ATTEST:

Chloe Woodmansee, City Clerk

Attachment: Capitola - Inclusionary Housing Ordinance (Consider the First Reading of an Ordinance Amending Chapter 18.02: Affordable

ATTACHMENT A

Chapter 18.02 AFFORDABLE (INCLUSIONARY) HOUSING

Sections:

- 18.02.010 Findings.
- 18.02.020 Words and phrases.
- 18.02.030 Affordable housing requirements.
- 18.02.040 Provision of affordable housing units.
- 18.02.050 In-lieu housing fees and alternative compliance options.
- 18.02.060 For-sale housing units – Sales price and procedures.
- 18.02.070 Eligibility for affordable housing units.
- 18.02.080 Marketing of affordable housing units for sale.
- 18.02.090 Secondary dwelling units – Non-applicability.
- 18.02.100 Pre-approved projects – Non-applicability.
- 18.02.110 Fees.
- 18.02.120 Default/foreclosure.
- 18.02.130 Conflicts of interest.
- 18.02.140 Violations.
- 18.02.150 Reductions, Adjustments, or Waivers
- 18.02.160 Appeal.

18.02.010 Findings.

In enacting this chapter of the Capitola Municipal Code pertaining to the provision and protection of affordable housing in the city of Capitola, the city council finds:

A. A decent home and suitable living environment for all Capitola residents and workers is a priority of the highest order. To this end, the housing element of the Capitola general plan discusses and analyzes the need to provide housing for senior citizens, disabled persons, single parent families, homeless persons and homeless families, and families of very low, low and moderate income levels. Similarly, the general plan housing element outlines the extremely high cost of housing both regionally and within the city. With respect to affordable housing in the city, the housing element articulates, among others, Policies 3.4, 3.5 and 3.6 intended to advance the general plan goal to “Encourage New Affordable Housing Opportunities Through Construction Of New Units.” These policies encourage the adoption of an inclusionary housing ordinance, which provides for protection of existing affordable housing, construction of affordable housing units in connection with private market rate for-sale residential development or ~~the payment of in lieu affordable housing fees in connection with market rate residential development~~ alternative compliance mechanisms, and further encourages the establishment of a housing trust fund to be used to facilitate the development of new affordable housing in the city.

B. In addition, state law ~~including but not limited to the California Redevelopment Law and State Housing Law, articulate Housing Element law (Government Code section 65580 et seq.) and the Mello Act (Government Code section 65590 et seq.)~~ articulate policies and goals, and ~~impose~~ impose legal obligations upon California cities, ~~and counties and redevelopment agencies,~~ relative to the creation, protection, and ongoing provision of affordable housing by communities throughout the state, including the city of Capitola. Accordingly, a paramount goal of the city ~~and the redevelopment agency~~ is to provide and to create a regulatory environment conducive to the development and preservation of both rental and for-sale housing available to all economic

sectors of the community with priority given to very low, low and moderate income households currently residing or working within the city.

C. There is currently an inadequate supply of housing in the city which is affordable to very low, low and moderate income households. Federal and state financial assistance and subsidy programs are not sufficient in themselves to close the gap between the cost of most housing in the city and the ability of very low, low and moderate income households to pay those housing costs.

D. The city, given current zoning regulations and very limited vacant residentially zoned property, is nearly “built out” for purposes of future residential development within the city. The inventory of land available for residential development in the city is at a premium and the inventory of land which can be used for the development of housing for very low, low and moderate income households becomes even more depleted with the development and/or improvement of each market rate housing unit in the city. Accordingly, housing opportunities for very low, low and moderate income households are diminished incrementally with the development of each new market rate housing unit which is constructed, rebuilt or substantially improved in the city. ~~Single-family homes which are re-built, and residential remodel/additions which increase square footage more than fifty percent, affect the supply of affordable housing in the city when new, larger units replace older, smaller units. Many of the replaced older units were rentals, or were more accessible to be purchased by moderate income households.~~

~~E. According to published Multiple Listing Service home sales price statistics, over the last nine years, from 1996 to July 2004 the median countywide price of a for-sale single-family house has increased from two hundred forty thousand three hundred and fifty dollars to six hundred thirty five thousand dollars. The median countywide price for a for-sale townhouse/condominium has increased from one hundred sixty-four thousand five hundred dollars to four hundred twenty five thousand dollars over the same period. According to the Capitola’s adopted housing element, in 2004 the maximum affordable sales price for a moderate income, three-person household was two hundred fifty two thousand two hundred and fifty dollars. The maximum affordable sales price for a moderate income, four-person household was two hundred eighty thousand two hundred and fifty dollars. These figures demonstrate that the “affordability gap” herein referenced has increased incrementally over this nine-year period, thereby rendering affordable housing programs/subsidies currently in place increasingly ineffective in achieving their objectives to house very low, low and moderate income households in the city.~~

E. According to the city’s most recent Housing Element Update, adopted November 25, 2015, fifty-eight percent of the households living in the city have incomes below eighty percent of Santa Cruz County’s median income and are therefore classified as low income households. However, the median home value in the city is higher than in neighboring Santa Cruz County communities, which places a cost burden on many Capitola households and may put home ownership out of reach for a majority of the population. Accordingly, the lowest income households in the city are frequently cost-burdened by housing, and lower income rental households are much more likely to pay more than thirty percent of their incomes for housing than higher-income home owners. The same holds true for moderate-income homeowners in the city; sixty-one percent of all moderate income households that own housing pay more than thirty percent of their incomes for housing costs. This indicates a need both for more housing affordable to the City’s moderate- and lower-income households and also to protect and maintain the affordability of existing affordable housing in the city.

F. If very low, low and moderate income workers cannot find or maintain housing in the city, employers will have difficulty in securing a labor force and employees will be forced to commute.

Automobile commuting increases air pollution, unnecessarily creates traffic congestion and develops a population which is separate and distinct from full-time residents, thereby resulting in diverse and often contrasting demands on limited city resources.

~~G. Residential Protection of existing affordable housing units and construction of residential housing projects which contribute to the city's very low, low and moderate income housing stock serve to augment the city's housing mix, increase the supply of housing for all economic sectors of the community and thereby assist in providing for a balanced community which is deemed to be in the public interest.~~

~~H. In order to allocate the scarce resource of existing affordable housing units to households that need assistance affording housing in the city, an asset limitation must operate alongside an income restriction. This is especially true for units reserved for seniors (55+), who may no longer receive income from a current job, but may possess significant assets. Without an asset limitation, the city's existing affordable housing stock could be transferred to households that are not in need of assistance.~~

~~H.I. Increasing the supply of housing affordable to very low, low and moderate income families through the assistance and cooperation of private residential developers can be achieved only if the provision of such housing by private residential developers becomes more feasible. It is therefore necessary to provide flexibility in the manner and method by which private residential development contributes its fair share to the city's affordable housing stock.~~

~~I.J. Affordable housing is best integrated into the community when that housing is distributed throughout all areas of the city rather than concentrated in a single area.~~

~~J. Therefore in order to advance and achieve the affordable housing goals and policies of the city, redevelopment agency and state referenced in this section, adoption of the affordable housing regulations prescribed in this chapter is necessary and will serve to advance and protect the general health and welfare of the city's residents, workers and economy.~~

~~K. The purpose of this Chapter 18.02 is to enhance the public welfare by establishing policies to maintain and increase the production of housing units affordable to persons and households of very low, low, and moderate-income. These requirements implement the Housing Element of the General Plan through assisting in meeting the city's regional housing obligations, providing funding for the city's affordable housing programs, and affirmatively furthering fair housing by ensuring that affordable housing is maintained and constructed in all parts of the city.~~

~~L. The city council desires to provide and maintain affordable housing opportunities in the community through its inclusionary housing program. Therefore, it is the city council's intent that this Chapter 18.02 apply to all affordable housing units in the city, regardless of the date of construction or conversion to an affordable housing unit. The city council finds that such application is necessary to best effectuate the goal of protecting new and existing affordable housing units.~~

18.02.020 Words and phrases.

For purposes of this chapter, unless otherwise apparent from the context, certain words and phrases used in this chapter are defined as follows:

~~"Affordable housing" means housing capable of being purchased or rented by a very low, low or moderate income household, based on the household's ability to make monthly payments~~

necessary to obtain housing. For sale housing is considered affordable when a household pays no more than thirty-five percent of its gross monthly income for housing including utilities.

“Affordable housing cost” means the maximum purchase price that will cause a household to pay no more than thirty-five percent of its income for housing costs. The affordable housing cost shall include a ten percent down payment, and monthly housing payments (including interest, principal, mortgage insurance, property taxes, homeowner’s insurance, homeowner’s association dues, and a reasonable allowance for property maintenance, repairs, and utilities), all as determined by the City.

“Affordable housing unit” means any housing unit subject to a recorded document, unrecorded agreement, or land use requirement applicable to a unit that, for a specified term, requires sale or rent of the unit at an affordable housing cost or affordable rent and/or requires sale or rent of the unit to very low, low, or moderate income households.

“Affordable rent” means the maximum monthly rent, including an allowance for tenant paid utilities, calculated at the specified income level in accordance with the Health and Safety Code Section 50053.

“Household” means all those persons, related or unrelated, who occupy a single housing unit.

“Housing development project” means any development project requiring a land use permit or approval from the city for: the construction of one or more housing units including single-family residences, condominiums, townhouses and apartments; the division of land into one or more residential parcels; the subdivision of mobile home parks; or the conversion of one or more apartments to one or more condominiums; ~~a demolish/rebuild of an existing housing unit, or a structural addition to an existing housing unit which will result in a fifty percent or greater increase in the housing unit’s square footage.~~

“Low income household” means a household whose income, with adjustment for household size, is between fifty percent and eighty percent of the Santa Cruz County areawide median income.

“Moderate income household” means a household whose income, with adjustment for household size, is between eighty percent and one hundred twenty percent of the Santa Cruz County areawide median income.

“Qualified retirement plan” means a retirement plan recognized by the Internal Revenue Service (IRS) where investment income accumulates tax-deferred. Common examples include individual retirement accounts (IRAs), pension plans and Keogh plans.

“Senior citizen” means a person 62 years of age or older, or 55 years of age or older in a senior citizen housing development.

“Senior citizen housing development” means a senior citizen housing development as defined in California Civil Code Sections 51.3 and 51.12, that is developed, substantially rehabilitated, or substantially renovated for senior citizens. A senior citizen housing development must include at least 35 dwelling units or mobile home spaces.

“Very low income household” means a household whose income, with adjustments for household size, is less than fifty percent of the Santa Cruz County areawide median income.

“Unit” means a single-family home, condominium, apartment, mobile home parcel, or residential parcel.

18.02.030 Affordable housing requirements.

A. Subject to the exceptions set forth elsewhere in this chapter, each proposed housing development project shall be required to contribute to the city’s affordable housing stock as follows:~~A. Housing development projects creating seven or more for-sale housing units, residential parcels, mobile home parcels, or converted condominium units shall be required to reserve and restrict fifteen percent of the housing units, residential parcels or converted condominium units for sale to moderate, low or very low income households in accordance with the requirements of Section 18.02.040.~~

~~B. Housing development projects creating rental housing units, the development of fewer than seven for-sale housing units, residential parcels or converted condominiums, mobile home parcels, or a structural addition meeting the criteria specified in Section 18.02.020 shall be required to pay affordable housing in-lieu fees to the city’s housing trust fund in accordance with the requirements of Section 18.02.050.~~

B. The following housing development projects are exempt from Sections 18.02.030 through 18.02.050 of this Chapter 18.02, however, they may be subject to Affordable Housing Impact Fees under Chapter 18.05:

1. Rental housing units.

2. The development of six or less for-sale housing units, residential parcels or converted condominiums, or mobile home parcels.

3. Redevelopment of existing housing development projects that do not result in the creation of seven or more residential units.

4. Developments exempted by state law or by final judgment by a court of competent jurisdiction.

18.02.040 Provision of affordable housing units.

When a housing development project is required to construct or provide affordable housing units pursuant to this chapter, the housing development project shall comply with the following requirements:

A. In determining the number of affordable housing units required, developments which require fractional contribution pursuant to the requirements of this chapter shall pay affordable housing in-lieu fees for the fractional contribution in an amount prescribed by the affordable housing in-lieu fee schedule adopted, and from time to time revised, by city council resolution.

B. All affordable housing units shall remain affordable for fifty-five years or the natural life of the unit, whichever is greater, unless a longer period is required by a construction or mortgage financing program, mortgage insurance program, state law, or housing grant, loan or subsidy program. The required period of affordability shall run concurrently with any period of affordability required by any other agency; provided, however, that the affordability period shall not be less than fifty-five years or the natural life of the unit, whichever is greater.

C. The housing development project permit application submitted to the city shall specify the number, type, location, size and construction scheduling of all housing units which are part of the project, including the affordable housing units, and shall indicate which housing units are designated as affordable housing units for purposes of complying with this chapter. If an alternative compliance option under Section 18.02.050 is requested, the proposed method of compliance shall be included with the initial application. If a reduction, adjustment, or waiver under Section 18.02.150 is requested, the application shall set forth the basis for the request in accordance with the criteria set forth in that section.

D. Unless otherwise approved by the city planning commission or city council, affordable housing units shall be reasonably dispersed throughout the housing development project and shall be compatible with the design and use of the remaining housing units in the housing development project in terms of appearance, materials and finish quality.

E. The housing development project developer shall have the option of reducing the interior amenity level ~~and square footage~~ of affordable housing units provided that all affordable housing units conform to the requirements of the city building and housing codes and further provided that all affordable housing units, at a minimum, shall have interior painting or other finish wall covering, floor covering, a stove, a dishwasher, an oven, built-in kitchen cabinets, washer and dryer hookups, a bath/shower, a toilet, a kitchen sink and a bathroom sink.

F. All affordable housing units in a housing development project shall be constructed concurrently with, or prior to, the construction of the housing development project's market rate housing units and shall be sold concurrently with, or prior to, sale of the market rate housing units.

G. Prior to recordation of the final subdivision map or issuance of building permits for the housing development project, the housing development project developer shall enter into a participation agreement with the city in a form suitable for recordation so as to assure compliance with the provisions of this chapter.

H. A housing development project developer who is a subdivider may propose to comply with the requirements of this chapter by dedicating affordable lots to the city. The city council, at its sole discretion may grant, conditionally grant or deny the request. If the housing development project subdivider's proposal to dedicate affordable lots to the city is approved, the offer of dedication shall be made concurrently with the filing of the final subdivision map.

I. Where the city provides financial assistance to a housing development project in the form of a grant, subsidy, loan, fee waiver or any other action which confers a fiscal benefit on the housing development project developer, the city may condition the financial assistance with a requirement that the housing development project reserve or restrict more than fifteen percent of the housing development project's housing units, residential parcels or converted condominium units for sale to moderate, low or very low income households.

18.02.050 In-lieu housing fees and alternative compliance options.

A. When a housing development project is subject to this chapter, the housing development project developer may elect to pay affordable housing in-lieu fees rather than produce the required inclusionary units onsite in accordance with the following requirements:

A1. The housing development project developer shall pay affordable housing in-lieu fees in an amount prescribed by the affordable housing in-lieu fee schedule adopted, and from time to time revised, by city council resolution.

B. Affordable housing in-lieu fees shall be paid in the following manner:

1. ~~Housing development projects of two or more housing units, rental housing units, residential parcels or converted condominiums shall enter into a in-lieu fee agreement in a form suitable for recordation, which shall be recorded with the county recorder's officer prior to recordation of the final subdivision map, if new parcels are being created, or issuance of building permits if the project does not involve subdivision of parcels. The in-lieu fee agreement shall create a lien on each dwelling unit or parcel in order to ensure payment of the required in-lieu fees. The in-lieu fee amount applicable to each unit shall be paid prior to issuance of the certificate of occupancy for that unit by the building department. If an escrow account has been opened for the sale of a unit subject to the fee, the certificate of occupancy may be issued prior to payment of the fee if: the developer has provided a written request to the city requesting submittal of a demand for payment of the fee by the city, and the escrow officer has signed and returned the city demand for payment to the city. Developer shall include in such written request the name of the title company, escrow officer, escrow number, and contact information, and shall also include the requirement for payment of the fee in seller's escrow instructions. Upon receipt of payment in full of the applicable in-lieu fee from the sale of each unit in a project, the city shall record a release of the affordable housing encumbrances imposed on that unit by the recorded in-lieu fee agreement.~~

2. ~~Housing development projects which entail the development of one housing unit, demolish/rebuild of an existing housing unit, or a structural addition to an existing housing unit which will result in a fifty percent or greater Increase in the housing unit's square footage shall pay the in-lieu fee at the time of application for a building permit.~~

C. ~~A housing development project developer who is otherwise required to pay an affordable housing in-lieu fee by this chapter may instead provide one or more affordable (not less than fifteen percent) for sale housing units which shall be deed and time restricted in accordance with the provisions of Section 18.02.040.~~

D. Exemptions and Fee Waivers.

1. ~~An applicant for demolish/rebuild or significant remodel/addition who is the owner/ occupant of the property and whose household income is at or below one hundred twenty percent of countywide median income may have their in-lieu fee waived by the city manager upon submittal of income and assets information to the city manager for review and verification.~~

2. ~~An applicant for demolish/rebuild or significant remodel/addition whose application is in direct response to a fire or other natural disaster shall be exempt from this chapter.~~

3. ~~An applicant for demolish/rebuild or significant remodel/addition who provides satisfactory evidence showing ownership of and residency in the unit for at least five years prior to the date of application may apply to the city manager for a waiver of the applicable in-lieu fee.~~

4. ~~Developers of rental housing projects who provide evidence to the council's satisfaction that the units will: (a) be available to and rented for amounts affordable to lower income households on a long term basis; and (b) will not be utilized as vacation rentals at any time, may apply to council for a waiver of the applicable in-lieu fees. Rental projects financed in whole or part by public or private funds that require ongoing affordability as a condition of funding shall qualify for this waiver.~~

2. The housing development project developer shall pay the in-lieu fee amount applicable to each unit prior to issuance of a building permit for that unit by the building department. Upon request of the housing development project developer, the city council may consider and approve a deferred payment until issuance of a certificate of occupancy based on a finding that the deferred fee payment contributes to the project's economic feasibility. The approval of a deferred fee shall be conditioned upon receipt of adequate security for the obligation from the housing development

project developer, which may include a lien against the property or an alternative form of security approved by the Community Development Director and the City Attorney.

E3. Affordable housing in-lieu fees shall be deposited into the city's housing trust fund and all such fees shall be used, at the earliest time feasible, to assist in the construction of new low or very low income housing units with a minimum of fifty-five-year term affordability restrictions, the rehabilitation of low or very low income housing units which, upon rehabilitation, will have fifty-five-year term affordability restrictions, or to assist low or very low income households in purchasing or renting housing units, and for administration and compliance monitoring of the affordable housing program, as approved by the city council.

B. Alternative Compliance Options.

1. The housing development project developer, or an entity controlled by the developer, or another entity that has entered into an agreement with the developer to provide affordable housing units, may propose to construct the affordable housing units required by Section 18.02.030 on another site in the city. Two or more developers may also jointly propose off-site construction of affordable housing units on a single site in the city. The city may grant a credit for off-site construction if the proposal meets all of the following conditions:

a. Financing or a viable financing plan, which may include public funding, shall be in place for the off-site affordable housing units;

b. The off-site location is suitable for the proposed affordable housing units, consistent with any adopted guidelines and the Housing Element, will not tend to cause residential segregation or concentrations of poverty, and is located within one mile of the market rate housing development project with appropriate infrastructure and services; and

c. Construction of the off-site affordable housing units may not have commenced prior to the first approval of the market rate housing development project.

Final inspections for occupancy of the market-rate units in the housing development project will be granted only after final inspections are completed for the off-site affordable housing units related to those market-rate units. However, the timing requirements set forth in this subsection may be modified by the city council. The city may require that completion of off-site affordable housing units be further secured by the housing development project developer's agreement to pay in-lieu fees in the event the off-site units are not timely completed.

2. The housing development project developer may propose to meet the requirements of Section 18.02.030 by dedicating property to the city in-lieu of constructing inclusionary units within the housing development project. The city may approve property dedication under this subsection only if the proposal meets all of the following conditions:

a. The number of affordable housing units to be constructed on the dedicated property shall be at least 10 percent greater than the number of affordable housing units otherwise required;

b. Financing or a viable financing plan, which may include public funding, shall be in place for construction of the affordable housing units on the dedicated property; and

c. The property to be dedicated is suitable for the proposed affordable housing units, consistent with any adopted guidelines and the Housing Element, will not tend to cause residential

segregation or concentrations of poverty, and is located within one mile of the market-rate housing development project with appropriate infrastructure and services.

The property shall be dedicated to the city prior to issuance of any building permit for the market rate housing development project.

18.02.060 For-sale housing units – Sales price and procedures.

When an affordable housing unit is sold or re-sold, the following requirements shall apply:

A. In calculating the maximum allowable sales price for housing units which, pursuant to this chapter, are deed restricted as affordable to very low, low or moderate income households, the city or the city's designee shall employ the following formula:

1. Single-Family Residences. Sales prices shall be set to equal the price affordable to a household earning the area median income adjusted for household size, with a household size equal to the number of bedrooms in the unit plus one, and a housing cost ratio equal to thirty-five percent of gross monthly household income, and a ten percent down payment.

2. Condominiums/Townhouses. Sales prices shall be set to equal the price affordable to median income household earning the area median income adjusted for household size, where household size is equal to the number of bedrooms in the unit plus one, and a housing cost ratio equal to thirty-five percent of gross monthly household income, and a ten percent down payment.

3. Mobile Home Parcels. No sale or resale price will be set for the inclusionary parcels created. Inclusionary parcels in a mobile home park will have initial and subsequent resales restricted to sale to a median income household adjusted by household size.

4. If the maximum allowable sales price is less than the original purchase price the homeowner paid for the affordable housing unit, the homeowner shall be permitted to sell the affordable housing unit at a price equal to their original purchase price.

B. The re-sale purchase price of any affordable housing unit may be increased by the value of any substantial structural or permanent fixed improvements, subject to the following conditions:

~~which cannot be~~ 1. The improvements must be incapable of being removed without substantial damage to the premises or substantial or total loss of value of the improvements. The value shall be determined by an appraiser designated by the city. Such adjustment cannot increase the resale price herewith allowed by more than ten percent. No improvements shall be deemed substantial unless the aggregate, actual, initial costs of the improvements to the owner exceed one percent of the purchase price paid by the selling owner for the premises.

2. The cost of the improvements at the time they were made or installed must equal more than one percent of the original purchase price the homeowner paid for the affordable housing unit, as verified by invoices, receipts, or similar forms of documentation.

3. The improvements must have conformed to applicable building codes at the time of installation, as evidenced by a building permit or a valid building permit waiver issued by the City.

4. The maximum allowable sales price shall be increased by the present value of qualifying improvements as determined by an appraiser designated by the city up to a maximum value equal to ten percent of the original purchase price the homeowner paid for the affordable housing unit.

5. The limits shall reset upon each transfer to a new homeowner, and each subsequent homeowner shall have the opportunity to benefit from an upward adjustment to the maximum allowable sales price caused by qualifying improvements.

C. If the city finds that the owner, through neglect, abuse or lack of adequate maintenance, has damaged an affordable housing unit, the city may require repairs be made at the owner's expense and be financed prior to sale or through the escrow account.

D. In cases where the owner or housing developer has made a good faith effort to sell an affordable housing unit at the allowable sales price established by the city, and has failed to sell that unit after two hundred forty days, the seller may request to make a monetary contribution to the affordable housing trust fund in exchange for the city's agreement to release the affordability deed restriction on that unit. The amount of the contribution would be determined by the city council, taking into consideration the then-current cost of developing similar affordable housing units and the remaining amount of time the subject unit was deed restricted for sale to very low, low or moderate income households. The city council in its sole discretion may grant, conditionally grant or deny the request. If the request is granted or conditionally granted, upon the city's receipt of the prescribed housing trust fund contribution, the subject affordable housing deed restriction shall be released and the seller shall be allowed to sell, rent or otherwise use the subject affordable housing unit for residential purposes as the seller deems appropriate.

For purposes of this section, a good faith effort to sell a deed restricted affordable housing unit will, at a minimum, include listing the property in the pertinent multiple listing service for a minimum of two hundred forty days, actively marketing and showing the property in a manner that would be deemed professionally prudent by a full-time real estate agent or broker employed in the Santa Cruz County housing market.

E. Calculations made in accordance with the requirements of this Section shall remain valid for ninety days after the city provides the result of the calculations in writing. After ninety days, an affordable housing unit purchaser or homeowner shall be required to obtain new calculations from the city and may be required to pay additional fees in accordance with Section 18.02.110. An affordable housing unit purchaser or homeowner may not request an updated calculation prior to the ninety day period passing.

F. The city council authorizes the community development director to adopt guidelines that are consistent with this Section to provide more specific information about how sales prices shall be calculated.

18.02.070 Eligibility for affordable housing units.

A. Only households which qualify as very low, low, median or moderate income households, and who meet the asset limit, shall be eligible to purchase affordable housing units developed or ~~funded in compliance with, or pursuant to this chapter.~~

B. To be eligible to purchase affordable housing units created pursuant to this chapter that are not in a senior citizen housing development or a mobile home park, the total assets of a household

shall be less than one and one-half times the annual household income limit for that unit. The following assets are excluded from the eligibility calculation:

1. Assets to be used to purchase the affordable housing unit are excluded from the asset calculation.

2. Assets in a qualified retirement plan up to Five Hundred Thousand Dollars (\$500,000), which amount shall be increased on January 1, 2023 and every January 1 thereafter by a percentage equal to the percentage increase in the Consumer Price Index over the same time period.

C. To be eligible to purchase affordable housing units that are in a senior citizen housing development and that are not in a mobile home park, the total assets of a household shall be less than three times the annual household income limit for that unit. The following assets are excluded from the eligibility calculation:

1. Assets to be used to purchase the affordable housing unit.

2. Assets up to One Million Dollars (\$1,000,000), which amount shall be increased on April 1, 2021 and every April 1 thereafter by a percentage equal to the percentage increase in the Consumer Price Index over the same time period.

C. Income eligibility to purchase affordable housing units created pursuant to this chapter shall be determined at the time of sale of the affordable housing unit by the city or the city's designee.

D. Applicants may appeal the city's income and asset eligibility determinations within thirty days of the date of their income eligibility letter. Appeals of the city's income and asset eligibility determinations shall first be made to a committee comprised of the city manager, mayor, community development director, and city attorney. Appeals shall be in the form of a letter addressed to the city manager, and should document the reason the applicant believes an exception should be made. Appeals may be granted by the committee upon a finding, based upon documentary evidence produced by the appellant which clearly demonstrates that the subject household's future earning capacity will be significantly impaired in the immediately foreseeable future. The committee's decision may be appealed as set forth in Section 18.02.150.

E. The purchaser of an affordable ownership unit shall occupy the unit as his or her primary place of residence. If the unit ceases to function as a primary residence, it shall be sold according to the requirements of this chapter.

18.02.080 Marketing of affordable housing units for sale.

A. Any marketing communication advertising an affordable housing unit for sale shall fully disclose the affordable housing sale price and eligibility restrictions contained in this chapter.

B. Marketing of ~~an a for-sale~~ affordable ownership housing unit shall be performed by the owner or owner's agent, with preference given to households who live or work in Capitola, who shall market the affordable housing unit for no more than the maximum sale price established by the city (excluding closing costs in sales transactions).

C. The purchaser of an affordable housing unit shall not pay more in closing costs than that which is reasonable and customary in Santa Cruz County.

D. The seller of an affordable housing unit shall pay any real estate sales commission associated with the sales transaction.

E. The owner of an affordable housing unit shall not use the unit as collateral for an amount exceeding ninety-five percent of the maximum sales price allowed by this chapter unless specifically allowed in writing beforehand by the city. All second mortgages shall require the prior written approval of the city.

18.02.090 Secondary dwelling units – Non-applicability.

This chapter shall not apply to secondary dwelling units developed pursuant to Capitola Municipal Code Chapter 17.99.

18.02.100 Pre-approved projects – Non-applicability.

~~This Sections 18.02.30 through 18.02.50 of this~~ chapter shall not apply to projects for which a development permit was issued by the city prior to the effective date of the ordinance codified in this chapter or to the projects for which an approved tentative map or vesting tentative map existed as of the effective date of said ordinance.

18.02.110 Fees.

Upon resale- application for an equity line of credit, or refinance of an affordable housing unit, the owner or landlord shall pay a fee to the city to cover the city's costs in determining the maximum sales price and any other monitoring and document preparation processes as may be required of the city. The fee shall be established by city council resolution and shall be calculated so as to allow the city to recover the staff costs and administrative overhead incurred by the city in providing these services and preparing these documents. In addition, the city may similarly charge each prospective purchaser of an existing affordable housing unit a fee for determining eligibility.

18.02.120 Default/foreclosure.

A. Option to Purchase. In the event a default notice is recorded against an affordable housing unit, the city or its designee shall have the option to purchase the unit by paying the minimum amount that the owner would have received on the date of the foreclosure sale. Out of this sum, any lien holders shall be paid the amount of funds due them and the owner shall be paid the remaining balance.

B. In the event the city or its designee does not exercise its option to purchase the affordable housing unit prior to the trustee's sale or judicial foreclosure and the owner does not redeem the property by curing the default prior to sale or foreclosure, the unit shall thereafter be free from the restrictions of this chapter and the new owner may occupy, sell or rent the unit without restriction.

C. Notwithstanding subsection B of this section, single-family units that have never been sold to individual owner-occupants and multiple-family dwelling units shall not be released from the restrictions of this chapter through a trustee's sale or judicial foreclosure. In addition, affordable housing units shall not be released under the following circumstances:

1. The city has not been provided a copy of the notice of default within ten days of its service upon the owner;

2. The owner does not allow the city to exercise its option to purchase; or
3. A lender has over-encumbered the property and refuses to release its interest in the property for the maximum allowable sales price.

18.02.130 Conflicts of interest.

The following individuals are ineligible to purchase an affordable housing unit as their residence:

- A. The city manager, city attorney, community development director and members of the planning commission and city council;
- B. The owner or developer of an affordable housing project or affordable housing unit; and
- C. The immediate relatives of persons identified in subsections A and B of this section.

18.02.140 Violations.

It is unlawful and a violation of this chapter for an applicant or owner of an affordable housing unit or any employee or agent of an applicant or owner to:

- A. Sell an affordable housing unit to anyone who has not first been qualified as eligible;
- B. Sell an affordable housing unit to any person who has a conflict of interest as defined by this chapter;
- C. Sell an affordable housing unit for an amount exceeding the maximum sales price;
- D. Solicit, require or accept in connection with the sale of an affordable housing unit any payment or other contribution of cash, property or services from a purchaser or tenant the value of which, when added to the purchase price paid for an affordable housing unit, would exceed the maximum sales price or maximum rental prescribed by this chapter;
- E. ~~Willfully~~ Willfully and knowingly make a false statement or representation, or knowingly fail to disclose a material fact for the purpose of qualifying as eligible to purchase or rent an affordable housing unit under this chapter; or
- F. Violate any other provision of this chapter. The city may prosecute any violation of this chapter criminally, civilly or administratively in accordance with Title 4 of this code.

18.02.150 Reductions, Adjustments, or Waivers.

A. Any request for a waiver, adjustment, or reduction under this Chapter 18.02 shall be submitted to the city concurrently with an application for a first approval for a housing development project based upon a showing that applying the requirements of this chapter would result in an unconstitutional taking of property or would result in any other unconstitutional result. The request for a waiver, adjustment, or reduction shall set forth in detail the factual and legal basis for the claim.

B. The request for a waiver, adjustment, or reduction shall be processed concurrently with all other permits required for the housing development project. The body with the authority to approve the housing development project shall have the authority to act on the request for a waiver, adjustment, or reduction, subject to any appeals otherwise authorized for the housing development project.

C. The waiver or modification may be approved only to the extent necessary to avoid an unconstitutional result, based upon legal advice provided by or at the behest of the City Attorney, after adoption of written findings, based on legal analysis and substantial evidence. If a waiver or modification is granted, any change in the project shall invalidate the waiver or modification, and a new application shall be required for a waiver or modification under this section.

18.02.160 Appeal.

Any applicant or other person whose interests are adversely affected by a determination under Section 18.02.070 of this chapter may appeal in accordance with the provisions of that section. Any applicant or other person whose interests are adversely affected by any other determination in regard to the requirements of this chapter may appeal to the city council in accordance with the provisions of Chapter 2.52 of this code.

ORDINANCE NO. _____

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CAPITOLA ADDING
CHAPTER 18.05 “AFFORDABLE HOUSING IMPACT FEES” TO ESTABLISH
AFFORDABLE HOUSING IMPACT FEES IN THE CITY OF CAPITOLA**

WHEREAS, a decent home and suitable living environment for all Capitola residents and workers is a priority of the highest order; and

WHEREAS, the City engaged Economic & Planning Systems, Inc. (“EPS”) to conduct a Nexus-Based Affordable Housing Fee Analysis for Rental and For-Sale Housing Projects (“Nexus Studies”); and

WHEREAS, the Nexus Studies examined the link between new market-rate housing development projects, the growth of employment associated with the consumer expenditures of new residents, and the demand for affordable housing to accommodate the new worker households in the City and according to the Nexus Studies, new development of market-rate housing development projects supports growth of consumer expenditures by new residents; and

WHEREAS, the Nexus Studies demonstrated that many of the new worker households will qualify as moderate, low, and very low income households and will increase the demand for affordable housing in the City; and

WHEREAS, the City desires to establish affordable housing impact fees in the City of Capitola to assure that housing development projects pay their fair share to compensate for the increased demand for affordable housing generated by such projects within the City; and

WHEREAS, the affordable housing impact fees were presented to City Council along with this ordinance; and

WHEREAS, pursuant to Government Code sections 66013, 66016, 66018, and 6062a, the City must adopt affordable housing mitigation fees only after notice and public hearing; and

WHEREAS, pursuant to Government Code section 6062a, a notice of a public hearing on the proposed affordable housing impact fees was published on October 4, 2021 and October 11, 2021 in the Santa Cruz Sentinel, a newspaper of general circulation; and

WHEREAS, pursuant to Government Code sections 66013 and 66016, notice of the time and place of the meeting, including a general explanation of the matters to be considered and a statement that required data is available was mailed at least 14 days prior to the meeting to those members of the public who filed a written request with the City; and

WHEREAS, at least ten (10) days prior to the public hearing referenced above, the City made available for public inspection information required under government Code section 66000, et. seq.; and

WHEREAS, on October 14, 2021, the City Council held a noticed public hearing to consider the adopting the affordable housing impact fees at which time all interested persons were given an opportunity to comment.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CAPITOLA DOES ORDAIN AS FOLLOWS:

Section 1: Adding Chapter 18.05 to Capitola Municipal Code. Chapter 18.05 of the Capitola Municipal Code titled “Affordable Housing Impact Fees,” as shown in Attachment A, is hereby added in its entirety to Title 18.

Section 2: CEQA. The City Council finds that the action to adopt this Ordinance is not subject to the California Environmental Quality Act (“CEQA”). This action is not a project within the meaning of the CEQA Guidelines Sections 15378 and 15061(b)(3) as it has no potential for physical effects on the environment because it involves an adoption of certain fees and/or charges imposed by the City, does not commit the City to any specific project, and said fees and/or charges are applicable to future development projects and/or activities, each of which future projects and/or activities will be fully evaluated in full compliance with CEQA when sufficient physical details regarding said projects and/or activities are available to permit meaningful CEQA review (see CEQA Guidelines, Section 15004(b)(1)). Pursuant to CEQA Guidelines section 15378(b)(4), the creation of government funding mechanisms which do not involve any commitment to any specific project which may cause significant effect on the environment, is not defined as a “project” under CEQA. Therefore, approval of the fees and/or charges is not a “project” for purposes of CEQA, pursuant to CEQA Guidelines, Section 15378(b)(4); and, even if considered a “project” under CEQA, is exempt from CEQA review pursuant to CEQA Guidelines Section 15061(b)(3) because it can be seen with certainty that there is no possibility that approval of the fees and/or charges may have a significant effect on the environment.

Section 3: Severability. If any section, subsection, sentence, clause, or phrase of this Ordinance is for any reason held to be invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision will not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have passed this Ordinance and each and every section, subsection, sentence, clause, or phrase not declared invalid or unconstitutional without regard to whether any portion of the Ordinance would be subsequently declared invalid or unconstitutional.

Section 4: Effective Date. This Ordinance of the City of Capitola shall take effect and be in force 30 days after the date of its passage.

Section 5: Publication. Within fifteen (15) days of its passage, this Ordinance shall be published at least once in a newspaper of general circulation published and circulated in the City of Capitola, along with the names of the members of the City Council voting for and against its passage.

This Ordinance was introduced at a regular meeting of the Capitola City Council on the ___ day of October 2021, and was adopted at a regular meeting of the Capitola City Council on the ___ day of October 2021, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED:

Yvette Brooks, Mayor

ATTEST:

Chloe Woodmansee, City Clerk

ATTACHMENT "A"

Chapter 18.05

Attachment: Capitola - Affordable Housing Impact Fee Ordinance (Consider the First Reading of an Ordinance Amending Chapter 18.02:

AFFORDABLE HOUSING IMPACT FEES

Sections:

18.05.010	Purpose
18.05.020	Findings
18.05.030	Definitions
18.05.040	Use of Fees
18.05.050	Applicability
18.05.060	Establishment of Affordable Housing Impact Fee
18.05.070	Exemptions
18.05.080	Payment of Fee
18.05.090	Determination of Required Fees
18.05.100	Reductions, Adjustments, or Waivers

18.05.010 Purpose

The purpose of this Chapter is to establish affordable housing impact fees in the City of Capitola to assure that housing development projects pay their fair share to compensate for the increased demand for affordable housing generated by such development projects within the City of Capitola.

18.05.020 Findings

A. The City of Capitola conducted nexus studies that examined the link between new market-rate housing development projects, the growth of employment associated with the consumer expenditures of new residents, and the demand for affordable housing to accommodate the new worker households in Capitola. According to the nexus studies, new development of market-rate housing development projects supports growth of consumer expenditures by new homebuyer and renter households.

B. Growth of household consumer expenditures supports job growth and new employment opportunities in Capitola.

C. New employment opportunities will attract new workers to Capitola.

D. Many of those new workers will seek housing and choose to live in Capitola.

E. Many of those new worker households will qualify as moderate, low, and very low income households and will increase the demand for affordable housing in Capitola, particularly since the increase in jobs is generally in the lower-wage-paying sectors such as retail trade and services.

F. Expansion of the supply of affordable housing will require funding to bridge the "gap" between the costs of developing new affordable housing and what new moderate- and lower-income households can afford to pay.

G. Through the payment of an affordable housing impact fee, developers of market-rate housing will address at least a portion of the impacts of their developments on the need for affordable housing. Revenue from the fees will be used to preserve and expand the supply of affordable housing in Capitola.

H. The affordable housing impact fee imposed under this Chapter serves the public interest and is necessary to protect the health, safety and welfare of the residents of Capitola.

18.05.030 Definitions

For the purposes of this Chapter, unless otherwise apparent from the context, certain words and phrases used in this chapter are defined as follows:

A. "Housing development project" means any development project requiring a land use permit or approval from the city for: the construction of one or more new housing units including single-family residences, condominiums, townhouses and apartments; the division of land into one or more new residential parcels; the subdivision of mobile home parks; the conversion of one or more apartments to one or more condominiums; or a structural addition to an existing housing unit which will result in a fifty percent or greater increase in the housing unit's square footage.

B. "Low income household" means a household whose income, with adjustment for household size, is between fifty percent and eighty percent of the Santa Cruz County areawide median income.

C. "Moderate income household" means a household whose income, with adjustment for household size, is between eighty percent and one hundred twenty percent of the Santa Cruz County areawide median income

D. "Very low income household" means a household whose income, with adjustments for household size, is less than fifty percent of the Santa Cruz County area wide median income.

E. "Unit" means a single-family home, condominium, apartment, mobile home parcel, or residential parcel.

18.05.040 Use of Fees

The revenues from the affordable housing impact fees shall be deposited into a segregated affordable housing impact fee fund and all such fees shall be used to provide assistance for production of affordable housing units, acquisition of at-risk units, or rehabilitation of affordable housing units in the City of Capitola for very low, low, and moderate income households. The affordable housing impact fee revenues may also fund the studies and administration to support the fee program.

18.05.050 Applicability

The regulations, requirements, and provisions of this Chapter shall apply to any housing development project, unless exempt from this Chapter.

18.05.060 Establishment of Affordable Housing Impact Fees

Except as otherwise provided in this Chapter, applicants to develop a housing development project shall pay an affordable housing impact fee in an amount established by resolution of the City Council in accordance with a nexus study that demonstrates the reasonable relationship between the fee's use and the type of development project on which the fee will be imposed and demonstrates the reasonable relationship between the need for affordable housing and the type of development projects on which the fee will be imposed.

18.05.070 Exemptions

A. Housing development projects creating seven or more for-sale housing units, residential parcels, mobile home parcels, or converted condominium units shall be exempt from paying the affordable housing impact fee. Those projects, however, will be subject to the affordable housing inclusionary requirements set forth in Chapter 18.02 of the Capitola Municipal Code.

B. Housing units that are designated as affordable to very low, low, or moderate income households, with a minimum of fifty-five year term affordability restrictions, shall not be included in the calculation of the affordable housing impact fee.

C. New housing units that are constructed to replace housing units that were (1) demolished less than two years before the project developer applied for a permit to construct the housing development project; and (2) do not include a structural addition which will result in a fifty percent or greater increase in the housing unit's square footage shall not be included in the calculation of the affordable housing impact fee.

18.05.080 Payment of Fee

The fees required by this Chapter from a housing development project developer shall be paid at the time of building permit issuance, unless the developer of a non-subdivision housing development project enters into an agreement with the City to pay the fees at the time the certificate of occupancy is issued, pursuant to Government Code section 66007(a). An agreement to defer payment until the issuance of a certificate of occupancy

must be executed and recorded before the City will issue a building permit for the development project.

18.05.090 Determination of Required Fees

A. The Community Development Director, or the Director's designee, shall be responsible for determining the fees required by this Chapter. This determination shall be made at the time of application for the Building Permit for the New Development.

B. The affordable housing impact fee may be modified automatically on an annual basis in accordance with the change in the Engineering News Record ("ENR") Construction Cost Index for the San Francisco area. This adjustment shall not require any action of the City Council.

18.05.100 Reductions, Adjustments, or Waivers

A. Any request for a waiver, adjustment, or reduction under this Chapter 18.05 shall be submitted to the city concurrently with an application for a first approval for a housing development project based upon a showing that applying the requirements of this Chapter would result in an unconstitutional taking of property or would result in any other unconstitutional result. The request for a waiver, adjustment, or reduction shall set forth in detail the factual and legal basis for the claim.

B. The request for a waiver, adjustment, or reduction shall be processed concurrently with all other permits required for the housing development project. The body with the authority to approve the housing development project shall have the authority to act on the request for a waiver, adjustment, or reduction, subject to any appeals otherwise authorized for the housing development project.

C. The waiver or modification may be approved only to the extent necessary to avoid an unconstitutional result, based upon legal advice provided by or at the behest of the City Attorney, after adoption of written findings, based on legal analysis and substantial evidence. If a waiver or modification is granted, any change in the project shall invalidate the waiver or modification, and a new application shall be required for a waiver or modification under this section.

The Economics of Land Use



DRAFT Administrative Report

Nexus-Based Affordable Housing Fee Analysis for For-Sale Housing

Prepared for:

City of Capitola

Prepared by:

Economic & Planning Systems, Inc.

September 2, 2021

EPS #201117

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EXECUTIVE SUMMARY

Economic & Planning Systems, Inc. (EPS) was retained by the City of Capitola (City) to conduct a nexus study analyzing the impact that development of market-rate housing has on the demand for below-market-rate housing and, based on the results, to determine the defensible nexus-based fee that could be charged to market-rate housing development.

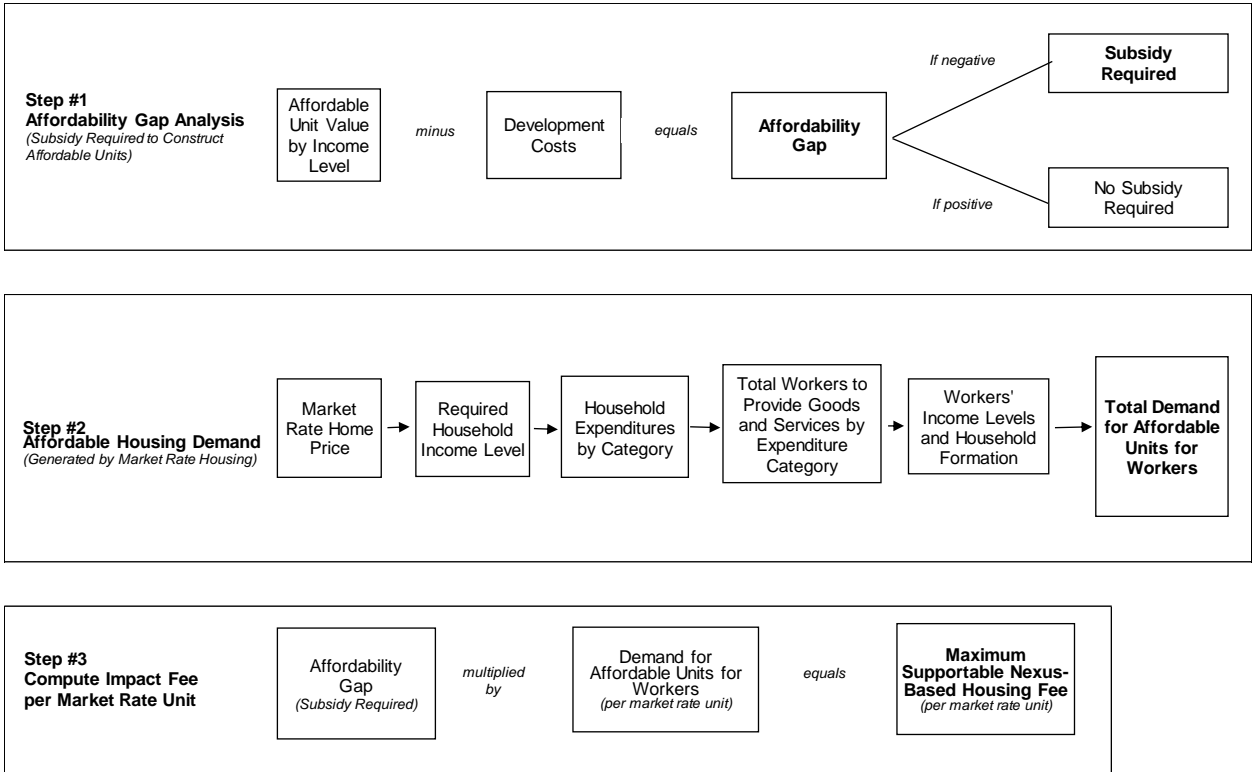
The technical approach used herein quantifies the impacts that the introduction of market-rate units have on the local economy and the demand for additional affordable housing. As new households are added to the community, local employment also will grow to provide the goods and services required by the new households. To the extent that these new jobs do not pay adequate wages for the employees to afford market-rate housing in the community, the new households' spending is creating a need for affordable housing. A nexus-based affordable housing fee is therefore based on the impact of the new market-rate homes on the demand for affordable housing. The fee calculated in this study represents the maximum fee that may be charged to new market-rate housing units to mitigate their impacts on the affordable housing supply. Such fees may be used by the City to subsidize the production of new affordable units for moderate- and lower-income households not accommodated by market-rate projects.

Calculating the impact of market-rate development in the City on affordable housing needs, and the fees needed to mitigate those impacts, involves three main analytical steps:

- **Step #1.** Estimate the typical subsidy required to construct units affordable at various income levels (the "affordability gap").
- **Step #2.** Determine the market-rate households' demand for goods and services, the jobs created by that demand, and the affordable housing needs of workers in those jobs.
- **Step #3.** Combine the affordability gap with the affordable housing demand projections to compute the maximum supportable nexus-based affordable housing fees per market-rate unit.

These technical steps are illustrated in **Figure 1** and detailed in the body of this Report and the attached Technical Appendices. The findings regarding each of these steps are presented below.

Figure 1 Illustration of Nexus-Based Housing Fee Methodology



Attachment: Nexus Study For-sale Housing (Consider the First Reading of an Ordinance Amending Chapter 18.02: Affordable (Inclusionary))

- 1. The costs to construct housing units affordable to many households exceed those units' values based on what the households can afford to pay. The estimated subsidy required to construct affordable housing units in Capitola range from roughly \$307,000 for Very Low-Income households earning up to 50 percent of AMI to \$67,000 for Low-Income households earning up to 80 percent of AMI.**

An "affordability gap analysis" evaluates whether or not the costs to construct affordable units exceed the values of units that are affordable to lower- and moderate-income households. For each affordable housing income level—households with incomes at 50, 80, and 120 percent of Area Median Income (AMI)—this analysis estimates the subsidy required to construct affordable housing units.

The affordability gap analysis assumes that the average affordable unit for all income levels will be a 2-bedroom unit in a multifamily development in a three-story, stacked flats building (an average density of 30 dwelling units per acre). This prototype assumes that affordable housing developers will maximize the City's current allowable density (20 units per acre), plus utilize the State density bonus program granting a 50 percent increase in base density. The estimated costs to construct the prototypical affordable unit are based on recent City of Capitola development projects and transactions, as well as other development cost data sources. The cost of land acquisition is also included in the development cost calculations.

A household's ability to pay is estimated based on standard percentages of income available for housing costs at each household income level. Income available for housing costs is then converted into a monthly affordable rent and a capitalized unit value or an affordable mortgage payment and supportable home price. This unit value is then compared to the costs of development to determine the subsidy required to make the unit affordable to each income level.

- 2. The demand for affordable housing generated by the expenditures of new households in City of Capitola increases along with the market-rate unit value (and related owner income). For example, a small unit selling for \$500,000 is estimated to create demand for 0.135 affordable housing units, while a large home selling for \$2 million creates demand for 0.405 affordable units.**

Any justified nexus-based fee is based on the total demand for affordable housing units generated by construction of market-rate homes. The link (or nexus) between market-rate housing and increased demand for affordable housing is that residents of market-rate units demand goods and services that rely on wage earners (for example, retail sales clerks) some of whom typically cannot afford market-rate housing and thus require affordable housing.

Because more expensive housing units require owners to have higher incomes, and higher income households create more jobs through their spending, the nexus impacts and thus the justified fees for units vary in relation to the price of the market-rate units. The price of the unit is typically a function of its size, and the fees calculated herein can be applied based on the square footage of the market-rate units.

This analysis evaluates the demand for affordable housing generated by a range of sale prices. For each price, the demand-based nexus fee calculation involves the following steps:

- A. Market-Rate Household Income Levels.** The required income levels of households occupying new for-sale market-rate housing are derived based on the unit's mortgage, property taxes, HOA dues, insurance, and utilities, assuming standard housing cost expenses as a proportion of overall household income. For example, a typical household purchasing a for-sale market-rate home for \$1.0 million would have an income of roughly \$167,200, if they spend 35 percent¹ of their income on housing costs.
- B. Household Expenditures.** Based on the household income computed in Step A, Consumer Expenditure Survey data is used to evaluate the typical spending patterns of the household. This analysis provides an estimate of how much the household spends on specific categories of expenditures, such as "Food at Home." The survey consists of two components — the Interview Survey and the Diary Survey — each with its own sample representative of the broader population, including distinctions by income level. The surveys collect data on expenditures, income, and consumer unit characteristics. As the households' income increases with the value of the market-rate units, the total spending on goods and services also increases. The Consumer Expenditure Survey also indicates that these relationships are not linear (e.g., a household with twice the income does not necessarily spend twice as much on food). While expenditures do increase with income, the relationship is not linear (i.e., household expenditures do not increase at the same proportion that incomes go up).
- C. Job Creation and Worker Households.** Having estimated the households' spending on various items, that spending is then converted into an estimate of jobs created. For each expenditure category, data regarding average worker wages and the ratio between gross business receipts and wages are used to translate these household expenditures into the total number of private-sector workers. Because each new worker does not represent an independent household (Capitola has an average of 1.69 workers per working household), the total number of new households created is somewhat less than the number of new jobs created. This analysis assumes that workers form households with others with similar wages. EPS has further adjusted the household formation rates to reflect the fact that a certain proportion of workers will *not* form their own households, particularly those of younger ages.²
- D. Worker Households by Income Category.** Each worker household generated is assigned to an income category—represented as a proportion of AMI ranging from 50 to 120 percent—based on its estimated gross wages. This provides the total number of households generated at each income level by construction of market-rate units at

¹ California Health and Safety Code Section 50052.5 states that affordable housing cost for for-sale units should not exceed 35 percent of gross household income for all income levels. Please note that this differs from the State's defined affordable housing cost for rental units, which is 30 percent of gross household income.

² BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers overall (this factor is applied to other industries). EPS has assumed that such young workers do not form their own households.

various price points. The results indicate that residents of smaller, lower-priced units generate fewer worker households requiring affordable housing than do residents of larger, higher-priced units.

These steps of the nexus-based fee calculation provide the total number of income-qualified workers required to meet the needs for goods and services generated by market-rate housing. The number of workers servicing market-rate housing (at each unit price level) is then converted to total income qualified households and each such household is assumed to require one housing unit.

3. This analysis calculates the maximum fees that could fully mitigate the impact that new market-rate housing has on Capitola's affordable housing demand at various representative price points. These fees could range from about \$35,253 for units selling for \$500,000 to \$109,284 for units that sell for \$2 million, or could be justified at as much as \$43.71 per square foot.

The nexus fee is calculated by applying the number of affordable units needed by income qualified households to the affordability gap for each housing income category. This calculation is made for several different home values, as shown in **Table 1**. Should the City prefer to adopt a flat fee per square foot rather than adjusting the fee based on the actual unit prices, this analysis suggests that the maximum fee could be \$43.71 per square foot, as that is the lowest maximum fee level calculated.

The City may also consider whether to allow developers to provide affordable units within their projects, rather than paying the nexus-based fee. **Table 1** illustrates the proportions of affordable units that correspond to the fee calculation and demands created by the market-rate units. For instance, a project offering \$750,000 units would effectively mitigate the demand being created by the market-rate units if it provided 0.184 affordable units for each market-rate unit.

It is understood that a lower fee level below the maximum fee may be appropriate given a range of development feasibility and economic development considerations, and a City's preference to incentivize rental housing.

Table 1 Summary of Maximum Supportable Nexus-Based Housing Fees or Unit Requirements

For-Sale Unit Price	Nexus-Based Fees			Unit Requirements by Income Level			Total
	Fee per Unit	% of Value	Per Sq.Ft. [1]	VLI (<50% of AMI)	Low (<80% of AMI)	Moderate (<120% of AMI)	
\$500,000	\$35,253	7.1%	\$63.46	11.0%	2.4%	0.2%	13.5%
\$750,000	\$48,605	6.5%	\$51.85	15.2%	2.9%	0.3%	18.4%
\$1,000,000	\$59,792	6.0%	\$47.83	18.7%	3.5%	0.3%	22.5%
\$1,250,000	\$69,011	5.5%	\$44.17	21.7%	3.6%	0.3%	25.6%
\$1,500,000	\$81,938	5.5%	\$43.70	25.7%	4.3%	0.3%	30.4%
\$1,750,000	\$95,627	5.5%	\$43.72	30.0%	5.0%	0.4%	35.4%
\$2,000,000	\$109,284	5.5%	\$43.71	34.3%	5.8%	0.4%	40.5%

[1] Assumes an average value of \$900 per square foot for \$500k units, and \$800 per square foot for all others

Source: Economic & Planning Systems, Inc.

4. While a nexus-based relationship is not typically required for cities to adopt inclusionary housing standards, Table 1 shows that the City of Capitola could justify an inclusionary requirement of at least 13.5 percent from a nexus perspective.

Inclusionary ordinances in California vary widely but commonly require 10 to 15 percent affordable units. California jurisdictions commonly adopt inclusionary standards based on policy preferences rather than nexus analysis such as this report, but this analysis indicates that the impact of new for-sale housing could justify an inclusionary requirement of at least 13.5 percent as that is the lowest impact-based figure calculated. **Table 1** also suggests that very low-income units represent a large portion of the units demanded based on the spending of new for-sale housing occupants, but again jurisdictions commonly adopt inclusionary housing income standards based on considerations other than the nexus-based impact.

5. The findings of this analysis can apply equally to new construction of for-sale units and expansions of existing homes.

According to City staff, much of the residential construction in Capitola has been and may continue to be expansions of existing homes rather than entirely new construction. This analysis demonstrates that there is a relationship between the size of homes, their market value, the incomes of households expected to occupy those homes, and the impact on the City's affordable housing demands. As homeowners or other investors expand an existing home, its market value increases in a predictable way based on the square footage added, and the required income of the future buyers of the home can be expected to increase even if the current occupants' income stays the same while they remain in the home. For example, market data suggest that adding 500 square feet to a home can be expected to add roughly \$400,000 to the home's value, and the next household that buys that home would thus need to have more income than the household that could have bought the previously smaller home. As such, home expansions have an impact on the demand for affordable housing in Capitola.

1. AFFORDABILITY GAP ANALYSIS

For any nexus-based affordable housing fee calculation, it is necessary to estimate the subsidy required to construct affordable housing units. **Table 2** shows the subsidy needed to produce housing that is affordable to very low-, low-, and moderate-income households (50 through 120 percent of AMI).

Product Type

While the nexus fees calculated herein are based on demands created by market-rate rental housing, the analysis assumes that new lower-income worker households would actually be housed in developments that are 100 percent affordable units. The affordable units are assumed as apartments at 30 units per acre with surface parking, reflecting the assumption that affordable apartment builders would maximize the City's current allowable density (20 units per acre), plus utilize the State density bonus program granting a 50 percent increase in base density.

In order to determine the average household size of future affordable housing units, EPS used two estimates from the US Census 2015-2019 American Community Survey (ACS)—the average household size for working households in Capitola being 2.53, and average family size being 2.95. Rounding these averages, EPS compared the estimated household wage with the income thresholds for a 3-person household to identify the income category into which each occupation would fall for new units.

California State law (California Health and Safety Code Section 50052.5) assumes that a 2-bedroom unit is occupied by a 3-person household, and this assumption is used in this analysis. Commonly, a 2-bedroom rental unit in Northern California has a gross size of about 1,100 square feet (accounting for shared lobbies, hallways, etc.) and a net size of 950 square feet. This analysis estimates the subsidy that would be required to build for-rent housing for the lower-income worker households (for-sale units are assumed to be larger).

Table 2 Affordability Gap Analysis

Item	3-Story Multifamily Building With Surface 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
Net Unit Size	950	950	950
Number of Bedrooms	2	2	2
Number of Persons per 2-bedroom Unit [2]	3	3	3
Parking Spaces/Unit	1.25	1.25	1.25
Cost Assumptions			
Land/Acre [3]	\$1,400,000	\$1,400,000	\$1,400,000
Land/Unit	\$46,667	\$46,667	\$46,667
Direct Costs			
Direct Construction Costs/Net SF [4]	\$300	\$300	\$300
Direct Construction Costs/Unit	\$330,000	\$330,000	\$330,000
Parking Construction Costs/Space	\$5,000	\$5,000	\$5,000
Parking Construction Costs/Unit	\$6,250	\$6,250	\$6,250
Subtotal, Direct Costs/Unit	\$336,250	\$336,250	\$336,250
Indirect Costs as a % of Direct Costs [5]			
Indirect Costs/Unit	\$117,688	\$117,688	\$117,688
Developer Fee (% of all costs)			
Fee Amount	\$70,085	\$70,085	\$70,085
Total Cost/Unit (rounded)	\$571,000	\$571,000	\$571,000
Maximum Supported Home Price			
Household Income [6]	\$59,600	\$95,600	\$118,800
Income Available for Housing Costs/Year [7]	\$17,880	\$28,680	\$35,640
(less) Operating Expenses per Unit/Year [8]	(\$6,000)	(\$6,000)	(\$10,000)
Net Operating Income	\$11,880	\$22,680	\$25,640
Capitalization Rate [9]	4.5%	4.5%	4.5%
Total Supportable Unit Value [10]	\$264,000	\$504,000	\$569,778
Affordability Gap	\$307,000	\$67,000	\$1,222

[1] Based on City Staff input of 20 unit per acre, plus a 50 percent density bonus for 100 percent affordable units. State law also allows density bonus projects to have a reduced parking ratio between 0 and 1.5 spaces per 2-bedroom unit, below the City's standard 2.5 per unit.

[2] An average of 3 persons is used for this analysis based on Census data indicating the average family size in Capitola and State law (Health and Safety Code Section 50052.5) indicates that a 2-bedroom unit should be assumed to be occupied by a 3-person household. Thus, EPS has assumed an average unit for income-qualified worker households would be 2-bedrooms.

[3] Based on CoStar data on land transactions in the Capitola area since 2016.

[4] Includes on-site work, offsite work, vertical construction, general requirements, overhead and builder fees. The cost estimate reflects wood-frame construction above podium parking.

[5] Includes costs for architecture and engineering; entitlement and fees; project management; appraisal and market study; marketing,

[6] Based on 2021 income limits for a three person household in Santa Cruz County.

[7] Assumes housing costs to be 30% of gross household income.

[8] Operating expenses are generally based on EPS feasibility studies in the region and are inclusive of utility costs; 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.

[9] The capitalization rate is used to determine the current value of a property based on estimated future operating income, and is typically

[10] The total supportable unit value is determined by dividing the net operating income by the capitalization rate.

Sources: City of Capitola; HCD; CoStar; and Economic & Planning Systems, Inc.

Development Cost Assumptions

Affordable housing development costs include land costs, direct costs (e.g., labor and materials), indirect or “soft” costs (e.g., architecture, entitlement, marketing, etc.), and developer profit. Operating costs, including property maintenance, common utilities, advertising, leasing, and property taxes (where applicable) also must be incorporated into the analysis. Data from recent Capitola developments and land transactions have been combined with EPS’s information from various market-rate and affordable housing developers to estimate appropriate development cost assumptions. These assumptions are shown in **Table 2**.

Revenue Assumptions

To calculate the values of the affordable units, assumptions must be made regarding the applicable income level and the percentage of income spent on housing costs. In addition, translating these assumptions into unit prices and values requires estimates of operating expenses, capital reserves, and capitalization rates. The following assumptions were used in these calculations:

- *Income Levels*—This analysis estimates the subsidy required to produce units for households earning 50, 80, and 120 percent of Area Median Income for a three-person household. In 2021, AMI for these households was \$99,000, as shown in the California Department of Housing and Community Development’s (HCD’s) income limits chart.
- *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 rental housing costs. For this analysis, EPS has assumed that all households shall spend 30 percent of their gross income on rental housing costs.
- *Operating Costs for Rental Units*—The analysis assumes that apartment operators incur annual operating costs of \$6,000 per unit, which include the cost of utilities, for units affordable at 80 percent of AMI or below. EPS has assumed the units for 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.

Table 3 Income Limits for Affordable Housing

Affordability Category	Maximum Percentage of County Median	2021 Max Income [1] 3-person household
Extremely Low Income (ELI)	0% - 30%	\$35,750
Very Low Income (VLI)	50%	\$59,600
Low Income (LI)	80%	\$95,600
Median Income	100%	\$99,000
Moderate Income (Mod)	120%	\$118,800

[1] 2021 HCD maximum income thresholds are used to translate employment, wages and total worker household incomes to affordable housing categories and to compute supportable housing costs based on household income levels.

Sources: CA Department of Housing and Community Development; Economic & Planning Systems, Inc.

Affordability Gap Results

Table 2 shows the estimated subsidies for construction of affordable rental units for low and moderate-income households. As shown, a unit for a household at 50 percent of AMI is expected to require a subsidy of \$307,000. Additionally, a unit for a household at 80 percent of AMI is expected to require a subsidy of roughly \$67,000, while a unit for a household at 120 percent of AMI is expected to require little, if any subsidy.

These housing affordability gaps then were used to calculate the justified nexus-based fees by multiplying this required subsidy by the number of units required to house workers providing goods and services to new market-rate housing development. This methodology is discussed in more detail in the following chapter.

It is worth noting that the affordability gaps estimated in this analysis are not as large as they might be using other also-valid assumptions. For example, the funding gaps for low income units assume that prices are set at 80 percent of median income, while State law suggest low-income unit prices may be set at 70 percent of median income, or even 60 percent of AMI. This methodology used by EPS yields higher unit values and thus results in lower maximum fees than the City's current practices would yield, and has been used by EPS to preempt objections that the assumptions and calculations overstate the actual funding gap for affordable units.

2. DEMAND-BASED NEXUS FEE CALCULATION

The maximum supportable nexus-based fees are based on both the affordability gap and the estimated impact that new market-rate units have on the need for affordable units, as reflected in the number of income-qualified local workers required to support the residents of market-rate units and the total subsidy required to construct housing for those workers. This approach is based on the following logic: (a) residents of market-rate housing have disposable incomes and require a variety of goods and services, (b) the provision of those goods and services will require some workers who make lower incomes and cannot afford market-rate housing, and (c) fees charged to market-rate projects can mitigate the impact of those projects on the increased need for affordable housing.

Market-Rate Household Income Levels

Households with larger incomes typically spend more on goods and services, therefore creating additional lower income jobs, which in turn generate a greater demand for affordable housing. To assess the impact that market-rate units have on the need for affordable housing, EPS has estimated the household income required to purchase a home at various price levels, as shown in **Table 4**.

The income required to purchase a particular unit value is based on assumptions of the standard down payment, financing terms, property taxes, and other costs related to owning a home. These housing costs typically account for 35 percent of a household's income, and therefore, by knowing these costs, the required income to purchase each unit can be estimated. As shown, required household incomes under recent market conditions range from approximately \$87,300 for a \$500,000 unit to roughly \$329,700 for a \$2 million unit. Changes to housing market and financing conditions can have a significant effect on the calculations in this study.

Household Expenditures and Job Creation by Income Level

Having established the income requirements for purchasing units at various values, the fee calculation then requires an analysis of the household spending patterns at those required income levels.

The Consumer Expenditure Survey from the United States Bureau of Labor Statistics provides data for households at a variety of income levels, detailing the amounts that typical households spend on things like Food at Home, Apparel and Services, and Vehicle Maintenance and Repairs.

Table 3 Required Income by Unit Price - Market-Rate For-Sale Units

Base Unit Price	Mortgage (Price less 20% Down)	Annual Cost					Minimum Required Income [6]
		Mortgage Payment [1]	Property Taxes [2]	HOA Dues [3]	Home Insurance [4]	Utilities [5]	
\$500,000	\$400,000	\$20,408	\$5,505	\$1,050	\$350	\$3,228	\$87,300
\$750,000	\$600,000	\$30,612	\$8,258	\$1,575	\$525	\$3,228	\$126,300
\$1,000,000	\$800,000	\$40,815	\$11,010	\$2,100	\$700	\$3,900	\$167,200
\$1,250,000	\$1,000,000	\$51,019	\$13,763	\$2,625	\$875	\$4,584	\$208,200
\$1,500,000	\$1,200,000	\$61,223	\$16,515	\$3,150	\$1,050	\$4,584	\$247,200
\$1,750,000	\$1,400,000	\$71,427	\$19,268	\$3,675	\$1,225	\$5,376	\$288,500
\$2,000,000	\$1,600,000	\$81,631	\$22,020	\$4,200	\$1,400	\$6,144	\$329,700

[1] Based on mortgage terms of 20% down payment and 3% interest for 30 years.

[2] Assumes property tax rate of 0.01101.

[3] HOA dues are assumed to increase at \$525 annually for every \$250,000 of home value

[4] Assumes homeowners insurance costs of 0.1% of the unit cost assumed at 70% of the value.

[5] Based on the Santa Cruz County Housing Authority Utility Allowance (assumes natural gas).

[6] Assumes 35% of gross household income spent on housing costs; rounded.

Sources: City of Capitola; County of Santa Cruz; Economic and Planning Systems, Inc.

Interestingly, household expenditures by category are not uniformly proportional to household income levels. For example, households earning around \$87,300 (adequate to purchase a \$500,000 unit) spend roughly 12.8 percent of their income on food and drink (at home and eating out), while households earning \$329,700 who can afford to purchase a \$2 million unit will spend on 6.8 percent of their income on food and drink. Because of these and other differences in proportionate spending, the expenditure profile varies at different income levels.

The homebuyer household's typical expenditures were converted to the number of jobs created by their spending. The first step in this process is to determine how much of an industry's gross receipts are used to pay wages and employee compensation. EPS relied on data from the Economic Census,³ which provides employment, gross sales, and payroll data by industry for Santa Cruz County. In certain instances, where local data was not available for every Economic Census industry, EPS relied on statewide Economic Census data for that industry.

To link the Economic Census data and the Consumer Expenditure Survey data, EPS made determinations as to the industries involved with expenditures in various categories. For example, purchases in the Consumer Expenditure Survey's "Food at Home" category would likely involve the Economic Census's "Food & Beverage Stores" industry, where gross receipts were more than nine times the employees' wages. By contrast, purchases in the Consumer Expenditure Survey's "Entertainment Fees and Admissions" category were attributed to the Economic Census' "Arts, Entertainment, and Recreation" industry, where gross receipts are only about four times the employees' wages. Where more than one Economic Census category was attributable to a Consumer Expenditure Survey category, EPS estimated the proportion of expenditures associated with each Economic Census category.

After determining the amount of the household's expenditures that were used for employee wages, EPS estimated the number of employees those aggregate wages represent. EPS calculated the number of workers supported by that spending using the average wage per worker (also from the 2017 Economic Census). These wages ranged from a low of roughly \$19,500 per year for workers in the clothing and clothing accessories industry to a high of more than \$100,000 for legal services.

A range of occupations and incomes exist in a given industry sector. For instance, the methodology used to generate **Tables B-1 to B-7 in Appendix B** distinguishes between the typical incomes of workers in different types of retail stores (e.g., "food and beverage stores" versus "general merchandise stores"), rather than assuming all retail sector workers earn the same income. However, the average wage is used for each sub-category of industry employment and represents a reasonable proxy for the range of incomes in that group: while some employees will have higher wages and require lower subsidies, others will have lower incomes and require higher subsidies. Using the average approximates the total housing subsidy needed by workers in that industry.

³ Note that the Consumer Expenditure Survey data is based on information current as of 2019. The latest data available for the Economic Census was published in 2017. EPS converted all numbers to 2021 dollars using the Consumer Price Index (CPI) for the San Francisco Metropolitan Statistical Area (MSA) from the Bureau of Labor Statistics.

To calculate the number of *households* supported by the expenditures of market-rate housing units, EPS estimated the employees' household formation rates. Importantly, employees generated from the increase in housing units do not all form households; some employees, in the retail and food services industries in particular, are young workers and do not form households. Data from the Bureau of Labor Statistics indicates that 12.5 percent of retail/restaurant workers are age 16 to 19, but an average of only 1.9 percent of workers in the workforce overall. EPS applied these discounts to household formation by type of business to get a more accurate calculation of households formed by the employees and the average total incomes of those households.

To get the overall households' income rather than the individual workers', the wages of workers forming households were multiplied by the average of approximately 1.69 workers per working household in Capitola.⁴ This assumption implies the workers in a given household will have roughly equivalent compensation. While certainly there will often be some variation in wages per employee within a household, on average this assumption is reasonable because it implies comparable levels of education and training among all workers in a household. The average household incomes then are allocated to various income categories to estimate the number of affordable housing units demanded in each income category (50 through 120 percent of AMI).

A simplified example of these calculations follows:

A.	Number of Households (prototype project)	1,000
B.	Average Household Income (in the project)	\$125,000
C.	Aggregate Household Income (A x B)	\$125 million
D.	Average Income Spent on Retail (Consumer Expenditure Survey)	\$40,000
E.	Aggregate Retail Spending (A x D)	\$40 million
F.	Retail Gross Receipts: Payroll Ratio (Economic Census)	9:1
G.	Estimated Retail Payroll (E ÷ F)	\$4.44 million
H.	Average Retail Wage (Economic Census)	\$28,500
I.	Estimated Total Retail Jobs (G ÷ H)	156
J.	Percent Age 20+ (Bureau of Labor Statistics)	87.5%
K.	Total Retail Workers Forming Households	136
J.	Average Workers/Household (Census Data)	1.69
K.	Estimated Households Created (K ÷ J)	86
L.	Average Household Income (H x J)	\$45,000
M.	Income Category	Low-Income (up to 80% of AMI)

In this simplified example, 1,000 new market-rate units sold to households earning \$125,000 per year would create demand for 86 housing units for retail workers with household incomes typically between 50 and 80 percent of AMI. Actual calculations and impact distinctions by type of household expenditure for various home values are shown in the series of tables presented in

Appendix C.

⁴ Workers per working household based on American Community Survey (ACS) Census data current as of 2013. Although ACS data reported is based on historical figures, these figures can vary somewhat based on ongoing revisions to the ACS data.

Demand for Income-Qualified Workers

The total number of income-qualified households required to support the expenditures of new market-rate units were determined based on the affordable housing income limits from HCD for a 3-person household. **Table 3** summarizes the HCD income limits used to compute the total number of income-qualified households generated by construction of market-rate units.⁵ The number of income-qualified households required to provide goods and services to new housing units is detailed in **Appendix B**.

The nexus methodology used herein computes the total number of income-qualified households generated by market-rate units (as shown in Table 5) and calculates the impact fee based on the estimated cost to subsidize the production of units to meet that affordable housing demand. This analysis assumes that the fees on residential development will fund required affordable housing for all new workers generated.

Table 4 Summary of Worker and Household Generation per 100 Market-Rate Units

Unit Type	Minimum Household Income Requirement	Total Workers Generated [1]	Total Worker Households [2]	Total Income Qualified Households [3]	Income Qualified Households by Income Category		
					VLI Households	LI Households	Moderate Income Households
For-Sale Units							
\$500,000	\$87,300	26	14.2	13.5	11.0	2.4	0.2
\$750,000	\$126,300	36	19.2	18.4	15.2	2.9	0.3
\$1,000,000	\$167,200	44	23.5	22.5	18.7	3.5	0.3
\$1,250,000	\$208,200	50	26.9	25.6	21.7	3.6	0.3
\$1,500,000	\$247,200	59	31.9	30.4	25.7	4.3	0.3
\$1,750,000	\$288,500	69	37.2	35.4	30.0	5.0	0.4
\$2,000,000	\$329,700	79	42.5	40.5	34.3	5.8	0.4

[1] Total workers generated detailed by unit price point and rental apartment size in Tables B-1 through B-4.

[2] Total worker households derived assuming 1.69 workers per household. Includes a 12.5% discount for retail and 1.9% discount for other industries to account for workers under age 20.

[3] Total income qualified households reflects those households eligible for affordable housing based on total household income. Income qualified households therefore exclude households earning above moderate income. See Tables B-1 through B-4 for detail. Total may not sum due to rounding.

Source: Economic & Planning Systems, Inc.

⁵ To correspond to the available data regarding employee wages, the 2021 Santa Cruz County affordable housing income limits from HCD were used to determine the number of income-qualified households based on household expenditures.

Fee Calculation

The affordability gap analysis quantifies the subsidy required to construct affordable housing at various income levels. Analysis of consumer expenditures that rely on lower wage workers provides an estimate of the total number of income-qualified households generated by new for-sale units. Then for each category of market-rate units, the nexus-based fee is calculated by applying the total number of income-qualified households generated to the affordability gap computed for each affordable household income level. The analysis provides the maximum supportable nexus-based fees for new housing development in Capitola.

Tables 7 through **13** show the impact fee calculation by for-sale home value ranging from \$500,000 to \$2 million per unit. The total impact fees required for a representative project of 100 units is calculated by multiplying the number of affordable units required per income level by the cost of subsidizing such housing. All income-qualified households are assumed to be housed in multifamily rental units and the subsidies needed are calculated as the affordability gaps shown in **Table 3**. The resulting maximum impact fee for market-rate units ranges from \$35,253 for a \$500,000 unit to \$109,284 for a \$2 million unit.

These fee estimates result in the maximum fee range of between \$44 and \$64 per square foot and significantly exceed the existing housing fee of \$10 per square foot in Capitola. Fee per square foot is based on the assumption that homes in Capitola over 800 square feet typically sell for approximately \$800 per square foot, while homes of less than 800 square feet tend to sell for about to \$900 per square foot (see **Table 6**). This assumption is based on RedFin data for new home sales from April 2020 through April 2021. While the City has the option of adopting fees up to the maximum levels calculated, there may be a variety of reasons to adopt the fee level below the maximum, including concerns about affecting the feasibility of new housing construction, as will be explored in a separate EPS document.

Table 6 Capitola Home Value per Square Foot by Unit Size

House Size (square feet)	Average Value per Square Foot	Number of Units
2,000+	\$824	22
1,600-1,999	\$800	21
1,200-1,599	\$807	39
800-1,199	\$772	79
500-799	\$924	13
Overall	\$801	174

Source: RedFin 2020-21 Home Sales for Capitola; Economic and Planning Systems Inc.

Table 7 Nexus-Based Housing Fee Calculations (\$500,000 Unit)

Item	Affordable Units Required Per 100 Market-Rate Units [1]	Affordability Gap per Affordable Unit [2]	Total Nexus-Based Fee Supported		
			Per 100 Market-Rate Units	Per Market-Rate Unit	Per Sq.Ft.
	(A)	(B)	(C = A * B)	(D = C / 100)	
Affordable Units - Very Low Income	11.0	\$307,000	\$3,366,803		
Affordable Units - Low Income	2.4	\$67,000	\$158,222		
Affordable Units - Moderate Income	<u>0.2</u>	\$1,222	<u>\$260</u>		
Total	13.5		\$3,525,285	\$35,253	\$63.46

[1] See Table 5

[2] See Table 2. EPS has assumed all affordable units will be rental because the subsidy to construct rental units is lower than for-sale for every income-category.

Source: Economic & Planning Systems, Inc.

Table 8 Nexus-Based Housing Fee Calculations (\$750,000 Unit)

Item	Affordable Units Required Per 100 Market-Rate Units [1]	Affordability Gap per Affordable Unit [2]	Total Nexus-Based Fee Supported		
			Per 100 Market-Rate Units	Per Market-Rate Unit	Per Sq.Ft.
	(A)	(B)	(C = A * B)	(D = C / 100)	
Affordable Units - Very Low Income	15.2	\$307,000	\$4,662,780		
Affordable Units - Low Income	2.9	\$67,000	\$197,380		
Affordable Units - Moderate Income	<u>0.3</u>	\$1,222	<u>\$316</u>		
Total	18.4		\$4,860,477	\$48,605	\$51.85

[1] See Table 5

[2] See Table 2. EPS has assumed all affordable units will be rental because the subsidy to construct rental units is lower than for-sale for every income-category.

Source: Economic & Planning Systems, Inc.

Table 9 Nexus-Based Housing Fee Calculations (\$1,000,000 Unit)

Item	Affordable Units Required Per 100 Market-Rate Units [1]	Affordability Gap per Affordable Unit [2]	Total Nexus-Based Fee Supported		
			Per 100 Market-Rate Units	Per Market-Rate Unit	Per Sq.Ft.
	(A)	(B)	(C = A * B)	(D = C / 100)	
Affordable Units - Very Low Income	18.7	\$307,000	\$5,745,897		
Affordable Units - Low Income	3.5	\$67,000	\$232,926		
Affordable Units - Moderate Income	<u>0.3</u>	\$1,222	<u>\$344</u>		
Total	22.5		\$5,979,167	\$59,792	\$47.83

[1] See Table 5

[2] See Table 2. EPS has assumed all affordable units will be rental because the subsidy to construct rental units is lower than for-sale for every income-category.

Source: Economic & Planning Systems, Inc.

Table 10 Nexus-Based Housing Fee Calculations (\$1,250,000 Unit)

Item	Affordable Units Required Per 100 Market-Rate Units [1]	Affordability Gap per Affordable Unit [2]	Total Nexus-Based Fee Supported		
			Per 100 Market-Rate Units	Per Market-Rate Unit	Per Sq.Ft.
	(A)	(B)	(C = A * B)	(D = C / 100)	
Affordable Units - Very Low Income	21.7	\$307,000	\$6,657,049		
Affordable Units - Low Income	3.6	\$67,000	\$243,707		
Affordable Units - Moderate Income	<u>0.3</u>	\$1,222	<u>\$314</u>		
Total	25.6		\$6,901,069	\$69,011	\$44.17

[1] See Table 5

[2] See Table 2. EPS has assumed all affordable units will be rental because the subsidy to construct rental units is lower than for-sale for every income-category.

Source: Economic & Planning Systems, Inc.

Table 11 Nexus-Based Housing Fee Calculations (\$1,500,000 Unit)

Item	Affordable Units Required Per 100 Market-Rate Units [1]	Affordability Gap per Affordable Unit [2]	Total Nexus-Based Fee Supported		
			Per 100 Market-Rate Units	Per Market-Rate Unit	Per Sq.Ft.
	(A)	(B)	(C = A * B)	(D = C / 100)	
Affordable Units - Very Low Income	25.7	\$307,000	\$7,904,047		
Affordable Units - Low Income	4.3	\$67,000	\$289,358		
Affordable Units - Moderate Income	<u>0.3</u>	\$1,222	<u>\$372</u>		
<i>Total</i>	<i>30.4</i>		<i>\$8,193,777</i>	<i>\$81,938</i>	<i>\$43.70</i>

[1] See Table 5

[2] See Table 2. EPS has assumed all affordable units will be rental because the subsidy to construct rental units is lower than for-sale for every income-category.

Source: Economic & Planning Systems, Inc.

Table 12 Nexus-Based Housing Fee Calculations (\$1,750,000 Unit)

Item	Affordable Units Required Per 100 Market-Rate Units [1]	Affordability Gap per Affordable Unit [2]	Total Nexus-Based Fee Supported		
			Per 100 Market-Rate Units	Per Market-Rate Unit	Per Sq.Ft.
	(A)	(B)	(C = A * B)	(D = C / 100)	
Affordable Units - Very Low Income	30.0	\$307,000	\$9,224,585		
Affordable Units - Low Income	5.0	\$67,000	\$337,701		
Affordable Units - Moderate Income	<u>0.4</u>	\$1,222	<u>\$435</u>		
<i>Total</i>	<i>35.4</i>		<i>\$9,562,721</i>	<i>\$95,627</i>	<i>\$43.72</i>

[1] See Table 5

[2] See Table 2. EPS has assumed all affordable units will be rental because the subsidy to construct rental units is lower than for-sale for every income-category.

Source: Economic & Planning Systems, Inc.

Table 13 Nexus-Based Housing Fee Calculations (\$2,000,000 Unit)

Item	Affordable Units Required Per 100 Market-Rate Units [1] (A)	Affordability Gap per Affordable Unit [2] (B)	Total Nexus-Based Fee Supported		
			Per 100 Market-Rate Units (C = A * B)	Per Market-Rate Unit (D = C / 100)	Per Sq.Ft.
Affordable Units - Very Low Income	34.3	\$307,000	\$10,541,926		
Affordable Units - Low Income	5.8	\$67,000	\$385,927		
Affordable Units - Moderate Income	0.4	\$1,222	\$497		
Total	40.5		\$10,928,351	\$109,284	\$43.71

[1] See Table 5

[2] See Table 2. EPS has assumed all affordable units will be rental because the subsidy to construct rental units is lower than for-sale for every income-category.

Source: Economic & Planning Systems, Inc.

Attachment: Nexus Study For-sale Housing (Consider the First Reading of an Ordinance Amending



APPENDICES:

Appendix A: Household Expenditures and
Employment Generation

Appendix B: Income Levels for Worker Households



APPENDIX A:
Household Expenditures and
Employment Generation

**Table A-1
Household Expenditures and Employment Generation - For Sale \$500,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117**

Item	% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/ HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = c * 1,000</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>h = f / g</i>	<i>i</i>	<i>j</i>	<i>k = h * i / j</i>	<i>l = g * j</i>	
Required Income	\$87,300												
Food at Home	7.2%	100%	\$6,261										
Food & Beverage Stores		100%	\$6,261	\$6,261,143	9.01	\$694,821	\$30,474	22.8	87.5%	1.69	11.8	\$51,421	VLI Households
Food Away From Home	5.6%	100%	\$4,890										
Food Services and Drinking Places		100%	\$4,890	\$4,890,326	3.13	\$1,564,497	\$21,784	71.8	87.5%	1.69	37.2	\$36,758	VLI Households
Alcoholic Beverages	0.9%	100%	\$829										
Food & Beverage Stores		50%	\$414	\$414,366	9.01	\$45,984	\$30,474	1.5	87.5%	1.69	0.8	\$51,421	VLI Households
Food Services and Drinking Places		50%	\$414	\$414,366	3.13	\$132,563	\$21,784	6.1	87.5%	1.69	3.2	\$36,758	VLI Households
Housing Maintenance, Repairs, Insurance, Other expenses	1.8%	100%	\$1,553										
Personal and Household Goods Repair and Maintenance		45%	\$699	\$699,047	3.34	\$209,373	\$29,298	7.1	98.1%	1.69	4.2	\$49,437	VLI Households
Building Material and Garden Equipment and Supplies Dealer		45%	\$699	\$699,047	8.42	\$83,043	\$34,606	2.4	87.5%	1.69	1.2	\$58,395	VLI Households
Real Estate and Rental and Leasing		10%	\$155	\$155,344	5.03	\$30,864	\$49,773	0.6	98.1%	1.69	0.4	\$83,988	LI Households
Fuel oil and Other fuels [7]	5.6%	100%	\$4,887										
Nonstore Retailers		100%	\$4,887	\$4,886,858	7.59	\$643,603	\$39,149	16.4	87.5%	1.69	8.5	\$66,060	LI Households
Water and Other Public Services [7]	1.2%	100%	\$1,009										
Waste Management and Remediation Services		100%	\$1,009	\$1,009,041	4.00	\$252,255	\$68,872	3.7	98.1%	1.69	2.1	\$116,214	Moderate Income
Household Operations Personal Services	0.8%	100%	\$696										
Nursing and Residential Care Facilities		40%	\$278	\$278,324	2.41	\$115,446	\$37,011	3.1	98.1%	1.69	1.8	\$62,453	LI Households
Social Assistance [8]		60%	\$417	\$417,487	2.98	\$139,932	\$24,733	5.7	98.1%	1.69	3.3	\$41,735	VLI Households
Household Operations Other Household Expenses	1.4%	100%	\$1,248										
Services to Buildings and Dwellings		100%	\$1,248	\$1,248,299	2.91	\$429,134	\$75,555	5.7	98.1%	1.69	3.3	\$127,492	Above Mod
Housekeeping Supplies	1.0%	100%	\$873										
Building Materials and Garden Equipment and Supplies Dealers		10%	\$87	\$87,265	8.42	\$10,367	\$34,606	0.3	87.5%	1.69	0.2	\$58,395	VLI Households
Food & Beverage Stores		35%	\$305	\$305,429	9.01	\$33,894	\$30,474	1.1	87.5%	1.69	0.6	\$51,421	VLI Households
General Merchandise		35%	\$305	\$305,429	10.88	\$28,085	\$28,948	1.0	87.5%	1.69	0.5	\$48,847	VLI Households
Miscellaneous Store Retailers		20%	\$175	\$174,531	6.20	\$28,149	\$24,716	1.1	87.5%	1.69	0.6	\$41,705	VLI Households

[1] Percent of income spent per category is based on the 2019 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.
 [2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.
 [3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, the purchase of a \$500,000 Unit requires a household income of \$87,300.
 [4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County
 [5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the San Francisco MSA.
 [6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.
 [7] Based on the American Community Survey data 2014-2019.
 [8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.
 [9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

Attachment: Nexus Study For-sale Housing (Consider the First Reading of an Ordinance Amending

**Table A-1
Household Expenditures and Employment Generation - For Sale \$500,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117**

Item	% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/ HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = c * 1,000</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>h = f / g</i>	<i>i</i>	<i>j</i>	<i>k = h * i / j</i>	<i>l = g * j</i>	
Required Income	\$87,300												
Household Furnishings and Equipment	3.1%	100%	\$2,710										
Furniture and Home Furnishings Stores		40%	\$1,084	\$1,084,171	6.22	\$174,209	\$31,496	5.5	87.5%	1.69	2.9	\$53,146	VLI Households
Electronics and Appliance Stores		40%	\$1,084	\$1,084,171	9.49	\$114,298	\$29,615	3.9	87.5%	1.69	2.0	\$49,973	VLI Households
General Merchandise Stores		10%	\$271	\$271,043	10.88	\$24,923	\$28,948	0.9	87.5%	1.69	0.4	\$48,847	VLI Households
Miscellaneous Store Retailers		10%	\$271	\$271,043	6.20	\$43,715	\$24,716	1.8	87.5%	1.69	0.9	\$41,705	VLI Households
Apparel and Services	2.9%	100%	\$2,499										
Clothing and Clothing Accessories Stores		40%	\$1,000	\$999,564	6.20	\$161,249	\$19,472	8.3	87.5%	1.69	4.3	\$32,857	ELI Households
General Merchandise		40%	\$1,000	\$999,564	10.88	\$91,912	\$28,948	3.2	87.5%	1.69	1.6	\$48,847	VLI Households
Miscellaneous Store Retailers		10%	\$250	\$249,891	6.20	\$40,303	\$24,716	1.6	87.5%	1.69	0.8	\$41,705	VLI Households
Personal and Household Goods Repair and Maintenance		5%	\$125	\$124,945	3.34	\$37,423	\$29,298	1.3	87.5%	1.69	0.7	\$49,437	VLI Households
Dry cleaning and Laundry Services		5%	\$125	\$124,945	3.34	\$37,423	\$29,298	1.3	87.5%	1.69	0.7	\$49,437	VLI Households
Vehicle Purchases (net outlay)	5.2%	100%	\$4,567										
Motor Vehicle and Parts Dealers		100%	\$4,567	\$4,566,693	35.74	\$127,762	\$53,823	2.4	87.5%	1.69	1.2	\$90,821	LI Households
Gasoline and motor oil	3.6%	100%	\$3,109										
Gasoline Stations		100%	\$3,109	\$3,109,188	27.49	\$113,096	\$28,091	4.0	87.5%	1.69	2.1	\$47,401	VLI Households
Vehicle Maintenance and Repairs	1.4%	100%	\$1,234										
Repair and Maintenance		100%	\$1,234	\$1,234,429	3.24	\$380,767	\$43,318	8.8	98.1%	1.69	5.1	\$73,095	LI Households
Medical Services	1.5%	100%	\$1,345										
Ambulatory Health Care Services		40%	\$538	\$538,155	2.55	\$210,681	\$70,780	3.0	98.1%	1.69	1.7	\$119,434	Above Mod
General Medical and Surgical Hospitals		30%	\$404	\$403,617	4.40	\$91,720	\$27,115	3.4	98.1%	1.69	2.0	\$45,755	VLI Households
Nursing and Residential Care Facilities		30%	\$404	\$403,617	2.41	\$167,416	\$37,011	4.5	98.1%	1.69	2.6	\$62,453	LI Households
Drugs	0.7%	100%	\$589										
Health and Personal Care Stores		100%	\$589	\$589,474	9.05	\$65,124	\$34,602	1.9	87.5%	1.69	1.0	\$58,387	VLI Households
Medical Supplies	0.3%	100%	\$230										
Health and Personal Care Stores		100%	\$230	\$230,011	9.05	\$25,411	\$34,602	0.7	87.5%	1.69	0.4	\$58,387	VLI Households
Entertainment Fees and Admissions	1.2%	100%	\$1,021										
Arts, Entertainment, & Recreation		100%	\$1,021	\$1,020,600	3.12	\$326,623	\$28,072	11.6	87.5%	1.69	6.0	\$47,369	VLI Households

[1] Percent of income spent per category is based on the 2019 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.

[2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.

[3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, the purchase of a \$500,000 Unit requires a household income of \$87,300.

[4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County

[5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the San Francisco MSA.

[6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.

[7] Based on the American Community Survey data 2014-2019.

[8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.

[9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

**Table A-1
Household Expenditures and Employment Generation - For Sale \$500,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117**

Item		% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/ HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>		<i>a</i>	<i>b</i>	<i>c</i>	<i>d = c * 1,000</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>h = f / g</i>	<i>i</i>	<i>j</i>	<i>k = h * i / j</i>	<i>l = g * j</i>	
Required Income		\$87,300												
Entertainment Audio and Visual Equipment and Services		1.2%	100%	\$1,021										
Electronics and Appliance Stores			100%	\$1,021	\$1,020,600	9.49	\$107,596	\$29,615	3.6	87.5%	1.69	1.9	\$49,973	VLI Households
Entertainment Pets, Toys, Hobbies, and Playground Equip.		1.3%	100%	\$1,141										
Sporting Goods, Hobby, and Musical Instrument Stores			40%	\$456	\$456,323	6.59	\$69,233	\$21,452	3.2	87.5%	1.69	1.7	\$36,198	VLI Households
Miscellaneous Store Retailers			40%	\$456	\$456,323	6.20	\$73,597	\$24,716	3.0	87.5%	1.69	1.5	\$41,705	VLI Households
Veterinary Services			20%	\$228	\$228,161	2.69	\$84,776	\$49,793	1.7	98.1%	1.69	1.0	\$84,021	LI Households
Other Entertainment Supplies, Equipment, and Services		0.5%	100%	\$425										
Sporting Goods, Hobby, and Musical Instrument Stores			85%	\$362	\$361,544	6.59	\$54,854	\$21,452	2.6	87.5%	1.69	1.3	\$36,198	VLI Households
Photographic Services			15%	\$64	\$63,802	3.41	\$18,728	\$43,227	0.4	98.1%	1.69	0.3	\$72,941	LI Households
Personal Care Products and Services		1.2%	100%	\$1,030										
Unspecified Retail			50%	\$515	\$514,923	6.20	\$83,049	\$24,716	3.4	87.5%	1.69	1.7	\$41,705	VLI Households
Personal Care Services			50%	\$515	\$514,923	2.74	\$187,907	\$22,157	8.5	98.1%	1.69	4.9	\$37,387	VLI Households
Reading		0.1%	100%	\$119										
Sporting Goods, Hobby, and Musical Instrument Stores			100%	\$119	\$119,051	6.59	\$18,062	\$21,452	0.8	87.5%	1.69	0.4	\$36,198	VLI Households
Education		1.0%	100%	\$898										
Educational Services			100%	\$898	\$898,082	2.59	\$347,386	\$35,028	9.9	98.1%	1.69	5.8	\$59,106	VLI Households
Tobacco Products and Smoking Supplies		0.4%	100%	\$313										
Unspecified Retail			100%	\$313	\$313,231	6.20	\$50,519	\$24,716	2.0	87.5%	1.69	1.1	\$41,705	VLI Households
Miscellaneous		1.3%	100%	\$1,099										
Accounting			20%	\$220	\$219,839	2.64	\$83,332	\$40,838	2.0	98.1%	1.69	1.2	\$68,910	LI Households
Architectural, Engineering, and Related			20%	\$220	\$219,839	2.25	\$97,837	\$80,414	1.2	98.1%	1.69	0.7	\$135,690	Above Mod
Specialized Design Services			20%	\$220	\$219,839	3.50	\$62,751	\$56,159	1.1	98.1%	1.69	0.6	\$94,763	LI Households
Death Care Services			20%	\$220	\$219,839	3.41	\$64,531	\$43,227	1.5	98.1%	1.69	0.9	\$72,941	LI Households
Legal Services			20%	\$220	\$219,839	2.99	\$73,494	\$100,406	0.7	98.1%	1.69	0.4	\$169,424	Above Mod
Total per 1,000 Market Rate Households									264.2			141.6		

[1] Percent of income spent per category is based on the 2019 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.
 [2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.
 [3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, the purchase of a \$500,000 Unit requires a household income of \$87,300.
 [4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County
 [5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the San Francisco MSA.
 [6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.
 [7] Based on the American Community Survey data 2014-2019.
 [8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.
 [9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

Source: 2019 Consumer Expenditure Survey, U.S. Bureau of Labor Statistics; 2017 Economic Census, American Community Survey; and Economic & Planning Systems, Inc.

**Table A-2
Household Expenditures and Employment Generation - For Sale \$750,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117**

Item		% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/ HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>		<i>a</i>	<i>b</i>	<i>c</i>	<i>d = c * 1,000</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>h = f / g</i>	<i>i</i>	<i>j</i>	<i>k = h * i / j</i>	<i>l = g * j</i>	
Required Income														
Required Income														
Food at Home		5.7%	100%	\$7,261										
Food & Beverage Stores			100%	\$7,261	\$7,260,636	9.01	\$805,738	\$30,474	26.4	87.5%	1.69	13.7	\$51,421	VLI Households
Food Away From Home		5.1%	100%	\$6,406										
Food Services and Drinking Places			100%	\$6,406	\$6,406,444	3.13	\$2,049,528	\$21,784	94.1	87.5%	1.69	48.8	\$36,758	VLI Households
Alcoholic Beverages		0.7%	100%	\$934										
Food & Beverage Stores			50%	\$467	\$467,062	9.01	\$51,831	\$30,474	1.7	87.5%	1.69	0.9	\$51,421	VLI Households
Food Services and Drinking Places			50%	\$467	\$467,062	3.13	\$149,421	\$21,784	6.9	87.5%	1.69	3.6	\$36,758	VLI Households
Housing Maintenance, Repairs, Insurance, Other expenses		1.8%	100%	\$2,266										
Personal and Household Goods Repair and Maintenance			45%	\$1,019	\$1,019,484	3.34	\$305,348	\$29,298	10.4	98.1%	1.69	6.1	\$49,437	VLI Households
Building Material and Garden Equipment and Supplies Dealer			45%	\$1,019	\$1,019,484	8.42	\$121,109	\$34,606	3.5	87.5%	1.69	1.8	\$58,395	VLI Households
Real Estate and Rental and Leasing			10%	\$227	\$226,552	5.03	\$45,011	\$49,773	0.9	98.1%	1.69	0.5	\$83,988	LI Households
Fuel oil and Other fuels [7]		4.5%	100%	\$5,731										
Nonstore Retailers			100%	\$5,731	\$5,731,202	7.59	\$754,804	\$39,149	19.3	87.5%	1.69	10.0	\$66,060	LI Households
Water and Other Public Services [7]		1.0%	100%	\$1,226										
Waste Management and Remediation Services			100%	\$1,226	\$1,226,410	4.00	\$306,597	\$68,872	4.5	98.1%	1.69	2.6	\$116,214	Moderate Income
Household Operations Personal Services		0.6%	100%	\$761										
Nursing and Residential Care Facilities			40%	\$304	\$304,455	2.41	\$126,285	\$37,011	3.4	98.1%	1.69	2.0	\$62,453	LI Households
Social Assistance [8]			60%	\$457	\$456,683	2.98	\$153,070	\$24,733	6.2	98.1%	1.69	3.6	\$41,735	VLI Households
Household Operations Other Household Expenses		1.3%	100%	\$1,595										
Services to Buildings and Dwellings			100%	\$1,595	\$1,595,207	2.91	\$548,392	\$75,555	7.3	98.1%	1.69	4.2	\$127,492	Above Mod
Housekeeping Supplies		0.9%	100%	\$1,133										
Building Materials and Garden Equipment and Supplies Dealers			10%	\$113	\$113,336	8.42	\$13,464	\$34,606	0.4	87.5%	1.69	0.2	\$58,395	VLI Households
Food & Beverage Stores			35%	\$397	\$396,675	9.01	\$44,020	\$30,474	1.4	87.5%	1.69	0.7	\$51,421	VLI Households
General Merchandise			35%	\$397	\$396,675	10.88	\$36,475	\$28,948	1.3	87.5%	1.69	0.7	\$48,847	VLI Households
Miscellaneous Store Retailers			20%	\$227	\$226,671	6.20	\$36,558	\$24,716	1.5	87.5%	1.69	0.8	\$41,705	VLI Households

[1] Percent of income spent per category is based on the 2019 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.

[2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.

[3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, the purchase of a \$750,000 Unit requires a household income of \$126,300.

[4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County

[5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the San Francisco MSA.

[6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.

[7] Based on the American Community Survey data 2014-2019.

[8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.

[9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

Attachment: Nexus Study For-sale Housing (Consider the First Reading of an Ordinance Amending

**Table A-2
Household Expenditures and Employment Generation - For Sale \$750,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117**

Item		% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>		<i>a</i>	<i>b</i>	<i>c</i>	<i>d = c * 1,000</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>h = f / g</i>	<i>i</i>	<i>j</i>	<i>k = h * i / j</i>	<i>l = g * j</i>	
Required Income														
Household Furnishings and Equipment		2.8%	100%	\$3,544										
Furniture and Home Furnishings Stores			40%	\$1,418	\$1,417,769	6.22	\$227,813	\$31,496	7.2	87.5%	1.69	3.8	\$53,146	VLI Households
Electronics and Appliance Stores			40%	\$1,418	\$1,417,769	9.49	\$149,468	\$29,615	5.0	87.5%	1.69	2.6	\$49,973	VLI Households
General Merchandise Stores			10%	\$354	\$354,442	10.88	\$32,592	\$28,948	1.1	87.5%	1.69	0.6	\$48,847	VLI Households
Miscellaneous Store Retailers			10%	\$354	\$354,442	6.20	\$57,166	\$24,716	2.3	87.5%	1.69	1.2	\$41,705	VLI Households
Apparel and Services		2.4%	100%	\$2,999										
Clothing and Clothing Accessories Stores			40%	\$1,200	\$1,199,687	6.20	\$193,533	\$19,472	9.9	87.5%	1.69	5.2	\$32,857	ELI Households
General Merchandise			40%	\$1,200	\$1,199,687	10.88	\$110,314	\$28,948	3.8	87.5%	1.69	2.0	\$48,847	VLI Households
Miscellaneous Store Retailers			10%	\$300	\$299,922	6.20	\$48,373	\$24,716	2.0	87.5%	1.69	1.0	\$41,705	VLI Households
Personal and Household Goods Repair and Maintenance			5%	\$150	\$149,961	3.34	\$44,915	\$29,298	1.5	87.5%	1.69	0.8	\$49,437	VLI Households
Dry cleaning and Laundry Services			5%	\$150	\$149,961	3.34	\$44,915	\$29,298	1.5	87.5%	1.69	0.8	\$49,437	VLI Households
Vehicle Purchases (net outlay)		5.3%	100%	\$6,664										
Motor Vehicle and Parts Dealers			100%	\$6,664	\$6,664,133	35.74	\$186,442	\$53,823	3.5	87.5%	1.69	1.8	\$90,821	LI Households
Gasoline and motor oil		3.1%	100%	\$3,956										
Gasoline Stations			100%	\$3,956	\$3,956,009	27.49	\$143,899	\$28,091	5.1	87.5%	1.69	2.7	\$47,401	VLI Households
Vehicle Maintenance and Repairs		1.2%	100%	\$1,454										
Repair and Maintenance			100%	\$1,454	\$1,454,275	3.24	\$448,580	\$43,318	10.4	98.1%	1.69	6.0	\$73,095	LI Households
Medical Services		1.4%	100%	\$1,797										
Ambulatory Health Care Services			40%	\$719	\$718,667	2.55	\$281,349	\$70,780	4.0	98.1%	1.69	2.3	\$119,434	Above Mod
General Medical and Surgical Hospitals			30%	\$539	\$539,000	4.40	\$122,485	\$27,115	4.5	98.1%	1.69	2.6	\$45,755	VLI Households
Nursing and Residential Care Facilities			30%	\$539	\$539,000	2.41	\$223,572	\$37,011	6.0	98.1%	1.69	3.5	\$62,453	LI Households
Drugs		0.6%	100%	\$727										
Health and Personal Care Stores			100%	\$727	\$726,541	9.05	\$80,267	\$34,602	2.3	87.5%	1.69	1.2	\$58,387	VLI Households
Medical Supplies		0.2%	100%	\$271										
Health and Personal Care Stores			100%	\$271	\$270,812	9.05	\$29,919	\$34,602	0.9	87.5%	1.69	0.4	\$58,387	VLI Households
Entertainment Fees and Admissions		1.1%	100%	\$1,436										
Arts, Entertainment, & Recreation			100%	\$1,436	\$1,436,380	3.12	\$459,685	\$28,072	16.4	87.5%	1.69	8.5	\$47,369	VLI Households

[1] Percent of income spent per category is based on the 2019 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.

[2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.

[3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, the purchase of a \$750,000 Unit requires a household income of \$126,300.

[4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County

[5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the San Francisco MSA.

[6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.

[7] Based on the American Community Survey data 2014-2019.

[8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.

[9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

**Table A-2
Household Expenditures and Employment Generation - For Sale \$750,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117**

Item	% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = c * 1,000</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>h = f / g</i>	<i>i</i>	<i>j</i>	<i>k = h * i / j</i>	<i>l = g * j</i>	
Required Income				\$126,300									
Entertainment Audio and Visual Equipment and Services	1.1%	100%	\$1,436										
Electronics and Appliance Stores		100%	\$1,436	\$1,436,380	9.49	\$151,430	\$29,615	5.1	87.5%	1.69	2.7	\$49,973	VLI Households
Entertainment Pets, Toys, Hobbies, and Playground Equip.	1.2%	100%	\$1,576										
Sporting Goods, Hobby, and Musical Instrument Stores		40%	\$630	\$630,385	6.59	\$95,642	\$21,452	4.5	87.5%	1.69	2.3	\$36,198	VLI Households
Miscellaneous Store Retailers		40%	\$630	\$630,385	6.20	\$101,671	\$24,716	4.1	87.5%	1.69	2.1	\$41,705	VLI Households
Veterinary Services		20%	\$315	\$315,192	2.69	\$117,114	\$49,793	2.4	98.1%	1.69	1.4	\$84,021	LI Households
Other Entertainment Supplies, Equipment, and Services	1.1%	100%	\$1,415										
Sporting Goods, Hobby, and Musical Instrument Stores		85%	\$1,203	\$1,202,670	6.59	\$182,469	\$21,452	8.5	87.5%	1.69	4.4	\$36,198	VLI Households
Photographic Services		15%	\$212	\$212,236	3.41	\$62,299	\$43,227	1.4	98.1%	1.69	0.8	\$72,941	LI Households
Personal Care Products and Services	1.1%	100%	\$1,373										
Unspecified Retail		50%	\$687	\$686,575	6.20	\$110,733	\$24,716	4.5	87.5%	1.69	2.3	\$41,705	VLI Households
Personal Care Services		50%	\$687	\$686,575	2.74	\$250,547	\$22,157	11.3	98.1%	1.69	6.6	\$37,387	VLI Households
Reading	0.1%	100%	\$167										
Sporting Goods, Hobby, and Musical Instrument Stores		100%	\$167	\$167,021	6.59	\$25,340	\$21,452	1.2	87.5%	1.69	0.6	\$36,198	VLI Households
Education	1.9%	100%	\$2,436										
Educational Services		100%	\$2,436	\$2,436,119	2.59	\$942,311	\$35,028	26.9	98.1%	1.69	15.6	\$59,106	VLI Households
Tobacco Products and Smoking Supplies	0.3%	100%	\$335										
Unspecified Retail		100%	\$335	\$335,235	6.20	\$54,068	\$24,716	2.2	87.5%	1.69	1.1	\$41,705	VLI Households
Miscellaneous	1.1%	100%	\$1,390										
Accounting		20%	\$278	\$277,970	2.64	\$105,367	\$40,838	2.6	98.1%	1.69	1.5	\$68,910	LI Households
Architectural, Engineering, and Related		20%	\$278	\$277,970	2.25	\$123,707	\$80,414	1.5	98.1%	1.69	0.9	\$135,690	Above Mod
Specialized Design Services		20%	\$278	\$277,970	3.50	\$79,344	\$56,159	1.4	98.1%	1.69	0.8	\$94,763	LI Households
Death Care Services		20%	\$278	\$277,970	3.41	\$81,595	\$43,227	1.9	98.1%	1.69	1.1	\$72,941	LI Households
Legal Services		20%	\$278	\$277,970	2.99	\$92,928	\$100,406	0.9	98.1%	1.69	0.5	\$169,424	Above Mod
Total per 1,000 Market Rate Households								357.0			191.9		

[1] Percent of income spent per category is based on the 2019 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.

[2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.

[3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, the purchase of a \$750,000 Unit requires a household income of \$126,300.

[4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County

[5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the San Francisco MSA.

[6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.

[7] Based on the American Community Survey data 2014-2019.

[8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.

[9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

Source: 2019 Consumer Expenditure Survey, U.S. Bureau of Labor Statistics; 2017 Economic Census, American Community Survey; and Economic & Planning Systems, Inc.

**Table A-3
Household Expenditures and Employment Generation - For Sale \$1,000,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117**

Item	% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = c * 1,000</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>h = f / g</i>	<i>i</i>	<i>j</i>	<i>k = h * i / j</i>	<i>l = g * j</i>	
Required Income	\$167,200												
Food at Home	4.7%	100%	\$7,942										
Food & Beverage Stores		100%	\$7,942	\$7,941,670	9.01	\$881,315	\$30,474	28.9	87.5%	1.69	15.0	\$51,421	VLI Households
Food Away From Home	4.8%	100%	\$8,016										
Food Services and Drinking Places		100%	\$8,016	\$8,016,382	3.13	\$2,564,575	\$21,784	117.7	87.5%	1.69	61.0	\$36,758	VLI Households
Alcoholic Beverages	0.8%	100%	\$1,271										
Food & Beverage Stores		50%	\$636	\$635,637	9.01	\$70,539	\$30,474	2.3	87.5%	1.69	1.2	\$51,421	VLI Households
Food Services and Drinking Places		50%	\$636	\$635,637	3.13	\$203,351	\$21,784	9.3	87.5%	1.69	4.8	\$36,758	VLI Households
Housing Maintenance, Repairs, Insurance, Other expenses	1.7%	100%	\$2,924										
Personal and Household Goods Repair and Maintenance		45%	\$1,316	\$1,315,926	3.34	\$394,136	\$29,298	13.5	98.1%	1.69	7.8	\$49,437	VLI Households
Building Material and Garden Equipment and Supplies Dealer		45%	\$1,316	\$1,315,926	8.42	\$156,324	\$34,606	4.5	87.5%	1.69	2.3	\$58,395	VLI Households
Real Estate and Rental and Leasing		10%	\$292	\$292,428	5.03	\$58,100	\$49,773	1.2	98.1%	1.69	0.7	\$83,988	LI Households
Fuel oil and Other fuels [7]	3.8%	100%	\$6,314										
Nonstore Retailers		100%	\$6,314	\$6,314,346	7.59	\$831,605	\$39,149	21.2	87.5%	1.69	11.0	\$66,060	LI Households
Water and Other Public Services [7]	0.8%	100%	\$1,332										
Waste Management and Remediation Services		100%	\$1,332	\$1,331,978	4.00	\$332,988	\$68,872	4.8	98.1%	1.69	2.8	\$116,214	Moderate Income
Household Operations Personal Services	0.5%	100%	\$915										
Nursing and Residential Care Facilities		40%	\$366	\$366,090	2.41	\$151,851	\$37,011	4.1	98.1%	1.69	2.4	\$62,453	LI Households
Social Assistance [8]		60%	\$549	\$549,134	2.98	\$184,058	\$24,733	7.4	98.1%	1.69	4.3	\$41,735	VLI Households
Household Operations Other Household Expenses	1.4%	100%	\$2,376										
Services to Buildings and Dwellings		100%	\$2,376	\$2,375,537	2.91	\$816,650	\$75,555	10.8	98.1%	1.69	6.3	\$127,492	Above Mod
Housekeeping Supplies	0.8%	100%	\$1,367										
Building Materials and Garden Equipment and Supplies Dealers		10%	\$137	\$136,700	8.42	\$16,239	\$34,606	0.5	87.5%	1.69	0.2	\$58,395	VLI Households
Food & Beverage Stores		35%	\$478	\$478,450	9.01	\$53,095	\$30,474	1.7	87.5%	1.69	0.9	\$51,421	VLI Households
General Merchandise		35%	\$478	\$478,450	10.88	\$43,995	\$28,948	1.5	87.5%	1.69	0.8	\$48,847	VLI Households
Miscellaneous Store Retailers		20%	\$273	\$273,400	6.20	\$44,095	\$24,716	1.8	87.5%	1.69	0.9	\$41,705	VLI Households

[1] Percent of income spent per category is based on the 2019 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.
 [2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.
 [3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, the purchase of a \$1,000,000 Unit requires a household income of \$167,200.
 [4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County
 [5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the San Francisco MSA.
 [6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.
 [7] Based on the American Community Survey data 2014-2019.
 [8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.
 [9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

Attachment: Nexus Study For-sale Housing (Consider the First Reading of an Ordinance Amending

**Table A-3
Household Expenditures and Employment Generation - For Sale \$1,000,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117**

Item	% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = c * 1,000</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>h = f / g</i>	<i>i</i>	<i>j</i>	<i>k = h * i / j</i>	<i>l = g * j</i>	
Required Income	\$167,200												
Household Furnishings and Equipment	2.6%	100%	\$4,347										
Furniture and Home Furnishings Stores		40%	\$1,739	\$1,738,926	6.22	\$279,418	\$31,496	8.9	87.5%	1.69	4.6	\$53,146	VLI Households
Electronics and Appliance Stores		40%	\$1,739	\$1,738,926	9.49	\$183,326	\$29,615	6.2	87.5%	1.69	3.2	\$49,973	VLI Households
General Merchandise Stores		10%	\$435	\$434,731	10.88	\$39,975	\$28,948	1.4	87.5%	1.69	0.7	\$48,847	VLI Households
Miscellaneous Store Retailers		10%	\$435	\$434,731	6.20	\$70,115	\$24,716	2.8	87.5%	1.69	1.5	\$41,705	VLI Households
Apparel and Services	2.4%	100%	\$4,060										
Clothing and Clothing Accessories Stores		40%	\$1,624	\$1,624,056	6.20	\$261,991	\$19,472	13.5	87.5%	1.69	7.0	\$32,857	ELI Households
General Merchandise		40%	\$1,624	\$1,624,056	10.88	\$149,336	\$28,948	5.2	87.5%	1.69	2.7	\$48,847	VLI Households
Miscellaneous Store Retailers		10%	\$406	\$406,014	6.20	\$65,484	\$24,716	2.6	87.5%	1.69	1.4	\$41,705	VLI Households
Personal and Household Goods Repair and Maintenance		5%	\$203	\$203,007	3.34	\$60,803	\$29,298	2.1	87.5%	1.69	1.1	\$49,437	VLI Households
Dry cleaning and Laundry Services		5%	\$203	\$203,007	3.34	\$60,803	\$29,298	2.1	87.5%	1.69	1.1	\$49,437	VLI Households
Vehicle Purchases (net outlay)	5.1%	100%	\$8,599										
Motor Vehicle and Parts Dealers		100%	\$8,599	\$8,598,904	35.74	\$240,570	\$53,823	4.5	87.5%	1.69	2.3	\$90,821	LI Households
Gasoline and motor oil	2.4%	100%	\$3,935										
Gasoline Stations		100%	\$3,935	\$3,935,230	27.49	\$143,143	\$28,091	5.1	87.5%	1.69	2.6	\$47,401	VLI Households
Vehicle Maintenance and Repairs	1.1%	100%	\$1,923										
Repair and Maintenance		100%	\$1,923	\$1,922,671	3.24	\$593,059	\$43,318	13.7	98.1%	1.69	8.0	\$73,095	LI Households
Medical Services	1.0%	100%	\$1,654										
Ambulatory Health Care Services		40%	\$662	\$661,670	2.55	\$259,035	\$70,780	3.7	98.1%	1.69	2.1	\$119,434	Above Mod
General Medical and Surgical Hospitals		30%	\$496	\$496,252	4.40	\$112,771	\$27,115	4.2	98.1%	1.69	2.4	\$45,755	VLI Households
Nursing and Residential Care Facilities		30%	\$496	\$496,252	2.41	\$205,841	\$37,011	5.6	98.1%	1.69	3.2	\$62,453	LI Households
Drugs	0.5%	100%	\$776										
Health and Personal Care Stores		100%	\$776	\$776,306	9.05	\$85,765	\$34,602	2.5	87.5%	1.69	1.3	\$58,387	VLI Households
Medical Supplies	0.2%	100%	\$323										
Health and Personal Care Stores		100%	\$323	\$323,364	9.05	\$35,725	\$34,602	1.0	87.5%	1.69	0.5	\$58,387	VLI Households
Entertainment Fees and Admissions	1.2%	100%	\$2,069										
Arts, Entertainment, & Recreation		100%	\$2,069	\$2,068,593	3.12	\$662,013	\$28,072	23.6	87.5%	1.69	12.2	\$47,369	VLI Households

[1] Percent of income spent per category is based on the 2019 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.

[2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.

[3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, the purchase of a \$1,000,000 Unit requires a household income of \$167,200.

[4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County

[5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the San Francisco MSA.

[6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.

[7] Based on the American Community Survey data 2014-2019.

[8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.

[9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

Attachment: Nexus Study For-sale Housing (Consider the First Reading of an Ordinance Amending

**Table A-3
Household Expenditures and Employment Generation - For Sale \$1,000,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117**

Item	% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = c * 1,000</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>h = f / g</i>	<i>i</i>	<i>j</i>	<i>k = h * i / j</i>	<i>l = g * j</i>	
Required Income				\$167,200									
Entertainment Audio and Visual Equipment and Services	1.2%	100%	\$2,069										
Electronics and Appliance Stores		100%	\$2,069	\$2,068,593	9.49	\$218,081	\$29,615	7.4	87.5%	1.69	3.8	\$49,973	VLI Households
Entertainment Pets, Toys, Hobbies, and Playground Equip.	0.9%	100%	\$1,556										
Sporting Goods, Hobby, and Musical Instrument Stores		40%	\$622	\$622,446	6.59	\$94,438	\$21,452	4.4	87.5%	1.69	2.3	\$36,198	VLI Households
Miscellaneous Store Retailers		40%	\$622	\$622,446	6.20	\$100,390	\$24,716	4.1	87.5%	1.69	2.1	\$41,705	VLI Households
Veterinary Services		20%	\$311	\$311,223	2.69	\$115,639	\$49,793	2.3	98.1%	1.69	1.4	\$84,021	LI Households
Other Entertainment Supplies, Equipment, and Services	0.8%	100%	\$1,356										
Sporting Goods, Hobby, and Musical Instrument Stores		85%	\$1,153	\$1,153,019	6.59	\$174,936	\$21,452	8.2	87.5%	1.69	4.2	\$36,198	VLI Households
Photographic Services		15%	\$203	\$203,474	3.41	\$59,727	\$43,227	1.4	98.1%	1.69	0.8	\$72,941	LI Households
Personal Care Products and Services	0.8%	100%	\$1,401										
Unspecified Retail		50%	\$700	\$700,427	6.20	\$112,968	\$24,716	4.6	87.5%	1.69	2.4	\$41,705	VLI Households
Personal Care Services		50%	\$700	\$700,427	2.74	\$255,602	\$22,157	11.5	98.1%	1.69	6.7	\$37,387	VLI Households
Reading	0.1%	100%	\$151										
Sporting Goods, Hobby, and Musical Instrument Stores		100%	\$151	\$150,592	6.59	\$22,848	\$21,452	1.1	87.5%	1.69	0.6	\$36,198	VLI Households
Education	2.1%	100%	\$3,511										
Educational Services		100%	\$3,511	\$3,511,472	2.59	\$1,358,267	\$35,028	38.8	98.1%	1.69	22.5	\$59,106	VLI Households
Tobacco Products and Smoking Supplies	0.1%	100%	\$246										
Unspecified Retail		100%	\$246	\$246,317	6.20	\$39,727	\$24,716	1.6	87.5%	1.69	0.8	\$41,705	VLI Households
Miscellaneous	1.2%	100%	\$2,042										
Accounting		20%	\$408	\$408,349	2.64	\$154,788	\$40,838	3.8	98.1%	1.69	2.2	\$68,910	LI Households
Architectural, Engineering, and Related		20%	\$408	\$408,349	2.25	\$181,730	\$80,414	2.3	98.1%	1.69	1.3	\$135,690	Above Mod
Specialized Design Services		20%	\$408	\$408,349	3.50	\$116,560	\$56,159	2.1	98.1%	1.69	1.2	\$94,763	LI Households
Death Care Services		20%	\$408	\$408,349	3.41	\$119,866	\$43,227	2.8	98.1%	1.69	1.6	\$72,941	LI Households
Legal Services		20%	\$408	\$408,349	2.99	\$136,514	\$100,406	1.4	98.1%	1.69	0.8	\$169,424	Above Mod
Total per 1,000 Market Rate Households								437.3			235.3		

[1] Percent of income spent per category is based on the 2019 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.
 [2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.
 [3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, the purchase of a \$1,000,000 Unit requires a household income of \$167,200.
 [4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County
 [5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the San Francisco MSA.
 [6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.
 [7] Based on the American Community Survey data 2014-2019.
 [8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.
 [9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

Source: 2019 Consumer Expenditure Survey, U.S. Bureau of Labor Statistics; 2017 Economic Census, American Community Survey; and Economic & Planning Systems, Inc.

Attachment: Nexus Study For-sale Housing (Consider the First Reading of an Ordinance Amending

**Table A-4
Household Expenditures and Employment Generation - For Sale \$1,250,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117**

Item		% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/ HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>		<i>a</i>	<i>b</i>	<i>c</i>	<i>d = c * 1,000</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>h = f / g</i>	<i>i</i>	<i>j</i>	<i>k = h * i / j</i>	<i>l = g * j</i>	
Required Income	\$208,200													
Food at Home		3.2%	100%	\$6,583										
Food & Beverage Stores			100%	\$6,583	\$6,582,825	9.01	\$730,519	\$30,474	24.0	87.5%	1.69	12.4	\$51,421	VLI Households
Food Away From Home		3.7%	100%	\$7,748										
Food Services and Drinking Places			100%	\$7,748	\$7,747,620	3.13	\$2,478,593	\$21,784	113.8	87.5%	1.69	59.0	\$36,758	VLI Households
Alcoholic Beverages		0.7%	100%	\$1,406										
Food & Beverage Stores			50%	\$703	\$703,223	9.01	\$78,039	\$30,474	2.6	87.5%	1.69	1.3	\$51,421	VLI Households
Food Services and Drinking Places			50%	\$703	\$703,223	3.13	\$224,973	\$21,784	10.3	87.5%	1.69	5.4	\$36,758	VLI Households
Housing Maintenance, Repairs, Insurance, Other expenses		1.9%	100%	\$3,982										
Personal and Household Goods Repair and Maintenance			45%	\$1,792	\$1,791,914	3.34	\$536,701	\$29,298	18.3	98.1%	1.69	10.7	\$49,437	VLI Households
Building Material and Garden Equipment and Supplies Dealer			45%	\$1,792	\$1,791,914	8.42	\$212,869	\$34,606	6.2	87.5%	1.69	3.2	\$58,395	VLI Households
Real Estate and Rental and Leasing			10%	\$398	\$398,203	5.03	\$79,115	\$49,773	1.6	98.1%	1.69	0.9	\$83,988	LI Households
Fuel oil and Other fuels [7]		2.5%	100%	\$5,268										
Nonstore Retailers			100%	\$5,268	\$5,267,651	7.59	\$693,754	\$39,149	17.7	87.5%	1.69	9.2	\$66,060	LI Households
Water and Other Public Services [7]		0.6%	100%	\$1,216										
Waste Management and Remediation Services			100%	\$1,216	\$1,216,080	4.00	\$304,014	\$68,872	4.4	98.1%	1.69	2.6	\$116,214	Moderate Income
Household Operations Personal Services		1.1%	100%	\$2,324										
Nursing and Residential Care Facilities			40%	\$930	\$929,749	2.41	\$385,651	\$37,011	10.4	98.1%	1.69	6.1	\$62,453	LI Households
Social Assistance [8]			60%	\$1,395	\$1,394,624	2.98	\$467,447	\$24,733	18.9	98.1%	1.69	11.0	\$41,735	VLI Households
Household Operations Other Household Expenses		1.4%	100%	\$2,958										
Services to Buildings and Dwellings			100%	\$2,958	\$2,958,056	2.91	\$1,016,905	\$75,555	13.5	98.1%	1.69	7.8	\$127,492	Above Mod
Housekeeping Supplies		0.5%	100%	\$1,140										
Building Materials and Garden Equipment and Supplies Dealers			10%	\$114	\$114,046	8.42	\$13,548	\$34,606	0.4	87.5%	1.69	0.2	\$58,395	VLI Households
Food & Beverage Stores			35%	\$399	\$399,159	9.01	\$44,296	\$30,474	1.5	87.5%	1.69	0.8	\$51,421	VLI Households
General Merchandise			35%	\$399	\$399,159	10.88	\$36,704	\$28,948	1.3	87.5%	1.69	0.7	\$48,847	VLI Households
Miscellaneous Store Retailers			20%	\$228	\$228,091	6.20	\$36,787	\$24,716	1.5	87.5%	1.69	0.8	\$41,705	VLI Households

[1] Percent of income spent per category is based on the 2019 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.
 [2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.
 [3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, the purchase of a \$1,250,000 Unit requires a household income of \$208,200.
 [4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County
 [5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the San Francisco MSA.
 [6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.
 [7] Based on the American Community Survey data 2014-2019.
 [8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.
 [9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

**Table A-4
Household Expenditures and Employment Generation - For Sale \$1,250,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117**

Item	% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = c * 1,000</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>h = f / g</i>	<i>i</i>	<i>j</i>	<i>k = h * i / j</i>	<i>l = g * j</i>	
Required Income				\$208,200									
Household Furnishings and Equipment	2.4%	100%	\$4,898										
Furniture and Home Furnishings Stores		40%	\$1,959	\$1,959,288	6.22	\$314,826	\$31,496	10.0	87.5%	1.69	5.2	\$53,146	VLI Households
Electronics and Appliance Stores		40%	\$1,959	\$1,959,288	9.49	\$206,557	\$29,615	7.0	87.5%	1.69	3.6	\$49,973	VLI Households
General Merchandise Stores		10%	\$490	\$489,822	10.88	\$45,040	\$28,948	1.6	87.5%	1.69	0.8	\$48,847	VLI Households
Miscellaneous Store Retailers		10%	\$490	\$489,822	6.20	\$79,000	\$24,716	3.2	87.5%	1.69	1.7	\$41,705	VLI Households
Apparel and Services	2.0%	100%	\$4,158										
Clothing and Clothing Accessories Stores		40%	\$1,663	\$1,663,048	6.20	\$268,282	\$19,472	13.8	87.5%	1.69	7.1	\$32,857	ELI Households
General Merchandise		40%	\$1,663	\$1,663,048	10.88	\$152,921	\$28,948	5.3	87.5%	1.69	2.7	\$48,847	VLI Households
Miscellaneous Store Retailers		10%	\$416	\$415,762	6.20	\$67,056	\$24,716	2.7	87.5%	1.69	1.4	\$41,705	VLI Households
Personal and Household Goods Repair and Maintenance		5%	\$208	\$207,881	3.34	\$62,263	\$29,298	2.1	87.5%	1.69	1.1	\$49,437	VLI Households
Dry cleaning and Laundry Services		5%	\$208	\$207,881	3.34	\$62,263	\$29,298	2.1	87.5%	1.69	1.1	\$49,437	VLI Households
Vehicle Purchases (net outlay)	4.4%	100%	\$9,184										
Motor Vehicle and Parts Dealers		100%	\$9,184	\$9,184,489	35.74	\$256,953	\$53,823	4.8	87.5%	1.69	2.5	\$90,821	LI Households
Gasoline and motor oil	1.4%	100%	\$2,982										
Gasoline Stations		100%	\$2,982	\$2,982,395	27.49	\$108,484	\$28,091	3.9	87.5%	1.69	2.0	\$47,401	VLI Households
Vehicle Maintenance and Repairs	0.7%	100%	\$1,495										
Repair and Maintenance		100%	\$1,495	\$1,495,109	3.24	\$461,175	\$43,318	10.6	98.1%	1.69	6.2	\$73,095	LI Households
Medical Services	1.2%	100%	\$2,530										
Ambulatory Health Care Services		40%	\$1,012	\$1,011,806	2.55	\$396,109	\$70,780	5.6	98.1%	1.69	3.3	\$119,434	Above Mod
General Medical and Surgical Hospitals		30%	\$759	\$758,855	4.40	\$172,446	\$27,115	6.4	98.1%	1.69	3.7	\$45,755	VLI Households
Nursing and Residential Care Facilities		30%	\$759	\$758,855	2.41	\$314,766	\$37,011	8.5	98.1%	1.69	4.9	\$62,453	LI Households
Drugs	0.2%	100%	\$510										
Health and Personal Care Stores		100%	\$510	\$510,249	9.05	\$56,372	\$34,602	1.6	87.5%	1.69	0.8	\$58,387	VLI Households
Medical Supplies	0.1%	100%	\$309										
Health and Personal Care Stores		100%	\$309	\$308,584	9.05	\$34,092	\$34,602	1.0	87.5%	1.69	0.5	\$58,387	VLI Households
Entertainment Fees and Admissions	1.6%	100%	\$3,299										
Arts, Entertainment, & Recreation		100%	\$3,299	\$3,298,801	3.12	\$1,055,717	\$28,072	37.6	87.5%	1.69	19.5	\$47,369	VLI Households

[1] Percent of income spent per category is based on the 2019 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.

[2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.

[3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, the purchase of a \$1,250,000 Unit requires a household income of \$208,200.

[4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County

[5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the San Francisco MSA.

[6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.

[7] Based on the American Community Survey data 2014-2019.

[8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.

[9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

**Table A-4
Household Expenditures and Employment Generation - For Sale \$1,250,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117**

Item	% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = c * 1,000</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>h = f / g</i>	<i>i</i>	<i>j</i>	<i>k = h * i / j</i>	<i>l = g * j</i>	
Required Income	\$208,200												
Entertainment Audio and Visual Equipment and Services	1.6%	100%	\$3,299										
Electronics and Appliance Stores		100%	\$3,299	\$3,298,801	9.49	\$347,775	\$29,615	11.7	87.5%	1.69	6.1	\$49,973	VLI Households
Entertainment Pets, Toys, Hobbies, and Playground Equip.	0.7%	100%	\$1,445										
Sporting Goods, Hobby, and Musical Instrument Stores		40%	\$578	\$577,877	6.59	\$87,676	\$21,452	4.1	87.5%	1.69	2.1	\$36,198	VLI Households
Miscellaneous Store Retailers		40%	\$578	\$577,877	6.20	\$93,202	\$24,716	3.8	87.5%	1.69	2.0	\$41,705	VLI Households
Veterinary Services		20%	\$289	\$288,938	2.69	\$107,359	\$49,793	2.2	98.1%	1.69	1.3	\$84,021	LI Households
Other Entertainment Supplies, Equipment, and Services	0.8%	100%	\$1,656										
Sporting Goods, Hobby, and Musical Instrument Stores		85%	\$1,408	\$1,407,532	6.59	\$213,551	\$21,452	10.0	87.5%	1.69	5.2	\$36,198	VLI Households
Photographic Services		15%	\$248	\$248,388	3.41	\$72,911	\$43,227	1.7	98.1%	1.69	1.0	\$72,941	LI Households
Personal Care Products and Services	0.8%	100%	\$1,598										
Unspecified Retail		50%	\$799	\$798,840	6.20	\$128,840	\$24,716	5.2	87.5%	1.69	2.7	\$41,705	VLI Households
Personal Care Services		50%	\$799	\$798,840	2.74	\$291,515	\$22,157	13.2	98.1%	1.69	7.6	\$37,387	VLI Households
Reading	0.1%	100%	\$185										
Sporting Goods, Hobby, and Musical Instrument Stores		100%	\$185	\$185,150	6.59	\$28,091	\$21,452	1.3	87.5%	1.69	0.7	\$36,198	VLI Households
Education	2.5%	100%	\$5,212										
Educational Services		100%	\$5,212	\$5,212,019	2.59	\$2,016,053	\$35,028	57.6	98.1%	1.69	33.5	\$59,106	VLI Households
Tobacco Products and Smoking Supplies	0.1%	100%	\$112										
Unspecified Retail		100%	\$112	\$112,133	6.20	\$18,085	\$24,716	0.7	87.5%	1.69	0.4	\$41,705	VLI Households
Miscellaneous	0.9%	100%	\$1,772										
Accounting		20%	\$354	\$354,480	2.64	\$134,368	\$40,838	3.3	98.1%	1.69	1.9	\$68,910	LI Households
Architectural, Engineering, and Related		20%	\$354	\$354,480	2.25	\$157,757	\$80,414	2.0	98.1%	1.69	1.1	\$135,690	Above Mod
Specialized Design Services		20%	\$354	\$354,480	3.50	\$101,183	\$56,159	1.8	98.1%	1.69	1.0	\$94,763	LI Households
Death Care Services		20%	\$354	\$354,480	3.41	\$104,054	\$43,227	2.4	98.1%	1.69	1.4	\$72,941	LI Households
Legal Services		20%	\$354	\$354,480	2.99	\$118,505	\$100,406	1.2	98.1%	1.69	0.7	\$169,424	Above Mod
Total per 1,000 Market Rate Households								495.9			268.7		

[1] Percent of income spent per category is based on the 2019 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.
 [2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.
 [3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, the purchase of a \$1,250,000 Unit requires a household income of \$208,200.
 [4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County
 [5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the San Francisco MSA.
 [6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.
 [7] Based on the American Community Survey data 2014-2019.
 [8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.
 [9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

Source: 2019 Consumer Expenditure Survey, U.S. Bureau of Labor Statistics; 2017 Economic Census, American Community Survey, and Economic & Planning Systems, Inc.

Attachment: Nexus Study For-sale Housing (Consider the First Reading of an Ordinance Amending

**Table A-5
Household Expenditures and Employment Generation - For Sale \$1,500,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117**

Item	% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
Calculation	a	b	c	d = c * 1,000	e	f = d / e	g	h = f / g	i	j	k = h * i / j	l = g * j	
Required Income	\$247,200												
Food at Home	3.2%	100%	\$7,816										
Food & Beverage Stores		100%	\$7,816	\$7,815,920	9.01	\$867,360	\$30,474	28.5	87.5%	1.69	14.8	\$51,421	VLI Households
Food Away From Home	3.7%	100%	\$9,199										
Food Services and Drinking Places		100%	\$9,199	\$9,198,903	3.13	\$2,942,883	\$21,784	135.1	87.5%	1.69	70.1	\$36,758	VLI Households
Alcoholic Beverages	0.7%	100%	\$1,670										
Food & Beverage Stores		50%	\$835	\$834,950	9.01	\$92,657	\$30,474	3.0	87.5%	1.69	1.6	\$51,421	VLI Households
Food Services and Drinking Places		50%	\$835	\$834,950	3.13	\$267,115	\$21,784	12.3	87.5%	1.69	6.4	\$36,758	VLI Households
Housing Maintenance, Repairs, Insurance, Other expenses	1.9%	100%	\$4,728										
Personal and Household Goods Repair and Maintenance		45%	\$2,128	\$2,127,575	3.34	\$637,235	\$29,298	21.8	98.1%	1.69	12.6	\$49,437	VLI Households
Building Material and Garden Equipment and Supplies Dealer		45%	\$2,128	\$2,127,575	8.42	\$252,743	\$34,606	7.3	87.5%	1.69	3.8	\$58,395	VLI Households
Real Estate and Rental and Leasing		10%	\$473	\$472,794	5.03	\$93,935	\$49,773	1.9	98.1%	1.69	1.1	\$83,988	LI Households
Fuel oil and Other fuels [7]	2.5%	100%	\$6,254										
Nonstore Retailers		100%	\$6,254	\$6,254,387	7.59	\$823,708	\$39,149	21.0	87.5%	1.69	10.9	\$66,060	LI Households
Water and Other Public Services [7]	0.6%	100%	\$1,444										
Waste Management and Remediation Services		100%	\$1,444	\$1,443,876	4.00	\$360,962	\$68,872	5.2	98.1%	1.69	3.0	\$116,214	Moderate Income
Household Operations Personal Services	1.1%	100%	\$2,760										
Nursing and Residential Care Facilities		40%	\$1,104	\$1,103,910	2.41	\$457,891	\$37,011	12.4	98.1%	1.69	7.2	\$62,453	LI Households
Social Assistance [8]		60%	\$1,656	\$1,655,864	2.98	\$555,009	\$24,733	22.4	98.1%	1.69	13.0	\$41,735	VLI Households
Household Operations Other Household Expenses	1.4%	100%	\$3,512										
Services to Buildings and Dwellings		100%	\$3,512	\$3,512,158	2.91	\$1,207,391	\$75,555	16.0	98.1%	1.69	9.3	\$127,492	Above Mod
Housekeeping Supplies	0.5%	100%	\$1,354										
Building Materials and Garden Equipment and Supplies Dealers		10%	\$135	\$135,409	8.42	\$16,086	\$34,606	0.5	87.5%	1.69	0.2	\$58,395	VLI Households
Food & Beverage Stores		35%	\$474	\$473,930	9.01	\$52,594	\$30,474	1.7	87.5%	1.69	0.9	\$51,421	VLI Households
General Merchandise		35%	\$474	\$473,930	10.88	\$43,579	\$28,948	1.5	87.5%	1.69	0.8	\$48,847	VLI Households
Miscellaneous Store Retailers		20%	\$271	\$270,817	6.20	\$43,678	\$24,716	1.8	87.5%	1.69	0.9	\$41,705	VLI Households

[1] Percent of income spent per category is based on the 2019 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.

[2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.

[3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, the purchase of a \$1,500,000 Unit requires a household income of \$247,200.

[4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County

[5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the San Francisco MSA.

[6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.

[7] Based on the American Community Survey data 2014-2019.

[8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.

[9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

Attachment: Nexus Study For-sale Housing (Consider the First Reading of an Ordinance Amending

**Table A-5
Household Expenditures and Employment Generation - For Sale \$1,500,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117**

Item	% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = c * 1,000</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>h = f / g</i>	<i>i</i>	<i>j</i>	<i>k = h * i / j</i>	<i>l = g * j</i>	
Required Income	\$247,200												
Household Furnishings and Equipment	2.4%	100%	\$5,816										
Furniture and Home Furnishings Stores		40%	\$2,326	\$2,326,302	6.22	\$373,800	\$31,496	11.9	87.5%	1.69	6.2	\$53,146	VLI Households
Electronics and Appliance Stores		40%	\$2,326	\$2,326,302	9.49	\$245,249	\$29,615	8.3	87.5%	1.69	4.3	\$49,973	VLI Households
General Merchandise Stores		10%	\$582	\$581,575	10.88	\$53,477	\$28,948	1.8	87.5%	1.69	1.0	\$48,847	VLI Households
Miscellaneous Store Retailers		10%	\$582	\$581,575	6.20	\$93,799	\$24,716	3.8	87.5%	1.69	2.0	\$41,705	VLI Households
Apparel and Services	2.0%	100%	\$4,936										
Clothing and Clothing Accessories Stores		40%	\$1,975	\$1,974,570	6.20	\$318,536	\$19,472	16.4	87.5%	1.69	8.5	\$32,857	ELI Households
General Merchandise		40%	\$1,975	\$1,974,570	10.88	\$181,567	\$28,948	6.3	87.5%	1.69	3.3	\$48,847	VLI Households
Miscellaneous Store Retailers		10%	\$494	\$493,642	6.20	\$79,617	\$24,716	3.2	87.5%	1.69	1.7	\$41,705	VLI Households
Personal and Household Goods Repair and Maintenance		5%	\$247	\$246,821	3.34	\$73,926	\$29,298	2.5	87.5%	1.69	1.3	\$49,437	VLI Households
Dry cleaning and Laundry Services		5%	\$247	\$246,821	3.34	\$73,926	\$29,298	2.5	87.5%	1.69	1.3	\$49,437	VLI Households
Vehicle Purchases (net outlay)	4.4%	100%	\$10,905										
Motor Vehicle and Parts Dealers		100%	\$10,905	\$10,904,926	35.74	\$305,086	\$53,823	5.7	87.5%	1.69	2.9	\$90,821	LI Households
Gasoline and motor oil	1.4%	100%	\$3,541										
Gasoline Stations		100%	\$3,541	\$3,541,056	27.49	\$128,805	\$28,091	4.6	87.5%	1.69	2.4	\$47,401	VLI Households
Vehicle Maintenance and Repairs	0.7%	100%	\$1,775										
Repair and Maintenance		100%	\$1,775	\$1,775,173	3.24	\$547,563	\$43,318	12.6	98.1%	1.69	7.3	\$73,095	LI Households
Medical Services	1.2%	100%	\$3,003										
Ambulatory Health Care Services		40%	\$1,201	\$1,201,338	2.55	\$470,308	\$70,780	6.6	98.1%	1.69	3.9	\$119,434	Above Mod
General Medical and Surgical Hospitals		30%	\$901	\$901,003	4.40	\$204,749	\$27,115	7.6	98.1%	1.69	4.4	\$45,755	VLI Households
Nursing and Residential Care Facilities		30%	\$901	\$901,003	2.41	\$373,728	\$37,011	10.1	98.1%	1.69	5.9	\$62,453	LI Households
Drugs	0.2%	100%	\$606										
Health and Personal Care Stores		100%	\$606	\$605,829	9.05	\$66,931	\$34,602	1.9	87.5%	1.69	1.0	\$58,387	VLI Households
Medical Supplies	0.1%	100%	\$366										
Health and Personal Care Stores		100%	\$366	\$366,387	9.05	\$40,478	\$34,602	1.2	87.5%	1.69	0.6	\$58,387	VLI Households
Entertainment Fees and Admissions	1.6%	100%	\$3,917										
Arts, Entertainment, & Recreation		100%	\$3,917	\$3,916,732	3.12	\$1,253,473	\$28,072	44.7	87.5%	1.69	23.2	\$47,369	VLI Households

[1] Percent of income spent per category is based on the 2019 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.
 [2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.
 [3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, the purchase of a \$1,500,000 Unit requires a household income of \$247,200.
 [4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County
 [5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the San Francisco MSA.
 [6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.
 [7] Based on the American Community Survey data 2014-2019.
 [8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.
 [9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

Attachment: Nexus Study For-sale Housing (Consider the First Reading of an Ordinance Amending

**Table A-5
Household Expenditures and Employment Generation - For Sale \$1,500,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117**

Item	% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/ HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = c * 1,000</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>h = f / g</i>	<i>i</i>	<i>j</i>	<i>k = h * i / j</i>	<i>l = g * j</i>	
Required Income	\$247,200												
Entertainment Audio and Visual Equipment and Services	1.6%	100%	\$3,917										
Electronics and Appliance Stores		100%	\$3,917	\$3,916,732	9.49	\$412,920	\$29,615	13.9	87.5%	1.69	7.2	\$49,973	VLI Households
Entertainment Pets, Toys, Hobbies, and Playground Equip.	0.7%	100%	\$1,715										
Sporting Goods, Hobby, and Musical Instrument Stores		40%	\$686	\$686,125	6.59	\$104,099	\$21,452	4.9	87.5%	1.69	2.5	\$36,198	VLI Households
Miscellaneous Store Retailers		40%	\$686	\$686,125	6.20	\$110,661	\$24,716	4.5	87.5%	1.69	2.3	\$41,705	VLI Households
Veterinary Services		20%	\$343	\$343,062	2.69	\$127,469	\$49,793	2.6	98.1%	1.69	1.5	\$84,021	LI Households
Other Entertainment Supplies, Equipment, and Services	0.8%	100%	\$1,966										
Sporting Goods, Hobby, and Musical Instrument Stores		85%	\$1,671	\$1,671,191	6.59	\$253,553	\$21,452	11.8	87.5%	1.69	6.1	\$36,198	VLI Households
Photographic Services		15%	\$295	\$294,916	3.41	\$86,569	\$43,227	2.0	98.1%	1.69	1.2	\$72,941	LI Households
Personal Care Products and Services	0.8%	100%	\$1,897										
Unspecified Retail		50%	\$948	\$948,479	6.20	\$152,974	\$24,716	6.2	87.5%	1.69	3.2	\$41,705	VLI Households
Personal Care Services		50%	\$948	\$948,479	2.74	\$346,122	\$22,157	15.6	98.1%	1.69	9.1	\$37,387	VLI Households
Reading	0.1%	100%	\$220										
Sporting Goods, Hobby, and Musical Instrument Stores		100%	\$220	\$219,832	6.59	\$33,353	\$21,452	1.6	87.5%	1.69	0.8	\$36,198	VLI Households
Education	2.5%	100%	\$6,188										
Educational Services		100%	\$6,188	\$6,188,334	2.59	\$2,393,700	\$35,028	68.3	98.1%	1.69	39.7	\$59,106	VLI Households
Tobacco Products and Smoking Supplies	0.1%	100%	\$133										
Unspecified Retail		100%	\$133	\$133,138	6.20	\$21,473	\$24,716	0.9	87.5%	1.69	0.5	\$41,705	VLI Households
Miscellaneous	0.9%	100%	\$2,104										
Accounting		20%	\$421	\$420,881	2.64	\$159,538	\$40,838	3.9	98.1%	1.69	2.3	\$68,910	LI Households
Architectural, Engineering, and Related		20%	\$421	\$420,881	2.25	\$187,308	\$80,414	2.3	98.1%	1.69	1.4	\$135,690	Above Mod
Specialized Design Services		20%	\$421	\$420,881	3.50	\$120,137	\$56,159	2.1	98.1%	1.69	1.2	\$94,763	LI Households
Death Care Services		20%	\$421	\$420,881	3.41	\$123,545	\$43,227	2.9	98.1%	1.69	1.7	\$72,941	LI Households
Legal Services		20%	\$421	\$420,881	2.99	\$140,704	\$100,406	1.4	98.1%	1.69	0.8	\$169,424	Above Mod
Total per 1,000 Market Rate Households								588.8			319.0		

[1] Percent of income spent per category is based on the 2019 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.

[2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.

[3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, the purchase of a \$1,500,000 Unit requires a household income of \$247,200.

[4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County

[5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the San Francisco MSA.

[6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.

[7] Based on the American Community Survey data 2014-2019.

[8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.

[9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

Source: 2019 Consumer Expenditure Survey, U.S. Bureau of Labor Statistics; 2017 Economic Census, American Community Survey, and Economic & Planning Systems, Inc.

Attachment: Nexus Study For-sale Housing (Consider the First Reading of an Ordinance Amending

**Table A-6
Household Expenditures and Employment Generation - For Sale \$1,750,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117**

Item		% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>		<i>a</i>	<i>b</i>	<i>c</i>	<i>d = c * 1,000</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>h = f / g</i>	<i>i</i>	<i>j</i>	<i>k = h * i / j</i>	<i>l = g * j</i>	
Required Income	\$288,500													
Food at Home		3.2%	100%	\$9,122										
Food & Beverage Stores			100%	\$9,122	\$9,121,735	9.01	\$1,012,271	\$30,474	33.2	87.5%	1.69	17.2	\$51,421	VLI Households
Food Away From Home		3.7%	100%	\$10,736										
Food Services and Drinking Places			100%	\$10,736	\$10,735,774	3.13	\$3,434,554	\$21,784	157.7	87.5%	1.69	81.8	\$36,758	VLI Households
Alcoholic Beverages		0.7%	100%	\$1,949										
Food & Beverage Stores			50%	\$974	\$974,446	9.01	\$108,138	\$30,474	3.5	87.5%	1.69	1.8	\$51,421	VLI Households
Food Services and Drinking Places			50%	\$974	\$974,446	3.13	\$311,742	\$21,784	14.3	87.5%	1.69	7.4	\$36,758	VLI Households
Housing Maintenance, Repairs, Insurance, Other expenses		1.9%	100%	\$5,518										
Personal and Household Goods Repair and Maintenance			45%	\$2,483	\$2,483,032	3.34	\$743,699	\$29,298	25.4	98.1%	1.69	14.8	\$49,437	VLI Households
Building Material and Garden Equipment and Supplies Dealer			45%	\$2,483	\$2,483,032	8.42	\$294,970	\$34,606	8.5	87.5%	1.69	4.4	\$58,395	VLI Households
Real Estate and Rental and Leasing			10%	\$552	\$551,785	5.03	\$109,629	\$49,773	2.2	98.1%	1.69	1.3	\$83,988	LI Households
Fuel oil and Other fuels [7]		2.5%	100%	\$7,299										
Nonstore Retailers			100%	\$7,299	\$7,299,315	7.59	\$961,326	\$39,149	24.6	87.5%	1.69	12.7	\$66,060	LI Households
Water and Other Public Services [7]		0.6%	100%	\$1,685										
Waste Management and Remediation Services			100%	\$1,685	\$1,685,106	4.00	\$421,268	\$68,872	6.1	98.1%	1.69	3.6	\$116,214	Moderate Income
Household Operations Personal Services		1.1%	100%	\$3,221										
Nursing and Residential Care Facilities			40%	\$1,288	\$1,288,341	2.41	\$534,392	\$37,011	14.4	98.1%	1.69	8.4	\$62,453	LI Households
Social Assistance [8]			60%	\$1,933	\$1,932,512	2.98	\$647,736	\$24,733	26.2	98.1%	1.69	15.2	\$41,735	VLI Households
Household Operations Other Household Expenses		1.4%	100%	\$4,099										
Services to Buildings and Dwellings			100%	\$4,099	\$4,098,939	2.91	\$1,409,112	\$75,555	18.7	98.1%	1.69	10.8	\$127,492	Above Mod
Housekeeping Supplies		0.5%	100%	\$1,580										
Building Materials and Garden Equipment and Supplies Dealers			10%	\$158	\$158,031	8.42	\$18,773	\$34,606	0.5	87.5%	1.69	0.3	\$58,395	VLI Households
Food & Beverage Stores			35%	\$553	\$553,110	9.01	\$61,381	\$30,474	2.0	87.5%	1.69	1.0	\$51,421	VLI Households
General Merchandise			35%	\$553	\$553,110	10.88	\$50,860	\$28,948	1.8	87.5%	1.69	0.9	\$48,847	VLI Households
Miscellaneous Store Retailers			20%	\$316	\$316,063	6.20	\$50,976	\$24,716	2.1	87.5%	1.69	1.1	\$41,705	VLI Households

[1] Percent of income spent per category is based on the 2019 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.
 [2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.
 [3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, the purchase of a \$1,750,000 Unit requires a household income of \$288,500.
 [4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County
 [5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the San Francisco MSA.
 [6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.
 [7] Based on the American Community Survey data 2014-2019.
 [8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.
 [9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

Attachment: Nexus Study For-sale Housing (Consider the First Reading of an Ordinance Amending

**Table A-6
Household Expenditures and Employment Generation - For Sale \$1,750,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117**

Item		% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>		<i>a</i>	<i>b</i>	<i>c</i>	<i>d = c * 1,000</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>h = f / g</i>	<i>i</i>	<i>j</i>	<i>k = h * i / j</i>	<i>l = g * j</i>	
Required Income		\$288,500												
Household Furnishings and Equipment		2.4%	100%	\$6,787										
Furniture and Home Furnishings Stores			40%	\$2,715	\$2,714,960	6.22	\$436,251	\$31,496	13.9	87.5%	1.69	7.2	\$53,146	VLI Households
Electronics and Appliance Stores			40%	\$2,715	\$2,714,960	9.49	\$286,223	\$29,615	9.7	87.5%	1.69	5.0	\$49,973	VLI Households
General Merchandise Stores			10%	\$679	\$678,740	10.88	\$62,412	\$28,948	2.2	87.5%	1.69	1.1	\$48,847	VLI Households
Miscellaneous Store Retailers			10%	\$679	\$678,740	6.20	\$109,470	\$24,716	4.4	87.5%	1.69	2.3	\$41,705	VLI Households
Apparel and Services		2.0%	100%	\$5,761										
Clothing and Clothing Accessories Stores			40%	\$2,304	\$2,304,464	6.20	\$371,754	\$19,472	19.1	87.5%	1.69	9.9	\$32,857	ELI Households
General Merchandise			40%	\$2,304	\$2,304,464	10.88	\$211,901	\$28,948	7.3	87.5%	1.69	3.8	\$48,847	VLI Households
Miscellaneous Store Retailers			10%	\$576	\$576,116	6.20	\$92,918	\$24,716	3.8	87.5%	1.69	1.9	\$41,705	VLI Households
Personal and Household Goods Repair and Maintenance			5%	\$288	\$288,058	3.34	\$86,277	\$29,298	2.9	87.5%	1.69	1.5	\$49,437	VLI Households
Dry cleaning and Laundry Services			5%	\$288	\$288,058	3.34	\$86,277	\$29,298	2.9	87.5%	1.69	1.5	\$49,437	VLI Households
Vehicle Purchases (net outlay)		4.4%	100%	\$12,727										
Motor Vehicle and Parts Dealers			100%	\$12,727	\$12,726,825	35.74	\$356,057	\$53,823	6.6	87.5%	1.69	3.4	\$90,821	LI Households
Gasoline and motor oil		1.4%	100%	\$4,133										
Gasoline Stations			100%	\$4,133	\$4,132,665	27.49	\$150,325	\$28,091	5.4	87.5%	1.69	2.8	\$47,401	VLI Households
Vehicle Maintenance and Repairs		0.7%	100%	\$2,072										
Repair and Maintenance			100%	\$2,072	\$2,071,753	3.24	\$639,045	\$43,318	14.8	98.1%	1.69	8.6	\$73,095	LI Households
Medical Services		1.2%	100%	\$3,505										
Ambulatory Health Care Services			40%	\$1,402	\$1,402,047	2.55	\$548,883	\$70,780	7.8	98.1%	1.69	4.5	\$119,434	Above Mod
General Medical and Surgical Hospitals			30%	\$1,052	\$1,051,535	4.40	\$238,956	\$27,115	8.8	98.1%	1.69	5.1	\$45,755	VLI Households
Nursing and Residential Care Facilities			30%	\$1,052	\$1,051,535	2.41	\$436,167	\$37,011	11.8	98.1%	1.69	6.9	\$62,453	LI Households
Drugs		0.2%	100%	\$707										
Health and Personal Care Stores			100%	\$707	\$707,046	9.05	\$78,114	\$34,602	2.3	87.5%	1.69	1.2	\$58,387	VLI Households
Medical Supplies		0.1%	100%	\$428										
Health and Personal Care Stores			100%	\$428	\$427,600	9.05	\$47,241	\$34,602	1.4	87.5%	1.69	0.7	\$58,387	VLI Households
Entertainment Fees and Admissions		1.6%	100%	\$4,571										
Arts, Entertainment, & Recreation			100%	\$4,571	\$4,571,106	3.12	\$1,462,893	\$28,072	52.1	87.5%	1.69	27.0	\$47,369	VLI Households

[1] Percent of income spent per category is based on the 2019 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.

[2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.

[3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, the purchase of a \$1,750,000 Unit requires a household income of \$288,500.

[4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County

[5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the San Francisco MSA.

[6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.

[7] Based on the American Community Survey data 2014-2019.

[8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.

[9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

**Table A-6
Household Expenditures and Employment Generation - For Sale \$1,750,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117**

Item	% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
Calculation	a	b	c	d = c * 1,000	e	f = d / e	g	h = f / g	i	j	k = h * i / j	l = g * j	
Required Income	\$288,500												
Entertainment Audio and Visual Equipment and Services	1.6%	100%	\$4,571										
Electronics and Appliance Stores		100%	\$4,571	\$4,571,106	9.49	\$481,907	\$29,615	16.3	87.5%	1.69	8.4	\$49,973	VLI Households
Entertainment Pets, Toys, Hobbies, and Playground Equip.	0.7%	100%	\$2,002										
Sporting Goods, Hobby, and Musical Instrument Stores		40%	\$801	\$800,757	6.59	\$121,491	\$21,452	5.7	87.5%	1.69	2.9	\$36,198	VLI Households
Miscellaneous Store Retailers		40%	\$801	\$800,757	6.20	\$129,149	\$24,716	5.2	87.5%	1.69	2.7	\$41,705	VLI Households
Veterinary Services		20%	\$400	\$400,378	2.69	\$148,766	\$49,793	3.0	98.1%	1.69	1.7	\$84,021	LI Households
Other Entertainment Supplies, Equipment, and Services	0.8%	100%	\$2,295										
Sporting Goods, Hobby, and Musical Instrument Stores		85%	\$1,950	\$1,950,399	6.59	\$295,915	\$21,452	13.8	87.5%	1.69	7.2	\$36,198	VLI Households
Photographic Services		15%	\$344	\$344,188	3.41	\$101,032	\$43,227	2.3	98.1%	1.69	1.4	\$72,941	LI Households
Personal Care Products and Services	0.8%	100%	\$2,214										
Unspecified Retail		50%	\$1,107	\$1,106,942	6.20	\$178,532	\$24,716	7.2	87.5%	1.69	3.7	\$41,705	VLI Households
Personal Care Services		50%	\$1,107	\$1,106,942	2.74	\$403,949	\$22,157	18.2	98.1%	1.69	10.6	\$37,387	VLI Households
Reading	0.1%	100%	\$257										
Sporting Goods, Hobby, and Musical Instrument Stores		100%	\$257	\$256,560	6.59	\$38,925	\$21,452	1.8	87.5%	1.69	0.9	\$36,198	VLI Households
Education	2.5%	100%	\$7,222										
Educational Services		100%	\$7,222	\$7,222,226	2.59	\$2,793,618	\$35,028	79.8	98.1%	1.69	46.4	\$59,106	VLI Households
Tobacco Products and Smoking Supplies	0.1%	100%	\$155										
Unspecified Retail		100%	\$155	\$155,381	6.20	\$25,061	\$24,716	1.0	87.5%	1.69	0.5	\$41,705	VLI Households
Miscellaneous	0.9%	100%	\$2,456										
Accounting		20%	\$491	\$491,198	2.64	\$186,192	\$40,838	4.6	98.1%	1.69	2.7	\$68,910	LI Households
Architectural, Engineering, and Related		20%	\$491	\$491,198	2.25	\$218,601	\$80,414	2.7	98.1%	1.69	1.6	\$135,690	Above Mod
Specialized Design Services		20%	\$491	\$491,198	3.50	\$140,208	\$56,159	2.5	98.1%	1.69	1.5	\$94,763	LI Households
Death Care Services		20%	\$491	\$491,198	3.41	\$144,186	\$43,227	3.3	98.1%	1.69	1.9	\$72,941	LI Households
Legal Services		20%	\$491	\$491,198	2.99	\$164,211	\$100,406	1.6	98.1%	1.69	1.0	\$169,424	Above Mod
Total per 1,000 Market Rate Households								687.2			372.3		

[1] Percent of income spent per category is based on the 2019 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.

[2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.

[3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, the purchase of a \$1,750,000 Unit requires a household income of \$288,500.

[4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County

[5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the San Francisco MSA.

[6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.

[7] Based on the American Community Survey data 2014-2019.

[8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.

[9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

Source: 2019 Consumer Expenditure Survey, U.S. Bureau of Labor Statistics; 2017 Economic Census, American Community Survey, and Economic & Planning Systems, Inc.

**Table A-7
Household Expenditures and Employment Generation - For Sale \$2,000,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117**

Item	% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = c * 1,000</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>h = f / g</i>	<i>i</i>	<i>j</i>	<i>k = h * i / j</i>	<i>l = g * j</i>	
Required Income				\$329,700									
Food at Home	3.2%	100%	\$10,424										
Food & Beverage Stores		100%	\$10,424	\$10,424,388	9.01	\$1,156,831	\$30,474	38.0	87.5%	1.69	19.7	\$51,421	VLI Households
Food Away From Home	3.7%	100%	\$12,269										
Food Services and Drinking Places		100%	\$12,269	\$12,268,925	3.13	\$3,925,034	\$21,784	180.2	87.5%	1.69	93.4	\$36,758	VLI Households
Alcoholic Beverages	0.7%	100%	\$2,227										
Food & Beverage Stores		50%	\$1,114	\$1,113,605	9.01	\$123,581	\$30,474	4.1	87.5%	1.69	2.1	\$51,421	VLI Households
Food Services and Drinking Places		50%	\$1,114	\$1,113,605	3.13	\$356,261	\$21,784	16.4	87.5%	1.69	8.5	\$36,758	VLI Households
Housing Maintenance, Repairs, Insurance, Other expenses	1.9%	100%	\$6,306										
Personal and Household Goods Repair and Maintenance		45%	\$2,838	\$2,837,628	3.34	\$849,905	\$29,298	29.0	98.1%	1.69	16.9	\$49,437	VLI Households
Building Material and Garden Equipment and Supplies Dealer		45%	\$2,838	\$2,837,628	8.42	\$337,094	\$34,606	9.7	87.5%	1.69	5.1	\$58,395	VLI Households
Real Estate and Rental and Leasing		10%	\$631	\$630,584	5.03	\$125,285	\$49,773	2.5	98.1%	1.69	1.5	\$83,988	LI Households
Fuel oil and Other fuels [7]	2.5%	100%	\$8,342										
Nonstore Retailers		100%	\$8,342	\$8,341,713	7.59	\$1,098,611	\$39,149	28.1	87.5%	1.69	14.6	\$66,060	LI Households
Water and Other Public Services [7]	0.6%	100%	\$1,926										
Waste Management and Remediation Services		100%	\$1,926	\$1,925,752	4.00	\$481,428	\$68,872	7.0	98.1%	1.69	4.1	\$116,214	Moderate Income
Household Operations Personal Services	1.1%	100%	\$3,681										
Nursing and Residential Care Facilities		40%	\$1,472	\$1,472,326	2.41	\$610,707	\$37,011	16.5	98.1%	1.69	9.6	\$62,453	LI Households
Social Assistance [8]		60%	\$2,208	\$2,208,489	2.98	\$740,237	\$24,733	29.9	98.1%	1.69	17.4	\$41,735	VLI Households
Household Operations Other Household Expenses	1.4%	100%	\$4,684										
Services to Buildings and Dwellings		100%	\$4,684	\$4,684,298	2.91	\$1,610,344	\$75,555	21.3	98.1%	1.69	12.4	\$127,492	Above Mod
Housekeeping Supplies	0.5%	100%	\$1,806										
Building Materials and Garden Equipment and Supplies Dealers		10%	\$181	\$180,599	8.42	\$21,454	\$34,606	0.6	87.5%	1.69	0.3	\$58,395	VLI Households
Food & Beverage Stores		35%	\$632	\$632,098	9.01	\$70,146	\$30,474	2.3	87.5%	1.69	1.2	\$51,421	VLI Households
General Merchandise		35%	\$632	\$632,098	10.88	\$58,123	\$28,948	2.0	87.5%	1.69	1.0	\$48,847	VLI Households
Miscellaneous Store Retailers		20%	\$361	\$361,199	6.20	\$58,256	\$24,716	2.4	87.5%	1.69	1.2	\$41,705	VLI Households

[1] Percent of income spent per category is based on the 2019 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.

[2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.

[3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, the purchase of a \$2,000,000 Unit requires a household income of \$329,700.

[4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County

[5] Based on the 2017 average wage reported by the American Community Survey inflated to 2021 based on the Bureau of Labor Statistics data for the San Francisco MSA.

[6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.

[7] Based on the American Community Survey data 2014-2019.

[8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.

[9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

**Table A-7
Household Expenditures and Employment Generation - For Sale \$2,000,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117**

Item	% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
Calculation	a	b	c	d = c * 1,000	e	f = d / e	g	h = f / g	i	j	k = h * i / j	l = g * j	
Required Income				\$329,700									
Household Furnishings and Equipment	2.4%	100%	\$7,757										
Furniture and Home Furnishings Stores		40%	\$3,103	\$3,102,677	6.22	\$498,551	\$31,496	15.8	87.5%	1.69	8.2	\$53,146	VLI Households
Electronics and Appliance Stores		40%	\$3,103	\$3,102,677	9.49	\$327,098	\$29,615	11.0	87.5%	1.69	5.7	\$49,973	VLI Households
General Merchandise Stores		10%	\$776	\$775,669	10.88	\$71,325	\$28,948	2.5	87.5%	1.69	1.3	\$48,847	VLI Households
Miscellaneous Store Retailers		10%	\$776	\$775,669	6.20	\$125,103	\$24,716	5.1	87.5%	1.69	2.6	\$41,705	VLI Households
Apparel and Services	2.0%	100%	\$6,584										
Clothing and Clothing Accessories Stores		40%	\$2,634	\$2,633,559	6.20	\$424,844	\$19,472	21.8	87.5%	1.69	11.3	\$32,857	ELI Households
General Merchandise		40%	\$2,634	\$2,633,559	10.88	\$242,162	\$28,948	8.4	87.5%	1.69	4.3	\$48,847	VLI Households
Miscellaneous Store Retailers		10%	\$658	\$658,390	6.20	\$106,188	\$24,716	4.3	87.5%	1.69	2.2	\$41,705	VLI Households
Personal and Household Goods Repair and Maintenance		5%	\$329	\$329,195	3.34	\$98,598	\$29,298	3.4	87.5%	1.69	1.7	\$49,437	VLI Households
Dry cleaning and Laundry Services		5%	\$329	\$329,195	3.34	\$98,598	\$29,298	3.4	87.5%	1.69	1.7	\$49,437	VLI Households
Vehicle Purchases (net outlay)	4.4%	100%	\$14,544										
Motor Vehicle and Parts Dealers		100%	\$14,544	\$14,544,313	35.74	\$406,904	\$53,823	7.6	87.5%	1.69	3.9	\$90,821	LI Households
Gasoline and motor oil	1.4%	100%	\$4,723										
Gasoline Stations		100%	\$4,723	\$4,722,841	27.49	\$171,792	\$28,091	6.1	87.5%	1.69	3.2	\$47,401	VLI Households
Vehicle Maintenance and Repairs	0.7%	100%	\$2,368										
Repair and Maintenance		100%	\$2,368	\$2,367,615	3.24	\$730,305	\$43,318	16.9	98.1%	1.69	9.8	\$73,095	LI Households
Medical Services	1.2%	100%	\$4,006										
Ambulatory Health Care Services		40%	\$1,602	\$1,602,270	2.55	\$627,268	\$70,780	8.9	98.1%	1.69	5.2	\$119,434	Above Mod
General Medical and Surgical Hospitals		30%	\$1,202	\$1,201,702	4.40	\$273,081	\$27,115	10.1	98.1%	1.69	5.9	\$45,755	VLI Households
Nursing and Residential Care Facilities		30%	\$1,202	\$1,201,702	2.41	\$498,455	\$37,011	13.5	98.1%	1.69	7.8	\$62,453	LI Households
Drugs	0.2%	100%	\$808										
Health and Personal Care Stores		100%	\$808	\$808,017	9.05	\$89,269	\$34,602	2.6	87.5%	1.69	1.3	\$58,387	VLI Households
Medical Supplies	0.1%	100%	\$489										
Health and Personal Care Stores		100%	\$489	\$488,665	9.05	\$53,987	\$34,602	1.6	87.5%	1.69	0.8	\$58,387	VLI Households
Entertainment Fees and Admissions	1.6%	100%	\$5,224										
Arts, Entertainment, & Recreation		100%	\$5,224	\$5,223,894	3.12	\$1,671,805	\$28,072	59.6	87.5%	1.69	30.9	\$47,369	VLI Households

[1] Percent of income spent per category is based on the 2019 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.

[2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.

[3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, the purchase of a \$2,000,000 Unit requires a household income of \$329,700.

[4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County

[5] Based on the 2017 average wage reported by the American Community Survey inflated to 2021 based on the Bureau of Labor Statistics data for the San Francisco MSA.

[6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.

[7] Based on the American Community Survey data 2014-2019.

[8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.

[9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

**Table A-7
Household Expenditures and Employment Generation - For Sale \$2,000,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117**

Item		% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>		<i>a</i>	<i>b</i>	<i>c</i>	<i>d = c * 1,000</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>h = f / g</i>	<i>i</i>	<i>j</i>	<i>k = h * i / j</i>	<i>l = g * j</i>	
Required Income	\$329,700													
Entertainment Audio and Visual Equipment and Services		1.6%	100%	\$5,224										
Electronics and Appliance Stores			100%	\$5,224	\$5,223,894	9.49	\$550,727	\$29,615	18.6	87.5%	1.69	9.6	\$49,973	VLI Households
Entertainment Pets, Toys, Hobbies, and Playground Equip.		0.7%	100%	\$2,288										
Sporting Goods, Hobby, and Musical Instrument Stores			40%	\$915	\$915,111	6.59	\$138,841	\$21,452	6.5	87.5%	1.69	3.4	\$36,198	VLI Households
Miscellaneous Store Retailers			40%	\$915	\$915,111	6.20	\$147,593	\$24,716	6.0	87.5%	1.69	3.1	\$41,705	VLI Households
Veterinary Services			20%	\$458	\$457,555	2.69	\$170,011	\$49,793	3.4	98.1%	1.69	2.0	\$84,021	LI Households
Other Entertainment Supplies, Equipment, and Services		0.8%	100%	\$2,622										
Sporting Goods, Hobby, and Musical Instrument Stores			85%	\$2,229	\$2,228,930	6.59	\$338,174	\$21,452	15.8	87.5%	1.69	8.2	\$36,198	VLI Households
Photographic Services			15%	\$393	\$393,341	3.41	\$115,461	\$43,227	2.7	98.1%	1.69	1.6	\$72,941	LI Households
Personal Care Products and Services		0.8%	100%	\$2,530										
Unspecified Retail			50%	\$1,265	\$1,265,022	6.20	\$204,028	\$24,716	8.3	87.5%	1.69	4.3	\$41,705	VLI Households
Personal Care Services			50%	\$1,265	\$1,265,022	2.74	\$461,636	\$22,157	20.8	98.1%	1.69	12.1	\$37,387	VLI Households
Reading		0.1%	100%	\$293										
Sporting Goods, Hobby, and Musical Instrument Stores			100%	\$293	\$293,199	6.59	\$44,484	\$21,452	2.1	87.5%	1.69	1.1	\$36,198	VLI Households
Education		2.5%	100%	\$8,254										
Educational Services			100%	\$8,254	\$8,253,615	2.59	\$3,192,568	\$35,028	91.1	98.1%	1.69	53.0	\$59,106	VLI Households
Tobacco Products and Smoking Supplies		0.1%	100%	\$178										
Unspecified Retail			100%	\$178	\$177,571	6.20	\$28,639	\$24,716	1.2	87.5%	1.69	0.6	\$41,705	VLI Households
Miscellaneous		0.9%	100%	\$2,807										
Accounting			20%	\$561	\$561,345	2.64	\$212,782	\$40,838	5.2	98.1%	1.69	3.0	\$68,910	LI Households
Architectural, Engineering, and Related			20%	\$561	\$561,345	2.25	\$249,819	\$80,414	3.1	98.1%	1.69	1.8	\$135,690	Above Mod
Specialized Design Services			20%	\$561	\$561,345	3.50	\$160,231	\$56,159	2.9	98.1%	1.69	1.7	\$94,763	LI Households
Death Care Services			20%	\$561	\$561,345	3.41	\$164,776	\$43,227	3.8	98.1%	1.69	2.2	\$72,941	LI Households
Legal Services			20%	\$561	\$561,345	2.99	\$187,662	\$100,406	1.9	98.1%	1.69	1.1	\$169,424	Above Mod
Total per 1,000 Market Rate Households									785.3			425.5		

[1] Percent of income spent per category is based on the 2019 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.
 [2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.
 [3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, the purchase of a \$2,000,000 Unit requires a household income of \$329,700.
 [4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County
 [5] Based on the 2017 average wage reported by the American Community Survey inflated to 2021 based on the Bureau of Labor Statistics data for the San Francisco MSA.
 [6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.
 [7] Based on the American Community Survey data 2014-2019.
 [8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.
 [9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

Source: 2019 Consumer Expenditure Survey, U.S. Bureau of Labor Statistics; 2017 Economic Census, American Community Survey; and Economic & Planning Systems, Inc.

Attachment: Nexus Study For-sale Housing (Consider the First Reading of an Ordinance Amending



APPENDIX B:
Income Levels for Worker Households

Table B-1
Income Levels for Worker Households
Worker Household Generation per 1,000 Units – For Sale \$500,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117

Industry	Total Workers	Total Worker Households [1]	VLI Households	LI Households	Moderate Income Households	Above Moderate Income Households
Retail						
Unspecified Retail	5.4	2.8	2.8	0.0	0.0	0.0
Food & Beverage Stores	25.4	13.2	13.2	0.0	0.0	0.0
Food Services and Drinking Places	77.9	40.4	40.4	0.0	0.0	0.0
Health and Personal Care Stores	2.6	1.4	1.4	0.0	0.0	0.0
General Merchandise	5.0	2.6	2.6	0.0	0.0	0.0
Furniture and Home Furnishings Stores	5.5	2.9	2.9	0.0	0.0	0.0
Building Material and Garden Equipment and Supplies Dealer	2.7	1.4	1.4	0.0	0.0	0.0
Electronics and Appliance Stores	7.5	3.9	3.9	0.0	0.0	0.0
Clothing and Clothing Accessories Stores	8.3	4.3	4.3	0.0	0.0	0.0
Motor Vehicle and Parts Dealers	2.4	1.2	0.0	1.2	0.0	0.0
Gasoline Stations	4.0	2.1	2.1	0.0	0.0	0.0
Sporting Goods, Hobby, and Musical Instrument Stores	6.6	3.4	3.4	0.0	0.0	0.0
Miscellaneous Store Retailers	7.5	3.9	3.9	0.0	0.0	0.0
Nonstore Retailers	16.4	8.5	0.0	8.5	0.0	0.0
Arts, Entertainment, & Recreation	11.6	6.0	6.0	0.0	0.0	0.0
Medical/Health						
Ambulatory Health Care Services	3.0	1.7	0.0	0.0	0.0	1.7
General Medical and Surgical Hospitals	3.4	2.0	2.0	0.0	0.0	0.0
Nursing and Residential Care Facilities	7.6	4.4	0.0	4.4	0.0	0.0
Social Assistance	5.7	3.3	3.3	0.0	0.0	0.0
Services						
Personal and Household Goods Repair and Maintenance	8.4	4.8	4.8	0.0	0.0	0.0
Services to Buildings and Dwellings	5.7	3.3	0.0	0.0	0.0	3.3
Waste Management and Remediation Services	3.7	2.1	0.0	0.0	2.1	0.0
Real Estate and Rental and Leasing	0.6	0.4	0.0	0.4	0.0	0.0
Personal Care Services	8.5	4.9	4.9	0.0	0.0	0.0
Dry Cleaning and Laundry Services	1.3	0.7	0.7	0.0	0.0	0.0
Auto Repair and Maintenance	8.8	5.1	0.0	5.1	0.0	0.0
Veterinary Services	1.7	1.0	0.0	1.0	0.0	0.0
Photographic Services	0.4	0.3	0.0	0.3	0.0	0.0
Educational Services	9.9	5.8	5.8	0.0	0.0	0.0
Accounting	2.0	1.2	0.0	1.2	0.0	0.0
Architectural, Engineering, and Related	1.2	0.7	0.0	0.0	0.0	0.7
Specialized Design Services	1.1	0.6	0.0	0.6	0.0	0.0
Death Care Services	1.5	0.9	0.0	0.9	0.0	0.0
Legal Services	<u>0.7</u>	<u>0.4</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.4</u>
Total Workers and Households	264.2	141.6	109.7	23.6	2.1	6.2
Total Income-Qualified HH Generated Per 1,000 Market-Rate Units [2]		135.4	109.7	23.6	2.1	0.0
Total Income-Qualified HH Generated Per 100 Market-Rate Units [2]		13.5	11.0	2.4	0.2	0.0

[1] Assumes 1.69 workers per worker household in the City of Capitola based on 2015-2019 American Community Survey. Includes a 12.5% discount for retail and 1.9% discount for other industries to account for workers under age 20.

Source: Economic & Planning Systems, Inc.

Table B-2
Income Levels for Worker Households
Worker Household Generation per 1,000 Units - For Sale \$750,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117

Industry	Total Workers	Total Worker Households [1]	VLI Households	LI Households	Moderate Income Households	Above Moderate Income Households
Retail						
Unspecified Retail	6.7	3.5	3.5	0.0	0.0	0.0
Food & Beverage Stores	29.6	15.3	15.3	0.0	0.0	0.0
Food Services and Drinking Places	100.9	52.3	52.3	0.0	0.0	0.0
Health and Personal Care Stores	3.2	1.7	1.7	0.0	0.0	0.0
General Merchandise	6.2	3.2	3.2	0.0	0.0	0.0
Furniture and Home Furnishings Stores	7.2	3.8	3.8	0.0	0.0	0.0
Building Material and Garden Equipment and Supplies Dealer	3.9	2.0	2.0	0.0	0.0	0.0
Electronics and Appliance Stores	10.2	5.3	5.3	0.0	0.0	0.0
Clothing and Clothing Accessories Stores	9.9	5.2	5.2	0.0	0.0	0.0
Motor Vehicle and Parts Dealers	3.5	1.8	0.0	1.8	0.0	0.0
Gasoline Stations	5.1	2.7	2.7	0.0	0.0	0.0
Sporting Goods, Hobby, and Musical Instrument Stores	14.1	7.3	7.3	0.0	0.0	0.0
Miscellaneous Store Retailers	9.9	5.1	5.1	0.0	0.0	0.0
Nonstore Retailers	19.3	10.0	0.0	10.0	0.0	0.0
Arts, Entertainment, & Recreation	16.4	8.5	8.5	0.0	0.0	0.0
Medical/Health						
Ambulatory Health Care Services	4.0	2.3	0.0	0.0	0.0	2.3
General Medical and Surgical Hospitals	4.5	2.6	2.6	0.0	0.0	0.0
Nursing and Residential Care Facilities	9.5	5.5	0.0	5.5	0.0	0.0
Social Assistance	6.2	3.6	3.6	0.0	0.0	0.0
Services						
Personal and Household Goods Repair and Maintenance	12.0	6.9	6.9	0.0	0.0	0.0
Services to Buildings and Dwellings	7.3	4.2	0.0	0.0	0.0	4.2
Waste Management and Remediation Services	4.5	2.6	0.0	0.0	2.6	0.0
Real Estate and Rental and Leasing	0.9	0.5	0.0	0.5	0.0	0.0
Personal Care Services	11.3	6.6	6.6	0.0	0.0	0.0
Dry Cleaning and Laundry Services	1.5	0.8	0.8	0.0	0.0	0.0
Auto Repair and Maintenance	10.4	6.0	0.0	6.0	0.0	0.0
Veterinary Services	2.4	1.4	0.0	1.4	0.0	0.0
Photographic Services	1.4	0.8	0.0	0.8	0.0	0.0
Educational Services	26.9	15.6	15.6	0.0	0.0	0.0
Accounting	2.6	1.5	0.0	1.5	0.0	0.0
Architectural, Engineering, and Related	1.5	0.9	0.0	0.0	0.0	0.9
Specialized Design Services	1.4	0.8	0.0	0.8	0.0	0.0
Death Care Services	1.9	1.1	0.0	1.1	0.0	0.0
Legal Services	0.9	0.5	0.0	0.0	0.0	0.5
Total Workers and Households	357.0	191.9	151.9	29.5	2.6	8.0
Total Income-Qualified HH Generated Per 1,000 Market-Rate Units [2]		183.9	151.9	29.5	2.6	0.0
Total Income-Qualified HH Generated Per 100 Market-Rate Units [2]		18.4	15.2	2.9	0.3	0.0

[1] Assumes 1.69 workers per worker household in the City of Capitola based on 2015-2019 American Community Survey. Includes a 12.5% discount for retail and 1.9% discount for other industries to account for workers under age 20.

Source: Economic & Planning Systems, Inc.

Table B-3
Income Levels for Worker Households
Worker Household Generation per 1,000 Units - For Sale \$1,000,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117

Industry	Total Workers	Total Worker Households [1]	VLI Households	LI Households	Moderate Income Households	Above Moderate Income Households
Retail						
Unspecified Retail	6.2	3.2	3.2	0.0	0.0	0.0
Food & Beverage Stores	33.0	17.1	17.1	0.0	0.0	0.0
Food Services and Drinking Places	127.1	65.9	65.9	0.0	0.0	0.0
Health and Personal Care Stores	3.5	1.8	1.8	0.0	0.0	0.0
General Merchandise	8.1	4.2	4.2	0.0	0.0	0.0
Furniture and Home Furnishings Stores	8.9	4.6	4.6	0.0	0.0	0.0
Building Material and Garden Equipment and Supplies Dealer	5.0	2.6	2.6	0.0	0.0	0.0
Electronics and Appliance Stores	13.6	7.0	7.0	0.0	0.0	0.0
Clothing and Clothing Accessories Stores	13.5	7.0	7.0	0.0	0.0	0.0
Motor Vehicle and Parts Dealers	4.5	2.3	0.0	2.3	0.0	0.0
Gasoline Stations	5.1	2.6	2.6	0.0	0.0	0.0
Sporting Goods, Hobby, and Musical Instrument Stores	13.6	7.1	7.1	0.0	0.0	0.0
Miscellaneous Store Retailers	11.3	5.9	5.9	0.0	0.0	0.0
Nonstore Retailers	21.2	11.0	0.0	11.0	0.0	0.0
Arts, Entertainment, & Recreation	23.6	12.2	12.2	0.0	0.0	0.0
Medical/Health						
Ambulatory Health Care Services	3.7	2.1	0.0	0.0	0.0	2.1
General Medical and Surgical Hospitals	4.2	2.4	2.4	0.0	0.0	0.0
Nursing and Residential Care Facilities	9.7	5.6	0.0	5.6	0.0	0.0
Social Assistance	7.4	4.3	4.3	0.0	0.0	0.0
Services						
Personal and Household Goods Repair and Maintenance	15.5	8.9	8.9	0.0	0.0	0.0
Services to Buildings and Dwellings	10.8	6.3	0.0	0.0	0.0	6.3
Waste Management and Remediation Services	4.8	2.8	0.0	0.0	2.8	0.0
Real Estate and Rental and Leasing	1.2	0.7	0.0	0.7	0.0	0.0
Personal Care Services	11.5	6.7	6.7	0.0	0.0	0.0
Dry Cleaning and Laundry Services	2.1	1.1	1.1	0.0	0.0	0.0
Auto Repair and Maintenance	13.7	8.0	0.0	8.0	0.0	0.0
Veterinary Services	2.3	1.4	0.0	1.4	0.0	0.0
Photographic Services	1.4	0.8	0.0	0.8	0.0	0.0
Educational Services	38.8	22.5	22.5	0.0	0.0	0.0
Accounting	3.8	2.2	0.0	2.2	0.0	0.0
Architectural, Engineering, and Related	2.3	1.3	0.0	0.0	0.0	1.3
Specialized Design Services	2.1	1.2	0.0	1.2	0.0	0.0
Death Care Services	2.8	1.6	0.0	1.6	0.0	0.0
Legal Services	<u>1.4</u>	<u>0.8</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.8</u>
Total Workers and Households	437.3	235.3	187.2	34.8	2.8	10.5
Total Income-Qualified HH Generated Per 1,000 Market-Rate Units [2]		224.7	187.2	34.8	2.8	0.0
Total Income-Qualified HH Generated Per 100 Market-Rate Units [2]		22.5	18.7	3.5	0.3	0.0

[1] Assumes 1.69 workers per worker household in the City of Capitola based on 2015-2019 American Community Survey. Includes a 12.5% discount for retail and 1.9% discount for other industries to account for workers under age 20.

Source: Economic & Planning Systems, Inc.

Table B-4
Income Levels for Worker Households
Worker Household Generation per 1,000 Units - For Sale \$1,250,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117

Industry	Total Workers	Total Worker Households [1]	VLI Households	LI Households	Moderate Income Households	Above Moderate Income Households
Retail						
Unspecified Retail	5.9	3.1	3.1	0.0	0.0	0.0
Food & Beverage Stores	28.0	14.5	14.5	0.0	0.0	0.0
Food Services and Drinking Places	124.1	64.4	64.4	0.0	0.0	0.0
Health and Personal Care Stores	2.6	1.4	1.4	0.0	0.0	0.0
General Merchandise	8.1	4.2	4.2	0.0	0.0	0.0
Furniture and Home Furnishings Stores	10.0	5.2	5.2	0.0	0.0	0.0
Building Material and Garden Equipment and Supplies Dealer	6.5	3.4	3.4	0.0	0.0	0.0
Electronics and Appliance Stores	18.7	9.7	9.7	0.0	0.0	0.0
Clothing and Clothing Accessories Stores	13.8	7.1	7.1	0.0	0.0	0.0
Motor Vehicle and Parts Dealers	4.8	2.5	0.0	2.5	0.0	0.0
Gasoline Stations	3.9	2.0	2.0	0.0	0.0	0.0
Sporting Goods, Hobby, and Musical Instrument Stores	15.4	8.0	8.0	0.0	0.0	0.0
Miscellaneous Store Retailers	11.2	5.8	5.8	0.0	0.0	0.0
Nonstore Retailers	17.7	9.2	0.0	9.2	0.0	0.0
Arts, Entertainment, & Recreation	37.6	19.5	19.5	0.0	0.0	0.0
Medical/Health						
Ambulatory Health Care Services	5.6	3.3	0.0	0.0	0.0	3.3
General Medical and Surgical Hospitals	6.4	3.7	3.7	0.0	0.0	0.0
Nursing and Residential Care Facilities	18.9	11.0	0.0	11.0	0.0	0.0
Social Assistance	18.9	11.0	11.0	0.0	0.0	0.0
Services						
Personal and Household Goods Repair and Maintenance	20.4	11.8	11.8	0.0	0.0	0.0
Services to Buildings and Dwellings	13.5	7.8	0.0	0.0	0.0	7.8
Waste Management and Remediation Services	4.4	2.6	0.0	0.0	2.6	0.0
Real Estate and Rental and Leasing	1.6	0.9	0.0	0.9	0.0	0.0
Personal Care Services	13.2	7.6	7.6	0.0	0.0	0.0
Dry Cleaning and Laundry Services	2.1	1.1	1.1	0.0	0.0	0.0
Auto Repair and Maintenance	10.6	6.2	0.0	6.2	0.0	0.0
Veterinary Services	2.2	1.3	0.0	1.3	0.0	0.0
Photographic Services	1.7	1.0	0.0	1.0	0.0	0.0
Educational Services	57.6	33.5	33.5	0.0	0.0	0.0
Accounting	3.3	1.9	0.0	1.9	0.0	0.0
Architectural, Engineering, and Related	2.0	1.1	0.0	0.0	0.0	1.1
Specialized Design Services	1.8	1.0	0.0	1.0	0.0	0.0
Death Care Services	2.4	1.4	0.0	1.4	0.0	0.0
Legal Services	<u>1.2</u>	<u>0.7</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.7</u>
Total Workers and Households	495.9	268.7	216.8	36.4	2.6	12.9
Total Income-Qualified HH Generated Per 1,000 Market-Rate Units [2]		255.8	216.8	36.4	2.6	0.0
Total Income-Qualified HH Generated Per 100 Market-Rate Units [2]		25.6	21.7	3.6	0.3	0.0

[1] Assumes 1.69 workers per worker household in the City of Capitola based on 2015-2019 American Community Survey. Includes a 12.5% discount for retail and 1.9% discount for other industries to account for workers under age 20.

Source: Economic & Planning Systems, Inc.

Table B-5
Income Levels for Worker Households
Worker Household Generation per 1,000 Units - For Sale \$1,500,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117

Industry	Total Workers	Total Worker Households [1]	VLI Households	LI Households	Moderate Income Households	Above Moderate Income Households
Retail						
Unspecified Retail	7.1	3.7	3.7	0.0	0.0	0.0
Food & Beverage Stores	33.2	17.2	17.2	0.0	0.0	0.0
Food Services and Drinking Places	147.4	76.4	76.4	0.0	0.0	0.0
Health and Personal Care Stores	3.1	1.6	1.6	0.0	0.0	0.0
General Merchandise	9.6	5.0	5.0	0.0	0.0	0.0
Furniture and Home Furnishings Stores	11.9	6.2	6.2	0.0	0.0	0.0
Building Material and Garden Equipment and Supplies Dealer	7.8	4.0	4.0	0.0	0.0	0.0
Electronics and Appliance Stores	22.2	11.5	11.5	0.0	0.0	0.0
Clothing and Clothing Accessories Stores	16.4	8.5	8.5	0.0	0.0	0.0
Motor Vehicle and Parts Dealers	5.7	2.9	0.0	2.9	0.0	0.0
Gasoline Stations	4.6	2.4	2.4	0.0	0.0	0.0
Sporting Goods, Hobby, and Musical Instrument Stores	18.2	9.5	9.5	0.0	0.0	0.0
Miscellaneous Store Retailers	13.3	6.9	6.9	0.0	0.0	0.0
Nonstore Retailers	21.0	10.9	0.0	10.9	0.0	0.0
Arts, Entertainment, & Recreation	44.7	23.2	23.2	0.0	0.0	0.0
Medical/Health						
Ambulatory Health Care Services	6.6	3.9	0.0	0.0	0.0	3.9
General Medical and Surgical Hospitals	7.6	4.4	4.4	0.0	0.0	0.0
Nursing and Residential Care Facilities	22.5	13.1	0.0	13.1	0.0	0.0
Social Assistance	22.4	13.0	13.0	0.0	0.0	0.0
Services						
Personal and Household Goods Repair and Maintenance	24.3	14.0	14.0	0.0	0.0	0.0
Services to Buildings and Dwellings	16.0	9.3	0.0	0.0	0.0	9.3
Waste Management and Remediation Services	5.2	3.0	0.0	0.0	3.0	0.0
Real Estate and Rental and Leasing	1.9	1.1	0.0	1.1	0.0	0.0
Personal Care Services	15.6	9.1	9.1	0.0	0.0	0.0
Dry Cleaning and Laundry Services	2.5	1.3	1.3	0.0	0.0	0.0
Auto Repair and Maintenance	12.6	7.3	0.0	7.3	0.0	0.0
Veterinary Services	2.6	1.5	0.0	1.5	0.0	0.0
Photographic Services	2.0	1.2	0.0	1.2	0.0	0.0
Educational Services	68.3	39.7	39.7	0.0	0.0	0.0
Accounting	3.9	2.3	0.0	2.3	0.0	0.0
Architectural, Engineering, and Related	2.3	1.4	0.0	0.0	0.0	1.4
Specialized Design Services	2.1	1.2	0.0	1.2	0.0	0.0
Death Care Services	2.9	1.7	0.0	1.7	0.0	0.0
Legal Services	<u>1.4</u>	<u>0.8</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.8</u>
Total Workers and Households	588.8	319.0	257.5	43.2	3.0	15.3
Total Income-Qualified HH Generated Per 1,000 Market-Rate Units [2]		303.7	257.5	43.2	3.0	0.0
Total Income-Qualified HH Generated Per 100 Market-Rate Units [2]		30.4	25.7	4.3	0.3	0.0

[1] Assumes 1.69 workers per worker household in the City of Capitola based on 2015-2019 American Community Survey. Includes a 12.5% discount for retail and 1.9% discount for other industries to account for workers under age 20.

Source: Economic & Planning Systems, Inc.

Table B-6
Income Levels for Worker Households
Worker Household Generation per 1,000 Units - For Sale \$1,750,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117

Industry	Total Workers	Total Worker Households [1]	VLI Households	LI Households	Moderate Income Households	Above Moderate Income Households
Retail						
Unspecified Retail	8.2	4.3	4.3	0.0	0.0	0.0
Food & Beverage Stores	38.8	20.1	20.1	0.0	0.0	0.0
Food Services and Drinking Places	172.0	89.2	89.2	0.0	0.0	0.0
Health and Personal Care Stores	3.6	1.9	1.9	0.0	0.0	0.0
General Merchandise	11.2	5.8	5.8	0.0	0.0	0.0
Furniture and Home Furnishings Stores	13.9	7.2	7.2	0.0	0.0	0.0
Building Material and Garden Equipment and Supplies Dealer	9.1	4.7	4.7	0.0	0.0	0.0
Electronics and Appliance Stores	25.9	13.4	13.4	0.0	0.0	0.0
Clothing and Clothing Accessories Stores	19.1	9.9	9.9	0.0	0.0	0.0
Motor Vehicle and Parts Dealers	6.6	3.4	0.0	3.4	0.0	0.0
Gasoline Stations	5.4	2.8	2.8	0.0	0.0	0.0
Sporting Goods, Hobby, and Musical Instrument Stores	21.3	11.0	11.0	0.0	0.0	0.0
Miscellaneous Store Retailers	15.5	8.0	8.0	0.0	0.0	0.0
Nonstore Retailers	24.6	12.7	0.0	12.7	0.0	0.0
Arts, Entertainment, & Recreation	52.1	27.0	27.0	0.0	0.0	0.0
Medical/Health						
Ambulatory Health Care Services	7.8	4.5	0.0	0.0	0.0	4.5
General Medical and Surgical Hospitals	8.8	5.1	5.1	0.0	0.0	0.0
Nursing and Residential Care Facilities	26.2	15.2	0.0	15.2	0.0	0.0
Social Assistance	26.2	15.2	15.2	0.0	0.0	0.0
Services						
Personal and Household Goods Repair and Maintenance	28.3	16.3	16.3	0.0	0.0	0.0
Services to Buildings and Dwellings	18.7	10.8	0.0	0.0	0.0	10.8
Waste Management and Remediation Services	6.1	3.6	0.0	0.0	3.6	0.0
Real Estate and Rental and Leasing	2.2	1.3	0.0	1.3	0.0	0.0
Personal Care Services	18.2	10.6	10.6	0.0	0.0	0.0
Dry Cleaning and Laundry Services	2.9	1.5	1.5	0.0	0.0	0.0
Auto Repair and Maintenance	14.8	8.6	0.0	8.6	0.0	0.0
Veterinary Services	3.0	1.7	0.0	1.7	0.0	0.0
Photographic Services	2.3	1.4	0.0	1.4	0.0	0.0
Educational Services	79.8	46.4	46.4	0.0	0.0	0.0
Accounting	4.6	2.7	0.0	2.7	0.0	0.0
Architectural, Engineering, and Related	2.7	1.6	0.0	0.0	0.0	1.6
Specialized Design Services	2.5	1.5	0.0	1.5	0.0	0.0
Death Care Services	3.3	1.9	0.0	1.9	0.0	0.0
Legal Services	1.6	1.0	0.0	0.0	0.0	1.0
Total Workers and Households	687.2	372.3	300.5	50.4	3.6	17.9
Total Income-Qualified HH Generated Per 1,000 Market-Rate Units [2]		354.4	300.5	50.4	3.6	0.0
Total Income-Qualified HH Generated Per 100 Market-Rate Units [2]		35.4	30.0	5.0	0.4	0.0

[1] Assumes 1.69 workers per worker household in the City of Capitola based on 2015-2019 American Community Survey. Includes a 12.5% discount for retail and 1.9% discount for other industries to account for workers under age 20.

Source: Economic & Planning Systems, Inc.

Table B-7
Income Levels for Worker Households
Worker Household Generation per 1,000 Units - For Sale \$1,200,000 Units
City of Capitola For Sale Housing Fee; EPS# 201117

Industry	Total Workers	Total Worker Households [1]	VLI Households	LI Households	Moderate Income Households	Above Moderate Income Households
Retail						
Unspecified Retail	9.4	4.9	4.9	0.0	0.0	0.0
Food & Beverage Stores	44.3	23.0	23.0	0.0	0.0	0.0
Food Services and Drinking Places	196.5	101.9	101.9	0.0	0.0	0.0
Health and Personal Care Stores	4.1	2.1	2.1	0.0	0.0	0.0
General Merchandise	12.8	6.7	6.7	0.0	0.0	0.0
Furniture and Home Furnishings Stores	15.8	8.2	8.2	0.0	0.0	0.0
Building Material and Garden Equipment and Supplies Dealer	10.4	5.4	5.4	0.0	0.0	0.0
Electronics and Appliance Stores	29.6	15.4	15.4	0.0	0.0	0.0
Clothing and Clothing Accessories Stores	21.8	11.3	11.3	0.0	0.0	0.0
Motor Vehicle and Parts Dealers	7.6	3.9	0.0	3.9	0.0	0.0
Gasoline Stations	6.1	3.2	3.2	0.0	0.0	0.0
Sporting Goods, Hobby, and Musical Instrument Stores	24.3	12.6	12.6	0.0	0.0	0.0
Miscellaneous Store Retailers	17.7	9.2	9.2	0.0	0.0	0.0
Nonstore Retailers	28.1	14.6	0.0	14.6	0.0	0.0
Arts, Entertainment, & Recreation	59.6	30.9	30.9	0.0	0.0	0.0
Medical/Health						
Ambulatory Health Care Services	8.9	5.2	0.0	0.0	0.0	5.2
General Medical and Surgical Hospitals	10.1	5.9	5.9	0.0	0.0	0.0
Nursing and Residential Care Facilities	30.0	17.4	0.0	17.4	0.0	0.0
Social Assistance	29.9	17.4	17.4	0.0	0.0	0.0
Services						
Personal and Household Goods Repair and Maintenance	32.4	18.6	18.6	0.0	0.0	0.0
Services to Buildings and Dwellings	21.3	12.4	0.0	0.0	0.0	12.4
Waste Management and Remediation Services	7.0	4.1	0.0	0.0	4.1	0.0
Real Estate and Rental and Leasing	2.5	1.5	0.0	1.5	0.0	0.0
Personal Care Services	20.8	12.1	12.1	0.0	0.0	0.0
Dry Cleaning and Laundry Services	3.4	1.7	1.7	0.0	0.0	0.0
Auto Repair and Maintenance	16.9	9.8	0.0	9.8	0.0	0.0
Veterinary Services	3.4	2.0	0.0	2.0	0.0	0.0
Photographic Services	2.7	1.6	0.0	1.6	0.0	0.0
Educational Services	91.1	53.0	53.0	0.0	0.0	0.0
Accounting	5.2	3.0	0.0	3.0	0.0	0.0
Architectural, Engineering, and Related	3.1	1.8	0.0	0.0	0.0	1.8
Specialized Design Services	2.9	1.7	0.0	1.7	0.0	0.0
Death Care Services	3.8	2.2	0.0	2.2	0.0	0.0
Legal Services	1.9	1.1	0.0	0.0	0.0	1.1
Total Workers and Households	785.3	425.5	343.4	57.6	4.1	20.4
Total Income-Qualified HH Generated Per 1,000 Market-Rate Units [2]		405.1	343.4	57.6	4.1	0.0
Total Income-Qualified HH Generated Per 100 Market-Rate Units [2]		40.5	34.3	5.8	0.4	0.0

[1] Assumes 1.69 workers per worker household in the City of Capitola based on 2015-2019 American Community Survey. Includes a 12.5% discount for retail and 1.9% discount for other industries to account for workers under age 20.

Source: Economic & Planning Systems, Inc.

The Economics of Land Use



DRAFT Administrative Report

Nexus-Based Affordable Housing Fee Analysis for Rental Housing

Prepared for:

City of Capitola

Prepared by:

Economic & Planning Systems, Inc.

September 2, 2021

EPS #201117

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EXECUTIVE SUMMARY

Economic & Planning Systems, Inc. (EPS) was retained by the City of Capitola to conduct a nexus study analyzing the impact that development of market-rate rental housing has on the demand for below-market-rate housing and, based on the results, to determine the defensible nexus-based fee that could be charged to market-rate rental development.

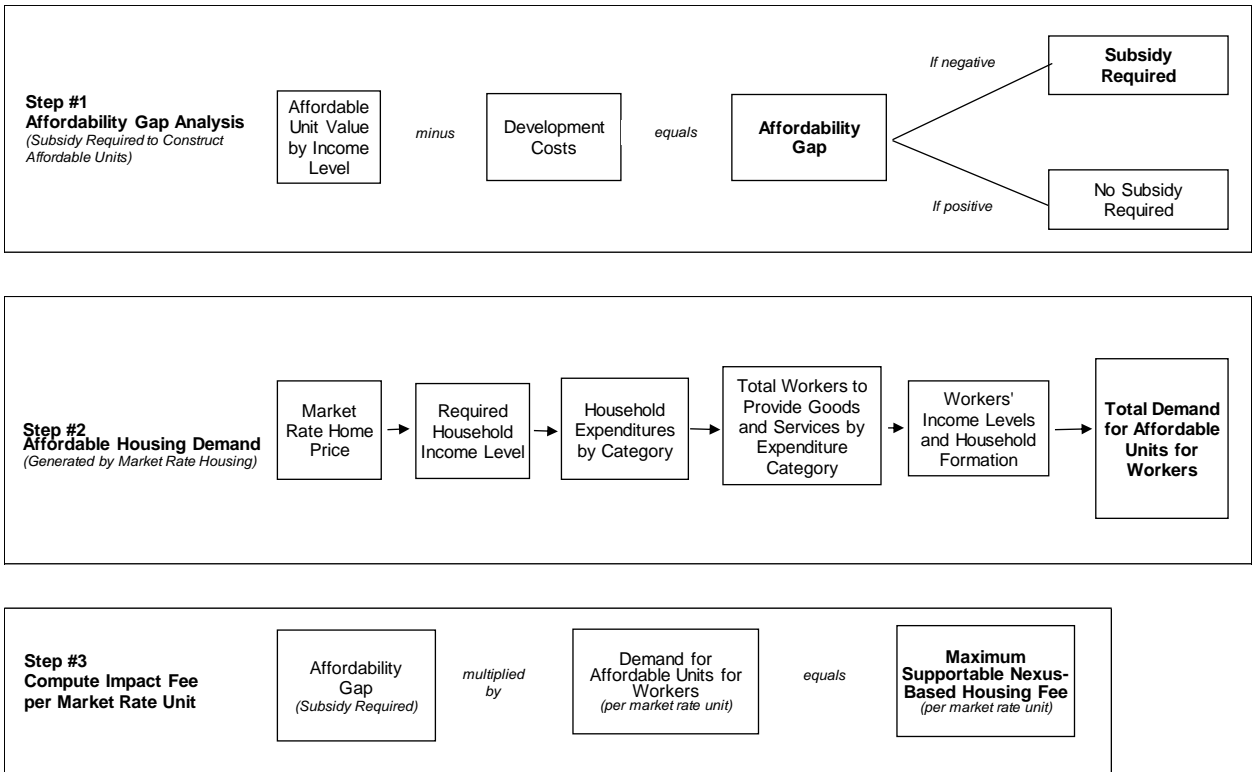
The technical approach used herein quantifies the impacts that the introduction of market-rate rental apartments have on the local economy and the demand for additional affordable housing. As new households are added to the community, local employment also will grow to provide the goods and services required by the new households. To the extent that these new jobs do not pay adequate wages for the employees to afford market-rate housing in the community, the new households' spending is creating a need for affordable housing. A nexus-based affordable housing fee is therefore based on the impact of the new market-rate homes on the demand for affordable housing. The fee calculated in this study represents the maximum fee that may be charged to new market-rate rental housing units to mitigate their impacts on the affordable housing supply. Such fees may be used by the City to subsidize the production of new affordable units for lower-income households not accommodated by market-rate projects.

Calculating the impact of market-rate rental development in the City on affordable housing needs, and the fees needed to mitigate those impacts, involves three main analytical steps:

- **Step #1.** Estimate the typical subsidy required to construct units affordable at various income levels (the "affordability gap").
- **Step #2.** Determine the market-rate households' demand for goods and services, the jobs created by that demand, and the affordable housing needs of workers in those jobs.
- **Step #3.** Combine the affordability gap with the affordable housing demand projections to compute the maximum supportable nexus-based affordable housing fees per market-rate rental unit.

These technical steps are illustrated in **Figure 1** and detailed in the body of this Report and the attached Technical Appendices. The findings regarding each of these steps are presented below.

Figure 1 Illustration of Nexus-Based Housing Fee Methodology



Attachment: Nexus Study For-rent Housing (Consider the First Reading of an Ordinance Amending Chapter 18.02: Affordable (Inclusionary))

- 1. The costs to construct housing units affordable to many households exceed those units' values based on what the households can afford to pay. The estimated subsidy required to construct affordable housing units in Capitola range from roughly \$307,000 for Very Low-Income households earning up to 50 percent of AMI to \$67,000 for Low-Income households earning up to 80 percent of AMI.**

An "affordability gap analysis" evaluates whether or not the costs to construct affordable units exceed the values of units that are affordable to lower- and moderate-income households. For each affordable housing income level—households with incomes at 50, 80, and 120 percent of Area Median Income (AMI)—this analysis estimates the subsidy required to construct affordable housing units.

The affordability gap analysis assumes that the average affordable unit for all income levels will be a 2-bedroom unit in a multifamily development in a three-story stacked flats building (an average density of 30 dwelling units per acre). This prototype assumes that affordable housing developers will maximize the City's current allowable density (20 units per acre), plus utilize the State density bonus program granting a 50 percent increase in base density. The estimated costs to construct the prototypical affordable unit are based on recent City of Capitola development projects and transactions, as well as other development cost data sources. The cost of land acquisition is also included in the development cost calculations.

A household's ability to pay is estimated based on standard percentages of income available for housing costs at each household income level. Income available for housing costs is then converted into a monthly affordable rent and a capitalized unit value or an affordable mortgage payment and supportable home price. This unit value is then compared to the costs of development to determine the subsidy required to make the unit affordable to each income level.

- 2. The demand for affordable housing generated by the expenditures of new households in Capitola increases along with the market-rate rent price (and related renter income). For example, a studio unit that rents for \$2,000 per month is estimated to create demand for 0.14 affordable housing units, while a 3-bedroom unit that rents for \$4,500 per month creates demand for 0.264 affordable units.**

Any justified nexus-based fee is based on the total demand for affordable housing units generated by construction of market-rate units. The link (or nexus) between market-rate housing and increased demand for affordable housing is that residents of market-rate units demand goods and services that rely on wage earners (for example, retail sales clerks) some of whom typically cannot afford market-rate housing and thus require affordable housing.

Because more expensive housing units require renters to have higher incomes, and higher income households create more jobs through their spending, the nexus impacts and thus the justified fees for rental units vary according to the rental price range of the market-rate units. Typically, larger apartments (i.e., more bedrooms) command higher rents, so their occupants are required to have higher household incomes than renters of smaller units. Thus, larger units create more jobs as a result of their occupants' spending. Consequently, nexus impacts and the justified fees for market-rate rental apartments vary by unit size.

This analysis evaluates the demand for affordable housing generated by a range of for-rent unit sizes. For each unit size, the demand-based nexus fee calculation involves the following steps:

- A. Market-Rate Household Income Levels.** The expected rental price of the unit is based on market data regarding the actual asking rents of apartments of various sizes. The required income levels of households occupying new market-rate housing are derived based on the rental rate, assuming standard housing cost expenses as a proportion of overall household income. For example, a typical household renting a market-rate one-bedroom unit for around \$3,200 per month would have an income of roughly \$138,800, if they spent 30 percent¹ of their income on housing costs (rent and utilities).
- B. Household Expenditures.** Based on the household income computed in Step A, Consumer Expenditure Survey data is used to evaluate the typical spending patterns of the household. This analysis provides an estimate of how much the household spends on specific categories of expenditures, such as "Food at Home." The survey consists of two components — the Interview Survey and the Diary Survey — each with its own sample. The surveys collect data on expenditures, income, and consumer unit characteristics. As the households' income increases along with the price and size of the market-rate units, the total spending on goods and services also increases. The Consumer Expenditure Survey also indicates that these relationships are not linear (e.g., a household with twice the income does not necessarily spend twice as much on food). While expenditures do increase with income, the relationship is not linear (i.e., household expenditures do not increase at the same proportion that incomes go up).
- C. Job Creation and Worker Households.** Having estimated the households' spending on various items, that spending is then converted into an estimate of jobs created. For each expenditure category, data regarding average worker wages and the ratio between gross business receipts and wages are used to translate these household expenditures into the total number of private-sector workers. Because each new worker does not represent an independent household (Capitola has an average of 1.69 workers per working household), the total number of new households created is somewhat less than the number of new jobs created. This analysis assumes that workers form households with others with similar wages. EPS has further adjusted the household formation rates to reflect the fact that a certain proportion of workers will *not* form their own households, particularly those of younger ages.²
- D. Worker Households by Income Category.** Each worker household generated is assigned to an income category—represented as a proportion of AMI ranging from 50 to 120 percent—based on its estimated gross wages. This provides the total number of households generated at each income level by construction of market-rate units at

¹ California Health and Safety Code Section 50053 specifies that affordable housing cost for rental units is 30 percent of gross income for all income categories. Note that this differs from the State's defined affordable housing cost for for-sale units, which is up to 35 percent of gross income.

² BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers overall (this factor is applied to other industries). EPS has assumed that such young workers do not form their own households.

various sizes and price points. The results indicate that residents of smaller, lower-priced units generate fewer worker households requiring affordable housing than do residents of larger, higher-priced units.

These steps of the nexus-based fee calculation provide the total number of income-qualified workers required to meet the needs for goods and services generated by market-rate rental housing. The number of workers servicing market-rate housing (at each apartment unit size) is then converted to total income qualified households and each such household is assumed to require one housing unit.

3. This analysis calculates the fees that could be charged to fully mitigate the impact that new market-rate housing has on Capitola's affordable housing demand at various representative unit sizes. These fees could range from \$36,493 for studio apartments to \$70,155 for 3-bedroom apartments.

The nexus fee is calculated by applying the number of affordable units needed by income qualified households to the affordability gap for each housing income category. This calculation is made for several different apartment sizes based on bedroom counts. **Table 1** summarizes the maximum nexus-based fees calculated for representative rental unit sizes. Should the City prefer to adopt a flat fee per square foot rather than adjusting the fee based on the number of bedrooms, this analysis suggests that the maximum fee could be \$47.66 per square foot, as that is the lowest maximum fee level calculated.

The City may also consider whether to allow developers to provide affordable apartment units within their projects, rather than paying the nexus-based fee. **Table 1** illustrates the proportions of affordable units that correspond to the fee calculation and demands created by the market-rate units. For instance, a project offering two-bedroom units would effectively mitigate the demand being created by the market-rate units if it provided 0.226 affordable units for each market-rate unit.

It is understood that a lower fee level below the maximum fee may be appropriate given a range of development feasibility and economic development considerations, potentially including a City's preference to incentivize rental housing.

Table 1 Summary of Maximum Supportable Nexus-Based Housing Fees or Unit Requirements In-Lieu of Fees

Rental Unit Size [1]	Nexus-Based Fees		Unit Requirements by Income Level			Total
	Fee per Unit	Per Sq.Ft.	VLI (<50% of AMI)	Low (<80% of AMI)	Moderate (<120% of AMI)	
Studio	\$36,493	\$72.99	11.4%	2.4%	0.2%	14.0%
1-Bedroom	\$53,617	\$67.02	16.8%	3.3%	0.3%	20.3%
2-Bedroom	\$59,989	\$54.54	18.8%	3.5%	0.3%	22.6%
3-Bedroom	\$70,155	\$46.77	22.0%	4.1%	0.3%	26.4%

[1] Studio is assumed to be 500 square feet, 1-bedroom assumed to be 800 square feet, 2-bedroom assumed to be 1,100 square feet, and 3-bedroom assumed to be 1,500 square feet

Source: Economic & Planning Systems, Inc.

4. While a nexus-based relationship is not typically required for cities to adopt inclusionary housing standards, Table 1 shows that the City of Capitola could justify an inclusionary requirement of at least 14 percent from a nexus perspective.

Inclusionary ordinances in California vary widely but commonly require 10 to 15 percent affordable units. California jurisdictions commonly adopt inclusionary standards based on policy preferences rather than nexus analysis such as this report, but this analysis indicates that the impact of new rental housing could justify an inclusionary requirement of at least 14.0 percent as that is the lowest impact-based figure calculated. **Table 1** also suggests that very low-income units represent a large portion of the units demanded based on the spending of new rental housing occupants, but again jurisdictions commonly adopt inclusionary housing income standards based on considerations other than the nexus-based impact.

1. AFFORDABILITY GAP ANALYSIS

For any nexus-based affordable housing fee calculation, it is necessary to estimate the subsidy required to construct affordable housing units. **Table 2** shows the subsidy needed to produce housing that is affordable to very low-, low-, and moderate-income households (50 through 120 percent of AMI).

Product Type

While the nexus fees calculated herein are based on demands created by market-rate rental housing, the analysis assumes that new lower-income worker households would actually be housed in developments that are 100 percent affordable units. The affordable units are assumed as apartments in the 30 units per acre range with surface parking, reflecting the assumption that affordable apartment builders would maximize the City's current allowable density (20 units per acre), plus utilize the State density bonus program granting a 50 percent increase in base density.

In order to determine the average household size of future affordable housing units, EPS used two estimates from the US Census 2015-2019 American Community Survey (ACS)—the average household size for working households in Capitola being 2.53, and average family size being 2.95. Rounding these averages, EPS compared the estimated household wage with the income thresholds for a 3-person household to identify the income category into which each occupation would fall for new units.

California State law (California Health and Safety Code Section 50052.5) assumes that a 2-bedroom unit is occupied by a 3-person household, and this assumption is used in this analysis. Commonly, a 2-bedroom rental unit in Northern California has a gross size of about 1,100 square feet (accounting for shared lobbies, hallways, etc.) and a net size of 950 square feet. This analysis estimates the subsidy that would be required to build for-rent housing for the lower-income worker households (for-sale units are assumed to be larger).

Table 2 Affordability Gap Analysis

Item	3-Story Multifamily Building With Surface 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
Net Unit Size	950	950	950
Number of Bedrooms	2	2	2
Number of Persons per 2-bedroom Unit [2]	3	3	3
Parking Spaces/Unit	1.25	1.25	1.25
Cost Assumptions			
Land/Acre [3]	\$1,400,000	\$1,400,000	\$1,400,000
Land/Unit	\$46,667	\$46,667	\$46,667
Direct Costs			
Direct Construction Costs/Net SF [4]	\$300	\$300	\$300
Direct Construction Costs/Unit	\$330,000	\$330,000	\$330,000
Parking Construction Costs/Space	\$5,000	\$5,000	\$5,000
Parking Construction Costs/Unit	\$6,250	\$6,250	\$6,250
Subtotal, Direct Costs/Unit	\$336,250	\$336,250	\$336,250
Indirect Costs as a % of Direct Costs [5]			
Indirect Costs/Unit	\$117,688	\$117,688	\$117,688
Developer Fee (% of all costs)			
Fee Amount	\$70,085	\$70,085	\$70,085
Total Cost/Unit (rounded)	\$571,000	\$571,000	\$571,000
Maximum Supported Home Price			
Household Income [6]	\$59,600	\$95,600	\$118,800
Income Available for Housing Costs/Year [7]	\$17,880	\$28,680	\$35,640
(less) Operating Expenses per Unit/Year [8]	(\$6,000)	(\$6,000)	(\$10,000)
Net Operating Income	\$11,880	\$22,680	\$25,640
Capitalization Rate [9]	4.5%	4.5%	4.5%
Total Supportable Unit Value [10]	\$264,000	\$504,000	\$569,778
Affordability Gap	\$307,000	\$67,000	\$1,222

[1] Based on City Staff input of 20 unit per acre, plus a 50 percent density bonus for 100 percent affordable units. State law also allows density bonus projects to have a reduced parking ratio between 0 and 1.5 spaces per 2-bedroom unit, below the City's standard 2.5 per unit.

[2] An average of 3 persons is used for this analysis based on Census data indicating the average family size in Capitola and State law (Health and Safety Code Section 50052.5) indicates that a 2-bedroom unit should be assumed to be occupied by a 3-person household. Thus, EPS has assumed an average unit for income-qualified worker households would be 2-bedrooms.

[3] Based on CoStar data on land transactions in the Capitola area since 2016.

[4] Includes on-site work, offsite work, vertical construction, general requirements, overhead and builder fees. The cost estimate reflects wood-frame construction above podium parking.

[5] Includes costs for architecture and engineering; entitlement and fees; project management; appraisal and market study; marketing, commissions, and general administration; financing and charges; insurance; and contingency.

[6] Based on 2021 income limits for a three person household in Santa Cruz County.

[7] Assumes housing costs to be 30% of gross household income.

[8] Operating expenses are generally based on EPS feasibility studies in the region and are inclusive of utility costs; 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.

[9] 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.

[10] The total supportable unit value is determined by dividing the net operating income by the capitalization rate.

Sources: City of Capitola; HCD; CoStar; and Economic & Planning Systems, Inc.

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.). Operating costs, including property maintenance, common utilities, advertising, leasing, and property taxes (where applicable) also must be incorporated into the analysis. Data from recent Capitola developments and recent Capitola land transactions have been combined with EPS’s information from various market-rate and affordable housing developers to estimate appropriate development cost assumptions for use in Capitola. These assumptions are shown on **Table 2**.

Revenue Assumptions

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

- *Income Levels*—This analysis estimates the subsidy required to produce units for households earning up to 50, 80, and 120 percent of AMI for a three-person household. In 2021, AMI in Santa Cruz County for these households was \$99,000, as shown in the California Department of Housing and Community Development’s (HCD’s) income limits chart (see **Table 3**).
- *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 rental housing costs. For this analysis, EPS has assumed that all households shall spend 30 percent of their gross income on rental housing costs.
- *Operating Costs for Rental Units*—The analysis assumes that apartment operators incur annual operating costs of \$6,000 per unit, which include the cost of utilities, for units affordable at 80 percent of AMI or below. EPS has assumed the units for 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.

Table 3 Income Limits for Affordable Housing

Affordability Category	Maximum Percentage of County Median	2021 Max Income [1] 3-person household
Extremely Low Income (ELI)	0% - 30%	\$35,750
Very Low Income (VLI)	50%	\$59,600
Low Income (LI)	80%	\$95,600
Median Income	100%	\$99,000
Moderate Income (Mod)	120%	\$118,800

[1] 2021 HCD maximum income thresholds are used to translate employment, wages and total worker household incomes to affordable housing categories and to compute supportable housing costs based on household income levels.

Sources: CA Department of Housing and Community Development; Economic & Planning Systems, Inc.

Affordability Gap Results

Table 2 shows the estimated subsidies for construction of affordable rental units for very low, low, and moderate-income households. As shown, a unit for a household at 50 percent of AMI is expected to require a subsidy of \$307,000. Additionally, a unit for a household at 80 percent of AMI is expected to require a subsidy of roughly \$67,000, while a unit for a household at 120 percent of AMI is expected to require little, if any subsidy.

These housing affordability gaps then were used to calculate the justified nexus-based fees by multiplying this required subsidy by the number of units required to house workers providing goods and services to new market-rate housing development. This methodology is discussed in more detail in the following chapter.

It is worth noting that the affordability gaps estimated in this analysis are not as large as they might be using other also-valid assumptions. For example, the funding gaps for low income units assume that prices are set at 80 percent of median income, while State law suggest low-income unit prices may be set at 70 percent of median income, or even 60 percent of AMI. This methodology used by EPS yields higher unit values and thus results in lower maximum fees than the City's current practices would yield, and has been used by EPS to preempt objections that the assumptions and calculations overstate the actual funding gap for affordable units.

2. DEMAND-BASED NEXUS FEE CALCULATION

The maximum supportable nexus-based fees are based on both the affordability gap and the estimated impact that new market-rate rental units have on the need for affordable units, as reflected in the number of income-qualified local workers required to support the residents of market-rate apartments and the total subsidy required to construct housing for those workers. This approach is based on the following logic: (a) residents of market-rate housing have disposable incomes and require a variety of goods and services, (b) the provision of those goods and services will require some workers who make moderate or lower incomes and cannot afford market-rate housing, and (c) fees charged to market-rate projects can mitigate the impact of those projects on the increased need for affordable housing.

Market-Rate Household Income Levels

Households with larger incomes typically spend more on goods and services, therefore creating additional lower income jobs, which in turn generate a greater demand for affordable housing. To assess the impact that market-rate rental units have on the need for affordable housing, EPS estimated the typical income required to rent a market-rate apartment at various bedroom sizes in Capitola, as shown in **Table 4**.

Average rents for various apartment sizes (studio, and 1-, 2-, and 3-bedrooms) are based on a survey of rental rates for three market-rate multifamily projects recently developed in Capitola. New apartment rents are significantly higher, on average, than rental rates for existing rental housing stock, both because the newer units are of better-than-average quality and because the higher rents are required to cover the costs of construction. The rents for the most recent apartment projects were used, rather than average rents for all apartments, because these newer apartments best represent the rents that can be expected with new market-rate apartment development. Assuming utility costs for each unit size based on the Housing Authority Utility Allowance for Santa Cruz County, the minimum household income needed to rent each unit is then computed, predicated on the assumption that a household will spend 30 percent of their income on housing costs (rent and utility payments). As shown, required household incomes range from approximately \$90,000 for a studio apartment to roughly \$195,300 for a 3-bedroom apartment. Changes in housing market and financing conditions can have a significant effect on the calculations in this study.

Household Expenditures and Job Creation by Income Level

Having established the income requirements for renting apartments of various sizes, the fee calculation then requires an analysis of the household spending patterns at those required income levels.

Table 4 Required Income by Unit Type - Market-Rate Rental Apartments

Unit Size	Required Income by Unit Type				Annual Household Income Required [3]
	Average Monthly Rent [1]	Monthly Utility Cost [2]	Subtotal Rent and Utilities	Annual Rent and Utility Expenditures	
Studio	\$2,000	\$251	\$2,251	\$27,012	\$90,000
1-Bedroom	\$3,200	\$269	\$3,469	\$41,628	\$138,800
2-Bedroom	\$3,850	\$325	\$4,175	\$50,100	\$167,000
3-Bedroom	\$4,500	\$382	\$4,882	\$58,584	\$195,300

[1] Based on Apartments.com data for multifamily rentals in the Greater Santa Cruz Region.

[2] Based on the Santa Cruz County Housing Authority Utility Allowance (assumes natural gas).

[3] Assumes renting households spend 30% of gross income on housing expenses.

Source: City of Capitola; HCD; Economic & Planning Systems, Inc.

The Consumer Expenditure Survey from the United States Bureau of Labor Statistics provides data for households at a variety of income levels, detailing the amounts that typical households spend on things like Food at Home, Apparel and Services, and Vehicle Maintenance and Repairs. Interestingly, household expenditures by category are not uniformly proportional to household income levels. For example, households earning around \$90,000 (adequate to rent a studio apartment) spend roughly 12.8 percent of their income on food and drink (at home and eating out), while households earning \$195,000 who can afford to rent a three-bedroom apartment spend only about 9.5 percent of their income on food and drink. Because of these and other differences in proportionate spending, the expenditure profile varies at different income levels. Higher earning households do generate higher numbers of jobs than lower earning households, but it is not a linear relationship (i.e. the household earning \$195,000 per year does not generate more than twice the number of jobs as a household earning \$90,000 per year).

The renter household's typical expenditures were converted to the number of jobs created by their spending. The first step in this process is to determine how much of an industry's gross receipts are used to pay wages and employee compensation. EPS relied on data from the Economic Census,³ which provides employment, gross sales, and payroll data by industry for Santa Cruz County. In certain instances, where local data was not available for every Economic Census industry, EPS relied on statewide Economic Census data for that industry.

To link the Economic Census data and the Consumer Expenditure Survey data, EPS made determinations as to the industries involved with expenditures in various categories. For example, purchases in the Consumer Expenditure Survey's "Food at Home" category would likely involve the Economic Census's "Food & Beverage Stores" industry, where gross receipts were more than nine times the employees' wages. By contrast, purchases in the Consumer Expenditure Survey's "Entertainment Fees and Admissions" category were attributed to the Economic Census' "Arts, Entertainment, and Recreation" industry, where gross receipts are only about four times the employees' wages. Where more than one Economic Census category was attributable to a Consumer Expenditure Survey category, EPS estimated the proportion of expenditures associated with each Economic Census category.

After determining the amount of the household's expenditures that were used for employee wages, EPS estimated the number of employees those aggregate wages represent. EPS calculated the number of workers supported by that spending using the average wage per worker (also from the 2017 Economic Census). These wages ranged from a low of roughly \$19,500 per year for workers in the clothing and clothing accessories industry to a high of more than \$100,000 for legal services.

³ Note that the Consumer Expenditure Survey data is based on information current as of 2019. The latest data available for the Economic Census was published in 2017. EPS converted all numbers to 2021 dollars using the Consumer Price Index (CPI) for the San Francisco Metropolitan Statistical Area (MSA) from the Bureau of Labor Statistics.

A range of occupations and incomes exist in a given industry sector. For instance, the methodology used to generate **Tables B-1 to B-4 in Appendix B** distinguishes between the typical incomes of workers in different types of retail stores (e.g., “food and beverage stores” versus “general merchandise stores”), rather than assuming all retail sector workers earn the same income. However, the average wage is used for each sub-category of industry employment and represents a reasonable proxy for the range of incomes in that group. Using the average approximates the total housing subsidy needed by workers in that industry.

To calculate the number of *households* supported by the expenditures of market-rate housing units, EPS estimated the employees’ household formation rates. Employees generated from the increase in housing units do not all form households; some employees, in the retail and food services industries in particular, are young workers and do not form households. Data from the Bureau of Labor Statistics indicates that 12.5 percent of retail/restaurant workers are age 16 to 19, but an average of only 1.9 percent of workers in the workforce overall. EPS applied these discounts to household formation by type of business to get a more accurate calculation of households formed by the employees and the average total incomes of those households.

To get the overall households’ income rather than the individual workers’, the wages of workers forming households were multiplied by the average of approximately 1.69 workers per working household in Capitola.⁴ This assumption implies the workers in a given household will have roughly equivalent pay per hour. While certainly there will often be some variation in wages per employee within a household, on average this assumption is reasonable because it implies comparable levels of education and training among all workers in a household. The average household incomes then are allocated to various income categories to estimate the number of affordable housing units demanded in each income category (50 through 120 percent of AMI).

A simplified example of these calculations follows:

A.	Number of Households (prototype project)	1,000
B.	Average Household Income (in the project)	\$125,000
C.	Aggregate Household Income (A x B)	\$125 million
D.	Average Income Spent on Retail (Consumer Expenditure Survey)	\$40,000
E.	Aggregate Retail Spending (A x D)	\$40 million
F.	Retail Gross Receipts: Payroll Ratio (Economic Census)	9:1
G.	Estimated Retail Payroll (E ÷ F)	\$4.44 million
H.	Average Retail Wage (Economic Census)	\$28,500
I.	Estimated Total Retail Jobs (G ÷ H)	156
J.	Percent Age 20+ (Bureau of Labor Statistics)	87.5%
K.	Total Retail Workers Forming Households	136
J.	Average Workers/Household (Census Data)	1.69
K.	Estimated Households Created (K ÷ J)	86
L.	Average Household Income (H x J)	\$45,000
M.	Income Category	Low-Income (up to 80% of AMI)

⁴ Workers per working household based on American Community Survey (ACS) Census data as of 2019. Although ACS data reported is based on historical figures, these figures can vary somewhat based on ongoing revisions to the ACS data.

In this simplified example, 1,000 new market-rate apartments rented to households earning \$125,000 per year would create demand for 86 housing units for retail workers with household incomes typically between 50 and 80 percent of AMI. Actual calculations and impact distinctions by type of household expenditure for various rental unit sizes are shown in the series of tables presented in **Appendix B**.

Demand for Income-Qualified Workers

The total number of income-qualified households required to support the expenditure needs of new market-rate units were determined based on the affordable housing income limits from HCD for a 3-person household. **Table 3** summarizes the HCD income limits used to compute the total number of income-qualified households generated by construction of market-rate units.⁵ The number of income-qualified households required to provide goods and services to new housing units is detailed in **Appendix B**.

The nexus methodology used herein computes the total number of income-qualified households generated by market-rate units (as shown in **Table 5**) and calculates the impact fee based on the estimated cost to subsidize the production of units to meet that affordable housing demand. This analysis assumes that the fees on residential development will fund required affordable housing for all new workers generated.

Table 5 Summary of Worker and Household Generation per 100 Market-Rate Units

Unit Type	Minimum Household Income Requirement	Total Workers Generated [1]	Total Worker Households [2]	Total Income Qualified Households [3]	Income Qualified Households by Income Category		
					VLI Households	LI Households	Moderate Income Households
Rental Units							
Studio	\$90,000	27	14.6	14.0	11.4	2.4	0.2
1-Bedroom	\$138,800	39	21.1	20.3	16.8	3.3	0.3
2-Bedroom	\$167,000	44	23.5	22.6	18.8	3.5	0.3
3-Bedroom	\$195,300	51	27.5	26.4	22.0	4.1	0.3

[1] Total workers generated detailed by unit price point and rental apartment size in Tables B-1 through B-4.

[2] Total worker households derived assuming 1.69 workers per household. Includes a 12.5% discount for retail and 1.9% discount for other industries to account for workers under age 20.

[3] Total income qualified households reflects those households eligible for affordable housing based on total household income. Income qualified households therefore exclude households earning above moderate income. See Tables B-1 through B-4 for detail. Total may not sum due to rounding.

Source: Economic & Planning Systems, Inc.

⁵ To correspond to the available data regarding employee wages, the 2021 Santa Cruz County affordable housing income limits from HCD were used to determine the number of income-qualified households based on household expenditures.

Fee Calculation

The affordability gap analysis quantifies the subsidy required to construct affordable housing at various income levels. Analysis of consumer expenditures that rely on lower wage workers provides an estimate of the total number of income-qualified households generated by new for-rent units. Then for each category of market-rate rental units, the nexus-based fee is calculated by applying the total number of income-qualified households generated to the affordability gap computed for each affordable household income level. The analysis provides the maximum supportable nexus-based fees for new rental housing development in Capitola.

Tables 6 through **9** show the impact fee calculation by number of bedrooms for rental units. The total impact fees required for a representative project of 100 units is calculated by multiplying the number of affordable units required per income level by the cost of subsidizing such housing. All income-qualified households are assumed to be housed in multifamily units and the subsidies needed are calculated as the affordability gaps shown in **Table 2**. The resulting maximum impact fee for market-rate rental units ranges from \$36,493 for a studio apartment to \$70,155 for a 3-bedroom apartment.

These fee estimates result in the maximum fee range of between \$47 and \$73 per square foot and significantly exceed the existing housing fee of \$6 per square foot in Capitola. While the City has the option of adopting fees up to the maximum levels calculated, there may be a variety of reasons to adopt the fee level below the maximum, including concerns about affecting the feasibility of new housing construction, as will be explored in a separate EPS document.

Table 6 Nexus-Based Housing Fee Calculations (For-Rent Studio Apartment)

Item	Affordable Units Required Per 100 Market-Rate Units [1] (A)	Affordability Gap per Affordable Unit [2] (B)	Total Nexus-Based Fee Supported		
			Per 100 Market-Rate Units (C = A * B)	Per Market-Rate Unit (D = C / 100)	Per Sq.Ft.
Affordable Units - Very Low Income	11.4	\$307,000	\$3,485,043		
Affordable Units - Low Income	2.4	\$67,000	\$163,948		
Affordable Units - Moderate Income	<u>0.2</u>	\$1,222	<u>\$268</u>		
Total	14.0		\$3,649,259	\$36,493	\$72.99

[1] See Table 5.

[2] See Table 2. EPS has assumed all affordable units will be rental because the subsidy to construct rental units is lower than for-sale for every income-category.

Source: Economic & Planning Systems, Inc.

Table 7 Nexus-Based Housing Fee Calculations (For-Rent 1-Bedroom Apartment)

Item	Affordable Units Required Per 100 Market-Rate Units [1] (A)	Affordability Gap per Affordable Unit [2] (B)	Total Nexus-Based Fee Supported		
			Per 100 Market-Rate Units (C = A * B)	Per Market-Rate Unit (D = C / 100)	Per Sq.Ft.
Affordable Units - Very Low Income	16.8	\$307,000	\$5,143,281		
Affordable Units - Low Income	3.3	\$67,000	\$218,037		
Affordable Units - Moderate Income	<u>0.3</u>	\$1,222	<u>\$348</u>		
Total	20.3		\$5,361,665	\$53,617	\$67.02

[1] See Table 5.

[2] See Table 2. EPS has assumed all affordable units will be rental because the subsidy to construct rental units is lower than for-sale for every income-category.

Source: Economic & Planning Systems, Inc.

Table 8 Nexus-Based Housing Fee Calculations (For-Rent 2-Bedroom Apartment)

Item	Affordable Units Required Per 100 Market-Rate Units [1]	Affordability Gap per Affordable Unit [2]	Total Nexus-Based Fee Supported		Per Sq.Ft.
			Per 100 Market-Rate Units	Per Market-Rate Unit	
	(A)	(B)	(C = A * B)	(D = C / 100)	
Affordable Units - Very Low Income	18.8	\$307,000	\$5,764,420		
Affordable Units - Low Income	3.5	\$67,000	\$234,146		
Affordable Units - Moderate Income	<u>0.3</u>	\$1,222	<u>\$343</u>		
Total	22.6		\$5,998,910	\$59,989	\$54.54

[1] See Table 5.

[2] See Table 2. EPS has assumed all affordable units will be rental because the subsidy to construct rental units is lower than for-sale for every income-category.

Source: Economic & Planning Systems, Inc.

Table 9 Nexus-Based Housing Fee Calculations (For-Rent 3-Bedroom Apartment)

Item	Affordable Units Required Per 100 Market-Rate Units [1]	Affordability Gap per Affordable Unit [2]	Total Nexus-Based Fee Supported		Per Sq.Ft.
			Per 100 Market-Rate Units	Per Market-Rate Unit	
	(A)	(B)	(C = A * B)	(D = C / 100)	
Affordable Units - Very Low Income	22.0	\$307,000	\$6,741,265		
Affordable Units - Low Income	4.1	\$67,000	\$273,825		
Affordable Units - Moderate Income	<u>0.3</u>	\$1,222	<u>\$401</u>		
Total	26.4		\$7,015,491	\$70,155	\$46.77

[1] See Table 5.

[2] See Tables 2. EPS has assumed all affordable units will be rental because the subsidy to construct rental units is lower than for-sale for every income-category.

Source: Economic & Planning Systems, Inc.



APPENDICES:

Appendix A: Household Expenditures and
Employment Generation

Appendix B: Income Levels for Worker Households

APPENDIX A:
Household Expenditures and
Employment Generation



**Table A-1
Household Expenditures and Employment Generation - For Rent Studio Apartment
City of Capitola Rental Housing Fee; EPS# 201117**

Item	% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/ HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d=c*1,000</i>	<i>e</i>	<i>f=d/e</i>	<i>g</i>	<i>h=f/g</i>	<i>i</i>	<i>j</i>	<i>k=h*i/j</i>	<i>l=g*j</i>	
Required Income	\$90,000												
Food at Home	7.2%	100%	\$6,455										
Food & Beverage Stores		100%	\$6,455	\$6,454,786	9.01	\$716,310	\$30,474	23.5	87.5%	1.69	12.2	\$51,421	VLI Households
Food Away From Home	5.6%	100%	\$5,042										
Food Services and Drinking Places		100%	\$5,042	\$5,041,573	3.13	\$1,612,883	\$21,784	74.0	87.5%	1.69	38.4	\$36,758	VLI Households
Alcoholic Beverages	0.9%	100%	\$854										
Food & Beverage Stores		50%	\$427	\$427,181	9.01	\$47,406	\$30,474	1.6	87.5%	1.69	0.8	\$51,421	VLI Households
Food Services and Drinking Places		50%	\$427	\$427,181	3.13	\$136,662	\$21,784	6.3	87.5%	1.69	3.3	\$36,758	VLI Households
Housing Maintenance, Repairs, Insurance, Other expenses	1.8%	100%	\$1,601										
Personal and Household Goods Repair and Maintenance		45%	\$721	\$720,667	3.34	\$215,849	\$29,298	7.4	98.1%	1.69	4.3	\$49,437	VLI Households
Building Material and Garden Equipment and Supplies Dealer		45%	\$721	\$720,667	8.42	\$85,611	\$34,606	2.5	87.5%	1.69	1.3	\$58,395	VLI Households
Real Estate and Rental and Leasing		10%	\$160	\$160,148	5.03	\$31,818	\$49,773	0.6	98.1%	1.69	0.4	\$83,988	LI Households
Fuel oil and Other fuels [7]	5.6%	100%	\$5,038										
Nonstore Retailers		100%	\$5,038	\$5,037,998	7.59	\$663,509	\$39,149	16.9	87.5%	1.69	8.8	\$66,060	LI Households
Water and Other Public Services [7]	1.2%	100%	\$1,040										
Waste Management and Remediation Services		100%	\$1,040	\$1,040,249	4.00	\$260,057	\$68,872	3.8	98.1%	1.69	2.2	\$116,214	Moderate
Household Operations Personal Services	0.8%	100%	\$717										
Nursing and Residential Care Facilities		40%	\$287	\$286,932	2.41	\$119,017	\$37,011	3.2	98.1%	1.69	1.9	\$62,453	LI Households
Social Assistance [8]		60%	\$430	\$430,399	2.98	\$144,260	\$24,733	5.8	98.1%	1.69	3.4	\$41,735	VLI Households
Household Operations Other Household Expenses	1.3%	100%	\$1,190										
Services to Buildings and Dwellings		100%	\$1,190	\$1,190,173	2.91	\$409,151	\$75,555	5.4	98.1%	1.69	3.1	\$127,492	Above Mod
Housekeeping Supplies	1.0%	100%	\$900										
Building Materials and Garden Equipment and Supplies Dealers		10%	\$90	\$89,964	8.42	\$10,687	\$34,606	0.3	87.5%	1.69	0.2	\$58,395	VLI Households
Food & Beverage Stores		35%	\$315	\$314,875	9.01	\$34,943	\$30,474	1.1	87.5%	1.69	0.6	\$51,421	VLI Households
General Merchandise		35%	\$315	\$314,875	10.88	\$28,954	\$28,948	1.0	87.5%	1.69	0.5	\$48,847	VLI Households
Miscellaneous Store Retailers		20%	\$180	\$179,929	6.20	\$29,020	\$24,716	1.2	87.5%	1.69	0.6	\$41,705	VLI Households

[1] Percent of income spent per category is based on the 2017 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.

[2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.

[3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, renting a Studio Unit requires a household income of \$90,000 per year.

[4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County

[5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the Santa Cruz County.

[6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.

[7] Based on the American Community Survey data 2014-2019.

[8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.

[9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

Attachment: Nexus Study For-rent Housing (Consider the First Reading of an Ordinance Amending

**Table A-1
Household Expenditures and Employment Generation - For Rent Studio Apartment
City of Capitola Rental Housing Fee; EPS# 201117**

Item		% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/ HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>		<i>a</i>	<i>b</i>	<i>c</i>	<i>d = c * 1,000</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>h = f / g</i>	<i>i</i>	<i>j</i>	<i>k = h * i / j</i>	<i>l = g * j</i>	
Required Income		\$90,000												
Household Furnishings and Equipment		3.1%	100%	\$2,794										
Furniture and Home Furnishings Stores			40%	\$1,118	\$1,117,702	6.22	\$179,597	\$31,496	5.7	87.5%	1.69	3.0	\$53,146	VLI Households
Electronics and Appliance Stores			40%	\$1,118	\$1,117,702	9.49	\$117,833	\$29,615	4.0	87.5%	1.69	2.1	\$49,973	VLI Households
General Merchandise Stores			10%	\$279	\$279,425	10.88	\$25,694	\$28,948	0.9	87.5%	1.69	0.5	\$48,847	VLI Households
Miscellaneous Store Retailers			10%	\$279	\$279,425	6.20	\$45,067	\$24,716	1.8	87.5%	1.69	0.9	\$41,705	VLI Households
Apparel and Services		2.9%	100%	\$2,576										
Clothing and Clothing Accessories Stores			40%	\$1,030	\$1,030,478	6.20	\$166,236	\$19,472	8.5	87.5%	1.69	4.4	\$32,857	ELI Households
General Merchandise			40%	\$1,030	\$1,030,478	10.88	\$94,755	\$28,948	3.3	87.5%	1.69	1.7	\$48,847	VLI Households
Miscellaneous Store Retailers			10%	\$258	\$257,619	6.20	\$41,550	\$24,716	1.7	87.5%	1.69	0.9	\$41,705	VLI Households
Personal and Household Goods Repair and Maintenance			5%	\$129	\$128,810	3.34	\$38,580	\$29,298	1.3	87.5%	1.69	0.7	\$49,437	VLI Households
Dry cleaning and Laundry Services			5%	\$129	\$128,810	3.34	\$38,580	\$29,298	1.3	87.5%	1.69	0.7	\$49,437	VLI Households
Vehicle Purchases (net outlay)		5.2%	100%	\$4,708										
Motor Vehicle and Parts Dealers			100%	\$4,708	\$4,707,931	35.74	\$131,713	\$53,823	2.4	87.5%	1.69	1.3	\$90,821	LI Households
Gasoline and motor oil		3.6%	100%	\$3,205										
Gasoline Stations			100%	\$3,205	\$3,205,349	27.49	\$116,594	\$28,091	4.2	87.5%	1.69	2.2	\$47,401	VLI Households
Vehicle Maintenance and Repairs		1.4%	100%	\$1,273										
Repair and Maintenance			100%	\$1,273	\$1,272,607	3.24	\$392,543	\$43,318	9.1	98.1%	1.69	5.3	\$73,095	LI Households
Medical Services		1.5%	100%	\$1,387										
Ambulatory Health Care Services			40%	\$555	\$554,799	2.55	\$217,197	\$70,780	3.1	98.1%	1.69	1.8	\$119,434	Above Mod
General Medical and Surgical Hospitals			30%	\$416	\$416,100	4.40	\$94,557	\$27,115	3.5	98.1%	1.69	2.0	\$45,755	VLI Households
Nursing and Residential Care Facilities			30%	\$416	\$416,100	2.41	\$172,594	\$37,011	4.7	98.1%	1.69	2.7	\$62,453	LI Households
Drugs		0.7%	100%	\$608										
Health and Personal Care Stores			100%	\$608	\$607,706	9.05	\$67,139	\$34,602	1.9	87.5%	1.69	1.0	\$58,387	VLI Households
Medical Supplies		0.3%	100%	\$237										
Health and Personal Care Stores			100%	\$237	\$237,124	9.05	\$26,197	\$34,602	0.8	87.5%	1.69	0.4	\$58,387	VLI Households
Entertainment Fees and Admissions		1.2%	100%	\$1,052										
Arts, Entertainment, & Recreation			100%	\$1,052	\$1,052,165	3.12	\$336,725	\$28,072	12.0	87.5%	1.69	6.2	\$47,369	VLI Households

[1] Percent of income spent per category is based on the 2017 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.

[2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.

[3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, renting a Studio Unit requires a household income of \$90,000 per year.

[4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County

[5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the Santa Cruz County.

[6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.

[7] Based on the American Community Survey data 2014-2019.

[8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.

[9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

Attachment: Nexus Study For-rent Housing (Consider the First Reading of an Ordinance Amending

**Table A-1
Household Expenditures and Employment Generation - For Rent Studio Apartment
City of Capitola Rental Housing Fee; EPS# 201117**

Item	% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/ HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d=c*1,000</i>	<i>e</i>	<i>f=d/e</i>	<i>g</i>	<i>h=f/g</i>	<i>i</i>	<i>j</i>	<i>k=h*i/j</i>	<i>l=g*j</i>	
Required Income	\$90,000												
Entertainment Audio and Visual Equipment and Services	1.2%	100%	\$1,052										
Electronics and Appliance Stores		100%	\$1,052	\$1,052,165	9.49	\$110,924	\$29,615	3.7	87.5%	1.69	1.9	\$49,973	VLI Households
Entertainment Pets, Toys, Hobbies, and Playground Equip.	1.3%	100%	\$1,176										
Sporting Goods, Hobby, and Musical Instrument Stores		40%	\$470	\$470,436	6.59	\$71,375	\$21,452	3.3	87.5%	1.69	1.7	\$36,198	VLI Households
Miscellaneous Store Retailers		40%	\$470	\$470,436	6.20	\$75,874	\$24,716	3.1	87.5%	1.69	1.6	\$41,705	VLI Households
Veterinary Services		20%	\$235	\$235,218	2.69	\$87,398	\$49,793	1.8	98.1%	1.69	1.0	\$84,021	LI Households
Other Entertainment Supplies, Equipment, and Services	0.5%	100%	\$439										
Sporting Goods, Hobby, and Musical Instrument Stores		85%	\$373	\$372,726	6.59	\$56,550	\$21,452	2.6	87.5%	1.69	1.4	\$36,198	VLI Households
Photographic Services		15%	\$66	\$65,775	3.41	\$19,308	\$43,227	0.4	98.1%	1.69	0.3	\$72,941	LI Households
Personal Care Products and Services	1.2%	100%	\$1,062										
Unspecified Retail		50%	\$531	\$530,849	6.20	\$85,617	\$24,716	3.5	87.5%	1.69	1.8	\$41,705	VLI Households
Personal Care Services		50%	\$531	\$530,849	2.74	\$193,719	\$22,157	8.7	98.1%	1.69	5.1	\$37,387	VLI Households
Reading	0.1%	100%	\$123										
Sporting Goods, Hobby, and Musical Instrument Stores		100%	\$123	\$122,733	6.59	\$18,621	\$21,452	0.9	87.5%	1.69	0.5	\$36,198	VLI Households
Education	1.0%	100%	\$926										
Educational Services		100%	\$926	\$925,857	2.59	\$358,129	\$35,028	10.2	98.1%	1.69	5.9	\$59,106	VLI Households
Tobacco Products and Smoking Supplies	0.4%	100%	\$323										
Unspecified Retail		100%	\$323	\$322,918	6.20	\$52,081	\$24,716	2.1	87.5%	1.69	1.1	\$41,705	VLI Households
Miscellaneous	1.3%	100%	\$1,133										
Accounting		20%	\$227	\$226,638	2.64	\$85,909	\$40,838	2.1	98.1%	1.69	1.2	\$68,910	LI Households
Architectural, Engineering, and Related		20%	\$227	\$226,638	2.25	\$100,863	\$80,414	1.3	98.1%	1.69	0.7	\$135,690	Above Mod
Specialized Design Services		20%	\$227	\$226,638	3.50	\$64,692	\$56,159	1.2	98.1%	1.69	0.7	\$94,763	LI Households
Death Care Services		20%	\$227	\$226,638	2.99	\$75,767	\$43,227	1.8	98.1%	1.69	1.0	\$72,941	LI Households
Legal Services		20%	\$227	\$226,638	2.85	\$79,389	\$100,406	0.8	98.1%	1.69	0.5	\$169,424	Above Mod
Total per 1,000 Market Rate Households								268.4			143.9		

[1] Percent of income spent per category is based on the 2017 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.
 [2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.
 [3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, renting a Studio Unit requires a household income of \$90,000 per year.
 [4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County
 [5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the Santa Cruz County.
 [6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.
 [7] Based on the American Community Survey data 2014-2019.
 [8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.
 [9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

Source: 2019 Consumer Expenditure Survey, U.S. Bureau of Labor Statistics; 2017 Economic Census, American Community Survey; and Economic & Planning Systems, Inc.

Attachment: Nexus Study For-rent Housing (Consider the First Reading of an Ordinance Amending

**Table A-2
Household Expenditures and Employment Generation - For Rent 1-Bedroom Apartment
City of Capitola Rental Housing Fee; EPS# 201117**

Item	% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/ HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = c * 1,000</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>h = f / g</i>	<i>i</i>	<i>j</i>	<i>k = h * i / j</i>	<i>l = g * j</i>	
Required Income	\$138,800												
Food at Home	5.7%	100%	\$7,979										
Food & Beverage Stores		100%	\$7,979	\$7,979,227	9.01	\$885,483	\$30,474	29.1	87.5%	1.69	15.1	\$51,421	VLI Households
Food Away From Home	5.1%	100%	\$7,040										
Food Services and Drinking Places		100%	\$7,040	\$7,040,494	3.13	\$2,252,372	\$21,784	103.4	87.5%	1.69	53.6	\$36,758	VLI Households
Alcoholic Beverages	0.7%	100%	\$1,027										
Food & Beverage Stores		50%	\$513	\$513,287	9.01	\$56,961	\$30,474	1.9	87.5%	1.69	1.0	\$51,421	VLI Households
Food Services and Drinking Places		50%	\$513	\$513,287	3.13	\$164,209	\$21,784	7.5	87.5%	1.69	3.9	\$36,758	VLI Households
Housing Maintenance, Repairs, Insurance, Other expenses	1.8%	100%	\$2,490										
Personal and Household Goods Repair and Maintenance		45%	\$1,120	\$1,120,383	3.34	\$335,569	\$29,298	11.5	98.1%	1.69	6.7	\$49,437	VLI Households
Building Material and Garden Equipment and Supplies Dealer		45%	\$1,120	\$1,120,383	8.42	\$133,095	\$34,606	3.8	87.5%	1.69	2.0	\$58,395	VLI Households
Real Estate and Rental and Leasing		10%	\$249	\$248,974	5.03	\$49,466	\$49,773	1.0	98.1%	1.69	0.6	\$83,988	LI Households
Fuel oil and Other fuels [7]	4.5%	100%	\$6,298										
Nonstore Retailers		100%	\$6,298	\$6,298,423	7.59	\$829,508	\$39,149	21.2	87.5%	1.69	11.0	\$66,060	LI Households
Water and Other Public Services [7]	1.0%	100%	\$1,348										
Waste Management and Remediation Services		100%	\$1,348	\$1,347,789	4.00	\$336,941	\$68,872	4.9	98.1%	1.69	2.8	\$116,214	Moderate
Household Operations Personal Services	0.6%	100%	\$836										
Nursing and Residential Care Facilities		40%	\$335	\$334,587	2.41	\$138,784	\$37,011	3.7	98.1%	1.69	2.2	\$62,453	LI Households
Social Assistance [8]		60%	\$502	\$501,881	2.98	\$168,220	\$24,733	6.8	98.1%	1.69	4.0	\$41,735	VLI Households
Household Operations Other Household Expenses	1.3%	100%	\$1,836										
Services to Buildings and Dwellings		100%	\$1,836	\$1,835,511	2.91	\$631,002	\$75,555	8.4	98.1%	1.69	4.9	\$127,492	Above Mod
Housekeeping Supplies	0.9%	100%	\$1,246										
Building Materials and Garden Equipment and Supplies Dealers		10%	\$125	\$124,553	8.42	\$14,796	\$34,606	0.4	87.5%	1.69	0.2	\$58,395	VLI Households
Food & Beverage Stores		35%	\$436	\$435,934	9.01	\$48,377	\$30,474	1.6	87.5%	1.69	0.8	\$51,421	VLI Households
General Merchandise		35%	\$436	\$435,934	10.88	\$40,085	\$28,948	1.4	87.5%	1.69	0.7	\$48,847	VLI Households
Miscellaneous Store Retailers		20%	\$249	\$249,105	6.20	\$40,177	\$24,716	1.6	87.5%	1.69	0.8	\$41,705	VLI Households

[1] Percent of income spent per category is based on the 2017 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.

[2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.

[3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, renting a 1-Bedroom Unit requires a household income of \$138,800 per year.

[4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County

[5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the Santa Cruz County.

[6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.

[7] Based on the American Community Survey data 2014-2019.

[8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.

[9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

**Table A-2
Household Expenditures and Employment Generation - For Rent 1-Bedroom Apartment
City of Capitola Rental Housing Fee; EPS# 201117**

Item	% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/ HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = c * 1,000</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>h = f / g</i>	<i>i</i>	<i>j</i>	<i>k = h * i / j</i>	<i>l = g * j</i>	
Required Income	\$138,800												
Household Furnishings and Equipment	2.8%	100%	\$3,895										
Furniture and Home Furnishings Stores		40%	\$1,558	\$1,558,086	6.22	\$250,360	\$31,496	7.9	87.5%	1.69	4.1	\$53,146	VLI Households
Electronics and Appliance Stores		40%	\$1,558	\$1,558,086	9.49	\$164,261	\$29,615	5.5	87.5%	1.69	2.9	\$49,973	VLI Households
General Merchandise Stores		10%	\$390	\$389,522	10.88	\$35,817	\$28,948	1.2	87.5%	1.69	0.6	\$48,847	VLI Households
Miscellaneous Store Retailers		10%	\$390	\$389,522	6.20	\$62,824	\$24,716	2.5	87.5%	1.69	1.3	\$41,705	VLI Households
Apparel and Services	2.4%	100%	\$3,296										
Clothing and Clothing Accessories Stores		40%	\$1,318	\$1,318,421	6.20	\$212,687	\$19,472	10.9	87.5%	1.69	5.7	\$32,857	ELI Households
General Merchandise		40%	\$1,318	\$1,318,421	10.88	\$121,232	\$28,948	4.2	87.5%	1.69	2.2	\$48,847	VLI Households
Miscellaneous Store Retailers		10%	\$330	\$329,605	6.20	\$53,160	\$24,716	2.2	87.5%	1.69	1.1	\$41,705	VLI Households
Personal and Household Goods Repair and Maintenance		5%	\$165	\$164,803	3.34	\$49,360	\$29,298	1.7	87.5%	1.69	0.9	\$49,437	VLI Households
Dry cleaning and Laundry Services		5%	\$165	\$164,803	3.34	\$49,360	\$29,298	1.7	87.5%	1.69	0.9	\$49,437	VLI Households
Vehicle Purchases (net outlay)	5.3%	100%	\$7,324										
Motor Vehicle and Parts Dealers		100%	\$7,324	\$7,323,687	35.74	\$204,894	\$53,823	3.8	87.5%	1.69	2.0	\$90,821	LI Households
Gasoline and motor oil	3.1%	100%	\$4,348										
Gasoline Stations		100%	\$4,348	\$4,347,538	27.49	\$158,141	\$28,091	5.6	87.5%	1.69	2.9	\$47,401	VLI Households
Vehicle Maintenance and Repairs	1.2%	100%	\$1,598										
Repair and Maintenance		100%	\$1,598	\$1,598,205	3.24	\$492,976	\$43,318	11.4	98.1%	1.69	6.6	\$73,095	LI Households
Medical Services	1.4%	100%	\$1,974										
Ambulatory Health Care Services		40%	\$790	\$789,794	2.55	\$309,194	\$70,780	4.4	98.1%	1.69	2.5	\$119,434	Above Mod
General Medical and Surgical Hospitals		30%	\$592	\$592,345	4.40	\$134,608	\$27,115	5.0	98.1%	1.69	2.9	\$45,755	VLI Households
Nursing and Residential Care Facilities		30%	\$592	\$592,345	2.41	\$245,699	\$37,011	6.6	98.1%	1.69	3.9	\$62,453	LI Households
Drugs	0.6%	100%	\$798										
Health and Personal Care Stores		100%	\$798	\$798,447	9.05	\$88,212	\$34,602	2.5	87.5%	1.69	1.3	\$58,387	VLI Households
Medical Supplies	0.2%	100%	\$298										
Health and Personal Care Stores		100%	\$298	\$297,615	9.05	\$32,880	\$34,602	1.0	87.5%	1.69	0.5	\$58,387	VLI Households
Entertainment Fees and Admissions	1.1%	100%	\$1,579										
Arts, Entertainment, & Recreation		100%	\$1,579	\$1,578,539	3.12	\$505,180	\$28,072	18.0	87.5%	1.69	9.3	\$47,369	VLI Households

[1] Percent of income spent per category is based on the 2017 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.

[2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.

[3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, renting a 1-Bedroom Unit requires a household income of \$138,800 per year.

[4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County

[5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the Santa Cruz County.

[6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.

[7] Based on the American Community Survey data 2014-2019.

[8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.

[9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

**Table A-2
Household Expenditures and Employment Generation - For Rent 1-Bedroom Apartment
City of Capitola Rental Housing Fee; EPS# 201117**

Item	% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/ HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = c * 1,000</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>h = f / g</i>	<i>i</i>	<i>j</i>	<i>k = h * i / j</i>	<i>l = g * j</i>	
Required Income	\$138,800												
Entertainment Audio and Visual Equipment and Services	1.1%	100%	\$1,579										
Electronics and Appliance Stores		100%	\$1,579	\$1,578,539	9.49	\$166,417	\$29,615	5.6	87.5%	1.69	2.9	\$49,973	VLI Households
Entertainment Pets, Toys, Hobbies, and Playground Equip.	1.2%	100%	\$1,732										
Sporting Goods, Hobby, and Musical Instrument Stores		40%	\$693	\$692,774	6.59	\$105,108	\$21,452	4.9	87.5%	1.69	2.5	\$36,198	VLI Households
Miscellaneous Store Retailers		40%	\$693	\$692,774	6.20	\$111,733	\$24,716	4.5	87.5%	1.69	2.3	\$41,705	VLI Households
Veterinary Services		20%	\$346	\$346,387	2.69	\$128,705	\$49,793	2.6	98.1%	1.69	1.5	\$84,021	LI Households
Other Entertainment Supplies, Equipment, and Services	1.1%	100%	\$1,555										
Sporting Goods, Hobby, and Musical Instrument Stores		85%	\$1,322	\$1,321,699	6.59	\$200,528	\$21,452	9.3	87.5%	1.69	4.8	\$36,198	VLI Households
Photographic Services		15%	\$233	\$233,241	3.41	\$68,465	\$43,227	1.6	98.1%	1.69	0.9	\$72,941	LI Households
Personal Care Products and Services	1.1%	100%	\$1,509										
Unspecified Retail		50%	\$755	\$754,526	6.20	\$121,693	\$24,716	4.9	87.5%	1.69	2.6	\$41,705	VLI Households
Personal Care Services		50%	\$755	\$754,526	2.74	\$275,344	\$22,157	12.4	98.1%	1.69	7.2	\$37,387	VLI Households
Reading	0.1%	100%	\$184										
Sporting Goods, Hobby, and Musical Instrument Stores		100%	\$184	\$183,551	6.59	\$27,848	\$21,452	1.3	87.5%	1.69	0.7	\$36,198	VLI Households
Education	1.9%	100%	\$2,677										
Educational Services		100%	\$2,677	\$2,677,223	2.59	\$1,035,573	\$35,028	29.6	98.1%	1.69	17.2	\$59,106	VLI Households
Tobacco Products and Smoking Supplies	0.3%	100%	\$368										
Unspecified Retail		100%	\$368	\$368,413	6.20	\$59,419	\$24,716	2.4	87.5%	1.69	1.2	\$41,705	VLI Households
Miscellaneous	1.1%	100%	\$1,527										
Accounting		20%	\$305	\$305,481	2.64	\$115,795	\$40,838	2.8	98.1%	1.69	1.6	\$68,910	LI Households
Architectural, Engineering, and Related		20%	\$305	\$305,481	2.25	\$135,951	\$80,414	1.7	98.1%	1.69	1.0	\$135,690	Above Mod
Specialized Design Services		20%	\$305	\$305,481	3.50	\$87,197	\$56,159	1.6	98.1%	1.69	0.9	\$94,763	LI Households
Death Care Services		20%	\$305	\$305,481	2.99	\$102,125	\$43,227	2.4	98.1%	1.69	1.4	\$72,941	LI Households
Legal Services		20%	\$305	\$305,481	2.85	\$107,007	\$100,406	1.1	98.1%	1.69	0.6	\$169,424	Above Mod
Total per 1,000 Market Rate Households								393.0			211.3		

[1] Percent of income spent per category is based on the 2017 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal life insurance, cash contributions, and financing charges.
 [2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.
 [3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, renting a 1-Bedroom Unit requires a household income of \$138,800 per year.
 [4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County
 [5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the Santa Cruz County.
 [6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.
 [7] Based on the American Community Survey data 2014-2019.
 [8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.
 [9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

Source: 2019 Consumer Expenditure Survey, U.S. Bureau of Labor Statistics; 2017 Economic Census, American Community Survey; and Economic & Planning Systems, Inc.

Attachment: Nexus Study For-rent Housing (Consider the First Reading of an Ordinance Amending

**Table A-3
Household Expenditures and Employment Generation - For Rent 2-Bedroom Apartment
City of Capitola Rental Housing Fee; EPS# 201117**

Item	% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/ HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = c * 1,000</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>h = f / g</i>	<i>i</i>	<i>j</i>	<i>k = h * i / j</i>	<i>l = g * j</i>	
Required Income	\$167,000												
Food at Home	4.7%	100%	\$7,932										
Food & Beverage Stores		100%	\$7,932	\$7,932,171	9.01	\$880,261	\$30,474	28.9	87.5%	1.69	15.0	\$51,421	VLI Households
Food Away From Home	4.8%	100%	\$8,007										
Food Services and Drinking Places		100%	\$8,007	\$8,006,793	3.13	\$2,561,507	\$21,784	117.6	87.5%	1.69	61.0	\$36,758	VLI Households
Alcoholic Beverages	0.8%	100%	\$1,270										
Food & Beverage Stores		50%	\$635	\$634,877	9.01	\$70,454	\$30,474	2.3	87.5%	1.69	1.2	\$51,421	VLI Households
Food Services and Drinking Places		50%	\$635	\$634,877	3.13	\$203,108	\$21,784	9.3	87.5%	1.69	4.8	\$36,758	VLI Households
Housing Maintenance, Repairs, Insurance, Other expenses	1.7%	100%	\$2,921										
Personal and Household Goods Repair and Maintenance		45%	\$1,314	\$1,314,352	3.34	\$393,665	\$29,298	13.4	98.1%	1.69	7.8	\$49,437	VLI Households
Building Material and Garden Equipment and Supplies Dealer		45%	\$1,314	\$1,314,352	8.42	\$156,137	\$34,606	4.5	87.5%	1.69	2.3	\$58,395	VLI Households
Real Estate and Rental and Leasing		10%	\$292	\$292,078	5.03	\$58,030	\$49,773	1.2	98.1%	1.69	0.7	\$83,988	LI Households
Fuel oil and Other fuels [7]	3.8%	100%	\$6,307										
Nonstore Retailers		100%	\$6,307	\$6,306,793	7.59	\$830,610	\$39,149	21.2	87.5%	1.69	11.0	\$66,060	LI Households
Water and Other Public Services [7]	0.8%	100%	\$1,330										
Waste Management and Remediation Services		100%	\$1,330	\$1,330,385	4.00	\$332,590	\$68,872	4.8	98.1%	1.69	2.8	\$116,214	Moderate
Household Operations Personal Services	0.5%	100%	\$914										
Nursing and Residential Care Facilities		40%	\$366	\$365,652	2.41	\$151,669	\$37,011	4.1	98.1%	1.69	2.4	\$62,453	LI Households
Social Assistance [8]		60%	\$548	\$548,478	2.98	\$183,838	\$24,733	7.4	98.1%	1.69	4.3	\$41,735	VLI Households
Household Operations Other Household Expenses	1.3%	100%	\$2,208										
Services to Buildings and Dwellings		100%	\$2,208	\$2,208,431	2.91	\$759,203	\$75,555	10.0	98.1%	1.69	5.8	\$127,492	Above Mod
Housekeeping Supplies	0.8%	100%	\$1,365										
Building Materials and Garden Equipment and Supplies Dealers		10%	\$137	\$136,536	8.42	\$16,220	\$34,606	0.5	87.5%	1.69	0.2	\$58,395	VLI Households
Food & Beverage Stores		35%	\$478	\$477,877	9.01	\$53,032	\$30,474	1.7	87.5%	1.69	0.9	\$51,421	VLI Households
General Merchandise		35%	\$478	\$477,877	10.88	\$43,942	\$28,948	1.5	87.5%	1.69	0.8	\$48,847	VLI Households
Miscellaneous Store Retailers		20%	\$273	\$273,073	6.20	\$44,042	\$24,716	1.8	87.5%	1.69	0.9	\$41,705	VLI Households

[1] Percent of income spent per category is based on the 2017 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.

[2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.

[3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, renting a 2-Bedroom Unit requires a household income of \$167,000 per year.

[4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County

[5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the Santa Cruz County.

[6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.

[7] Based on the American Community Survey data 2014-2019.

[8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.

[9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

**Table A-3
Household Expenditures and Employment Generation - For Rent 2-Bedroom Apartment
City of Capitola Rental Housing Fee; EPS# 201117**

Item	% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = c * 1,000</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>h = f / g</i>	<i>i</i>	<i>j</i>	<i>k = h * i / j</i>	<i>l = g * j</i>	
Required Income				\$167,000									
Household Furnishings and Equipment	2.6%	100%	\$4,342										
Furniture and Home Furnishings Stores		40%	\$1,737	\$1,736,846	6.22	\$279,084	\$31,496	8.9	87.5%	1.69	4.6	\$53,146	VLI Households
Electronics and Appliance Stores		40%	\$1,737	\$1,736,846	9.49	\$183,106	\$29,615	6.2	87.5%	1.69	3.2	\$49,973	VLI Households
General Merchandise Stores		10%	\$434	\$434,211	10.88	\$39,927	\$28,948	1.4	87.5%	1.69	0.7	\$48,847	VLI Households
Miscellaneous Store Retailers		10%	\$434	\$434,211	6.20	\$70,031	\$24,716	2.8	87.5%	1.69	1.5	\$41,705	VLI Households
Apparel and Services	2.4%	100%	\$4,055										
Clothing and Clothing Accessories Stores		40%	\$1,622	\$1,622,113	6.20	\$261,678	\$19,472	13.4	87.5%	1.69	7.0	\$32,857	ELI Households
General Merchandise		40%	\$1,622	\$1,622,113	10.88	\$149,157	\$28,948	5.2	87.5%	1.69	2.7	\$48,847	VLI Households
Miscellaneous Store Retailers		10%	\$406	\$405,528	6.20	\$65,405	\$24,716	2.6	87.5%	1.69	1.4	\$41,705	VLI Households
Personal and Household Goods Repair and Maintenance		5%	\$203	\$202,764	3.34	\$60,730	\$29,298	2.1	87.5%	1.69	1.1	\$49,437	VLI Households
Dry cleaning and Laundry Services		5%	\$203	\$202,764	3.34	\$60,730	\$29,298	2.1	87.5%	1.69	1.1	\$49,437	VLI Households
Vehicle Purchases (net outlay)	5.1%	100%	\$8,589										
Motor Vehicle and Parts Dealers		100%	\$8,589	\$8,588,618	35.74	\$240,283	\$53,823	4.5	87.5%	1.69	2.3	\$90,821	LI Households
Gasoline and motor oil	2.4%	100%	\$3,931										
Gasoline Stations		100%	\$3,931	\$3,930,523	27.49	\$142,972	\$28,091	5.1	87.5%	1.69	2.6	\$47,401	VLI Households
Vehicle Maintenance and Repairs	1.1%	100%	\$1,920										
Repair and Maintenance		100%	\$1,920	\$1,920,371	3.24	\$592,350	\$43,318	13.7	98.1%	1.69	7.9	\$73,095	LI Households
Medical Services	1.0%	100%	\$1,652										
Ambulatory Health Care Services		40%	\$661	\$660,878	2.55	\$258,725	\$70,780	3.7	98.1%	1.69	2.1	\$119,434	Above Mod
General Medical and Surgical Hospitals		30%	\$496	\$495,659	4.40	\$112,636	\$27,115	4.2	98.1%	1.69	2.4	\$45,755	VLI Households
Nursing and Residential Care Facilities		30%	\$496	\$495,659	2.41	\$205,595	\$37,011	5.6	98.1%	1.69	3.2	\$62,453	LI Households
Drugs	0.5%	100%	\$775										
Health and Personal Care Stores		100%	\$775	\$775,378	9.05	\$85,663	\$34,602	2.5	87.5%	1.69	1.3	\$58,387	VLI Households
Medical Supplies	0.2%	100%	\$323										
Health and Personal Care Stores		100%	\$323	\$322,977	9.05	\$35,682	\$34,602	1.0	87.5%	1.69	0.5	\$58,387	VLI Households
Entertainment Fees and Admissions	1.2%	100%	\$2,066										
Arts, Entertainment, & Recreation		100%	\$2,066	\$2,066,119	3.12	\$661,221	\$28,072	23.6	87.5%	1.69	12.2	\$47,369	VLI Households

[1] Percent of income spent per category is based on the 2017 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.

[2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.

[3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, renting a 2-Bedroom Unit requires a household income of \$167,000 per year.

[4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County

[5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the Santa Cruz County.

[6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.

[7] Based on the American Community Survey data 2014-2019.

[8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.

[9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

**Table A-3
Household Expenditures and Employment Generation - For Rent Studio Apartment
City of Capitola Rental Housing Fee; EPS# 201117**

Item	% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/ HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
Calculation	a	b	c	d = c * 1,000	e	f = d / e	g	h = f / g	i	j	k = h * i / j	l = g * j	
Required Income				\$167,000									
Entertainment Audio and Visual Equipment and Services	1.2%	100%	\$2,066										
Electronics and Appliance Stores		100%	\$2,066	\$2,066,119	9.49	\$217,820	\$29,615	7.4	87.5%	1.69	3.8	\$49,973	VLI Households
Entertainment Pets, Toys, Hobbies, and Playground Equip.	0.9%	100%	\$1,554										
Sporting Goods, Hobby, and Musical Instrument Stores		40%	\$622	\$621,701	6.59	\$94,325	\$21,452	4.4	87.5%	1.69	2.3	\$36,198	VLI Households
Miscellaneous Store Retailers		40%	\$622	\$621,701	6.20	\$100,270	\$24,716	4.1	87.5%	1.69	2.1	\$41,705	VLI Households
Veterinary Services		20%	\$311	\$310,851	2.69	\$115,501	\$49,793	2.3	98.1%	1.69	1.3	\$84,021	LI Households
Other Entertainment Supplies, Equipment, and Services	0.8%	100%	\$1,355										
Sporting Goods, Hobby, and Musical Instrument Stores		85%	\$1,152	\$1,151,640	6.59	\$174,727	\$21,452	8.1	87.5%	1.69	4.2	\$36,198	VLI Households
Photographic Services		15%	\$203	\$203,231	3.41	\$59,656	\$43,227	1.4	98.1%	1.69	0.8	\$72,941	LI Households
Personal Care Products and Services	0.8%	100%	\$1,399										
Unspecified Retail		50%	\$700	\$699,589	6.20	\$112,832	\$24,716	4.6	87.5%	1.69	2.4	\$41,705	VLI Households
Personal Care Services		50%	\$700	\$699,589	2.74	\$255,296	\$22,157	11.5	98.1%	1.69	6.7	\$37,387	VLI Households
Reading	0.1%	100%	\$150										
Sporting Goods, Hobby, and Musical Instrument Stores		100%	\$150	\$150,412	6.59	\$22,820	\$21,452	1.1	87.5%	1.69	0.6	\$36,198	VLI Households
Education	2.1%	100%	\$3,507										
Educational Services		100%	\$3,507	\$3,507,272	2.59	\$1,356,642	\$35,028	38.7	98.1%	1.69	22.5	\$59,106	VLI Households
Tobacco Products and Smoking Supplies	0.1%	100%	\$246										
Unspecified Retail		100%	\$246	\$246,022	6.20	\$39,679	\$24,716	1.6	87.5%	1.69	0.8	\$41,705	VLI Households
Miscellaneous	1.2%	100%	\$2,039										
Accounting		20%	\$408	\$407,860	2.64	\$154,603	\$40,838	3.8	98.1%	1.69	2.2	\$68,910	LI Households
Architectural, Engineering, and Related		20%	\$408	\$407,860	2.25	\$181,513	\$80,414	2.3	98.1%	1.69	1.3	\$135,690	Above Mod
Specialized Design Services		20%	\$408	\$407,860	3.50	\$116,420	\$56,159	2.1	98.1%	1.69	1.2	\$94,763	LI Households
Death Care Services		20%	\$408	\$407,860	2.99	\$136,351	\$43,227	3.2	98.1%	1.69	1.8	\$72,941	LI Households
Legal Services		20%	\$408	\$407,860	2.85	\$142,870	\$100,406	1.4	98.1%	1.69	0.8	\$169,424	Above Mod
Total per 1,000 Market Rate Households								436.5			234.8		

[1] Percent of income spent per category is based on the 2017 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.
 [2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.
 [3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, renting a 2-Bedroom Unit requires a household income of \$167,000 per year.
 [4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County
 [5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the Santa Cruz County.
 [6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.
 [7] Based on the American Community Survey data 2014-2019.
 [8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.
 [9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

Source: 2014 Consumer Expenditure Survey, U.S. Bureau of Labor Statistics; 2013 Economic Census, American Community Survey; and Economic & Planning Systems, Inc.

**Table A-4
Household Expenditures and Employment Generation - For Rent 3-Bedroom Apartment
City of Capitola Rental Housing Fee; EPS# 201117**

Item		% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/ HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
Calculation		a	b	c	d = c * 1,000	e	f = d / e	g	h = f / g	i	j	k = h * i / j	l = g * j	
Required Income	\$195,300													
Food at Home		4.7%	100%	\$9,276										
Food & Beverage Stores			100%	\$9,276	\$9,276,365	9.01	\$1,029,431	\$30,474	33.8	87.5%	1.69	17.5	\$51,421	VLI Households
Food Away From Home		4.8%	100%	\$9,364										
Food Services and Drinking Places			100%	\$9,364	\$9,363,633	3.13	\$2,995,583	\$21,784	137.5	87.5%	1.69	71.3	\$36,758	VLI Households
Alcoholic Beverages		0.8%	100%	\$1,485										
Food & Beverage Stores			50%	\$742	\$742,464	9.01	\$82,394	\$30,474	2.7	87.5%	1.69	1.4	\$51,421	VLI Households
Food Services and Drinking Places			50%	\$742	\$742,464	3.13	\$237,527	\$21,784	10.9	87.5%	1.69	5.7	\$36,758	VLI Households
Housing Maintenance, Repairs, Insurance, Other expenses		1.7%	100%	\$3,416										
Personal and Household Goods Repair and Maintenance			45%	\$1,537	\$1,537,084	3.34	\$460,376	\$29,298	15.7	98.1%	1.69	9.1	\$49,437	VLI Households
Building Material and Garden Equipment and Supplies Dealer			45%	\$1,537	\$1,537,084	8.42	\$182,597	\$34,606	5.3	87.5%	1.69	2.7	\$58,395	VLI Households
Real Estate and Rental and Leasing			10%	\$342	\$341,574	5.03	\$67,864	\$49,773	1.4	98.1%	1.69	0.8	\$83,988	LI Households
Fuel oil and Other fuels [7]		3.8%	100%	\$7,376										
Nonstore Retailers			100%	\$7,376	\$7,375,549	7.59	\$971,366	\$39,149	24.8	87.5%	1.69	12.9	\$66,060	LI Households
Water and Other Public Services [7]		0.8%	100%	\$1,556										
Waste Management and Remediation Services			100%	\$1,556	\$1,555,833	4.00	\$388,951	\$68,872	5.6	98.1%	1.69	3.3	\$116,214	Moderate
Household Operations Personal Services		0.5%	100%	\$1,069										
Nursing and Residential Care Facilities			40%	\$428	\$427,615	2.41	\$177,371	\$37,011	4.8	98.1%	1.69	2.8	\$62,453	LI Households
Social Assistance [8]			60%	\$641	\$641,423	2.98	\$214,991	\$24,733	8.7	98.1%	1.69	5.1	\$41,735	VLI Households
Household Operations Other Household Expenses		1.3%	100%	\$2,583										
Services to Buildings and Dwellings			100%	\$2,583	\$2,582,674	2.91	\$887,858	\$75,555	11.8	98.1%	1.69	6.8	\$127,492	Above Mod
Housekeeping Supplies		0.8%	100%	\$1,597										
Building Materials and Garden Equipment and Supplies Dealers			10%	\$160	\$159,674	8.42	\$18,968	\$34,606	0.5	87.5%	1.69	0.3	\$58,395	VLI Households
Food & Beverage Stores			35%	\$559	\$558,859	9.01	\$62,019	\$30,474	2.0	87.5%	1.69	1.1	\$51,421	VLI Households
General Merchandise			35%	\$559	\$558,859	10.88	\$51,388	\$28,948	1.8	87.5%	1.69	0.9	\$48,847	VLI Households
Miscellaneous Store Retailers			20%	\$319	\$319,348	6.20	\$51,506	\$24,716	2.1	87.5%	1.69	1.1	\$41,705	VLI Households

[1] Percent of income spent per category is based on the 2017 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.

[2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.

[3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, renting a 4-Bedroom Unit requires a household income of \$195,300 per year.

[4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County

[5] Based on the 2017 average wage reported by the American Community Survey inflated to 2021 based on the Bureau of Labor Statistics data for the Santa Cruz County.

[6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.

[7] Based on the American Community Survey data 2014-2019.

[8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.

[9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

**Table A-4
Household Expenditures and Employment Generation - For Rent 3-Bedroom Apartment
City of Capitola Rental Housing Fee; EPS# 201117**

Item		% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/ HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
Calculation		a	b	c	d = c * 1,000	e	f = d / e	g	h = f / g	i	j	k = h * i / j	l = g * j	
Required Income	\$195,300													
Household Furnishings and Equipment		2.6%	100%	\$5,078										
Furniture and Home Furnishings Stores			40%	\$2,031	\$2,031,173	6.22	\$326,377	\$31,496	10.4	87.5%	1.69	5.4	\$53,146	VLI Households
Electronics and Appliance Stores			40%	\$2,031	\$2,031,173	9.49	\$214,136	\$29,615	7.2	87.5%	1.69	3.7	\$49,973	VLI Households
General Merchandise Stores			10%	\$508	\$507,793	10.88	\$46,693	\$28,948	1.6	87.5%	1.69	0.8	\$48,847	VLI Households
Miscellaneous Store Retailers			10%	\$508	\$507,793	6.20	\$81,899	\$24,716	3.3	87.5%	1.69	1.7	\$41,705	VLI Households
Apparel and Services		2.4%	100%	\$4,742										
Clothing and Clothing Accessories Stores			40%	\$1,897	\$1,896,998	6.20	\$306,022	\$19,472	15.7	87.5%	1.69	8.1	\$32,857	ELI Households
General Merchandise			40%	\$1,897	\$1,896,998	10.88	\$174,434	\$28,948	6.0	87.5%	1.69	3.1	\$48,847	VLI Households
Miscellaneous Store Retailers			10%	\$474	\$474,250	6.20	\$76,489	\$24,716	3.1	87.5%	1.69	1.6	\$41,705	VLI Households
Personal and Household Goods Repair and Maintenance			5%	\$237	\$237,125	3.34	\$71,022	\$29,298	2.4	87.5%	1.69	1.3	\$49,437	VLI Households
Dry cleaning and Laundry Services			5%	\$237	\$237,125	3.34	\$71,022	\$29,298	2.4	87.5%	1.69	1.3	\$49,437	VLI Households
Vehicle Purchases (net outlay)		5.1%	100%	\$10,044										
Motor Vehicle and Parts Dealers			100%	\$10,044	\$10,044,055	35.74	\$281,001	\$53,823	5.2	87.5%	1.69	2.7	\$90,821	LI Households
Gasoline and motor oil		2.4%	100%	\$4,597										
Gasoline Stations			100%	\$4,597	\$4,596,594	27.49	\$167,200	\$28,091	6.0	87.5%	1.69	3.1	\$47,401	VLI Households
Vehicle Maintenance and Repairs		1.1%	100%	\$2,246										
Repair and Maintenance			100%	\$2,246	\$2,245,799	3.24	\$692,730	\$43,318	16.0	98.1%	1.69	9.3	\$73,095	LI Households
Medical Services		1.0%	100%	\$1,932										
Ambulatory Health Care Services			40%	\$773	\$772,871	2.55	\$302,569	\$70,780	4.3	98.1%	1.69	2.5	\$119,434	Above Mod
General Medical and Surgical Hospitals			30%	\$580	\$579,653	4.40	\$131,723	\$27,115	4.9	98.1%	1.69	2.8	\$45,755	VLI Households
Nursing and Residential Care Facilities			30%	\$580	\$579,653	2.41	\$240,435	\$37,011	6.5	98.1%	1.69	3.8	\$62,453	LI Households
Drugs		0.5%	100%	\$907										
Health and Personal Care Stores			100%	\$907	\$906,774	9.05	\$100,179	\$34,602	2.9	87.5%	1.69	1.5	\$58,387	VLI Households
Medical Supplies		0.2%	100%	\$378										
Health and Personal Care Stores			100%	\$378	\$377,709	9.05	\$41,729	\$34,602	1.2	87.5%	1.69	0.6	\$58,387	VLI Households
Entertainment Fees and Admissions		1.2%	100%	\$2,416										
Arts, Entertainment, & Recreation			100%	\$2,416	\$2,416,246	3.12	\$773,272	\$28,072	27.5	87.5%	1.69	14.3	\$47,369	VLI Households

[1] Percent of income spent per category is based on the 2017 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.

[2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.

[3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, renting a 4-Bedroom Unit requires a household income of \$195,300 per year.

[4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County

[5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the Santa Cruz County.

[6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.

[7] Based on the American Community Survey data 2014-2019.

[8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.

[9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

**Table A-4
Household Expenditures and Employment Generation - For Rent 3-Bedroom Apartment
City of Capitola Rental Housing Fee; EPS# 201117**

Item		% of Household Income Spent per Category [1]	% of Category Expenditure per Type of Business [2]	Expenditures [3]	Expenditures per 1,000 HHs	Gross Receipts to Wages [4]	Total Wages per 1,000 Households	2021 Avg. Wages [5]	# of New Workers	% Forming HH [6]	Workers/ HH [7]	Total Worker HHs	Avg. Worker HH Income	Income Category
<i>Calculation</i>		<i>a</i>	<i>b</i>	<i>c</i>	<i>d = c * 1,000</i>	<i>e</i>	<i>f = d / e</i>	<i>g</i>	<i>h = f / g</i>	<i>i</i>	<i>j</i>	<i>k = h * i / j</i>	<i>l = g * j</i>	
Required Income	\$195,300													
Entertainment Audio and Visual Equipment and Services		1.2%	100%	\$2,416										
Electronics and Appliance Stores			100%	\$2,416	\$2,416,246	9.49	\$254,732	\$29,615	8.6	87.5%	1.69	4.5	\$49,973	VLI Households
Entertainment Pets, Toys, Hobbies, and Playground Equip.		0.9%	100%	\$1,818										
Sporting Goods, Hobby, and Musical Instrument Stores			40%	\$727	\$727,055	6.59	\$110,309	\$21,452	5.1	87.5%	1.69	2.7	\$36,198	VLI Households
Miscellaneous Store Retailers			40%	\$727	\$727,055	6.20	\$117,262	\$24,716	4.7	87.5%	1.69	2.5	\$41,705	VLI Households
Veterinary Services			20%	\$364	\$363,528	2.69	\$135,074	\$49,793	2.7	98.1%	1.69	1.6	\$84,021	LI Households
Other Entertainment Supplies, Equipment, and Services		0.8%	100%	\$1,584										
Sporting Goods, Hobby, and Musical Instrument Stores			85%	\$1,347	\$1,346,798	6.59	\$204,336	\$21,452	9.5	87.5%	1.69	4.9	\$36,198	VLI Households
Photographic Services			15%	\$238	\$237,670	3.41	\$69,765	\$43,227	1.6	98.1%	1.69	0.9	\$72,941	LI Households
Personal Care Products and Services		0.8%	100%	\$1,636										
Unspecified Retail			50%	\$818	\$818,142	6.20	\$131,953	\$24,716	5.3	87.5%	1.69	2.8	\$41,705	VLI Households
Personal Care Services			50%	\$818	\$818,142	2.74	\$298,559	\$22,157	13.5	98.1%	1.69	7.8	\$37,387	VLI Households
Reading		0.1%	100%	\$176										
Sporting Goods, Hobby, and Musical Instrument Stores			100%	\$176	\$175,900	6.59	\$26,688	\$21,452	1.2	87.5%	1.69	0.6	\$36,198	VLI Households
Education		2.1%	100%	\$4,102										
Educational Services			100%	\$4,102	\$4,101,618	2.59	\$1,586,540	\$35,028	45.3	98.1%	1.69	26.3	\$59,106	VLI Households
Tobacco Products and Smoking Supplies		0.1%	100%	\$288										
Unspecified Retail			100%	\$288	\$287,713	6.20	\$46,404	\$24,716	1.9	87.5%	1.69	1.0	\$41,705	VLI Households
Miscellaneous		1.2%	100%	\$2,385										
Accounting			20%	\$477	\$476,977	2.64	\$180,802	\$40,838	4.4	98.1%	1.69	2.6	\$68,910	LI Households
Architectural, Engineering, and Related			20%	\$477	\$476,977	2.25	\$212,272	\$80,414	2.6	98.1%	1.69	1.5	\$135,690	Above Mod
Specialized Design Services			20%	\$477	\$476,977	3.50	\$136,149	\$56,159	2.4	98.1%	1.69	1.4	\$94,763	LI Households
Death Care Services			20%	\$477	\$476,977	2.99	\$159,457	\$43,227	3.7	98.1%	1.69	2.1	\$72,941	LI Households
Legal Services			20%	\$477	\$476,977	2.85	\$167,080	\$100,406	1.7	98.1%	1.69	1.0	\$169,424	Above Mod
Total per 1,000 Market Rate Households									510.5			274.6		

[1] Percent of income spent per category is based on the 2017 U.S. Consumer Expenditure Survey data for households at this income level. The sum of the categories included in this analysis is well below the total expenditures of households at this income level, and thus represent a conservative estimate of job creation and housing impacts. Expenditure categories not incorporated due to data constraints include taxes, housing and lodging, most utilities, tobacco, health insurance, personal/ life insurance, cash contributions, and financing charges.
 [2] Where multiple business types are likely to provide goods and services in the expenditure category, EPS has estimated the proportion accruing to each business type.
 [3] Expenditures are based on the percent of household income spent per the 2019 U.S. Consumer Expenditure Survey. Per Table 3, renting a 4-Bedroom Unit requires a household income of \$195,300 per year.
 [4] Gross receipts to wages ratio obtained from the 2017 Economic Census data for Santa Cruz County
 [5] Based on the 2017 average wage reported by the American Community Survey inflated to \$2021 based on the Bureau of Labor Statistics data for the Santa Cruz County.
 [6] BLS data indicates that 12.5% of retail/restaurant workers are age 16-19, but an average of only 1.9% of workers in other industries. EPS has assumed that young workers do not form their own households.
 [7] Based on the American Community Survey data 2014-2019.
 [8] Part of the Utilities, Fuels, and Public Services category, which also includes natural gas, electricity, and telephone services. Natural gas, electricity, and telephone services not estimated because data was not available in the Economic Census.
 [9] Santa Cruz County data not available from 2017 Economic Census. Gross receipts to wages and average wage thus based on statewide data.

Source: 2019 Consumer Expenditure Survey, U.S. Bureau of Labor Statistics; 2017 Economic Census, American Community Survey; and Economic & Planning Systems, Inc.

Attachment: Nexus Study For-rent Housing (Consider the First Reading of an Ordinance Amending



APPENDIX B:
Income Levels for Worker Households

Table B-1
Income Levels for Worker Households
Worker Household Generation per 1,000 Units - For Rent Studio Apartment
City of Capitola Rental Housing Fee; EPS# 201117

Industry	Total Workers	Total Worker Households [1]	VLI Households	LI Households	Moderate Income Households	Above Moderate Income Households
Retail						
Unspecified Retail	5.6	2.9	2.9	0.0	0.0	0.0
Food & Beverage Stores	26.2	13.6	13.6	0.0	0.0	0.0
Food Services and Drinking Places	80.3	41.6	41.6	0.0	0.0	0.0
Health and Personal Care Stores	2.7	1.4	1.4	0.0	0.0	0.0
General Merchandise	5.2	2.7	2.7	0.0	0.0	0.0
Furniture and Home Furnishings Stores	5.7	3.0	3.0	0.0	0.0	0.0
Building Material and Garden Equipment and Supplies Dealer	2.8	1.4	1.4	0.0	0.0	0.0
Electronics and Appliance Stores	7.7	4.0	4.0	0.0	0.0	0.0
Clothing and Clothing Accessories Stores	8.5	4.4	4.4	0.0	0.0	0.0
Motor Vehicle and Parts Dealers	2.4	1.3	0.0	1.3	0.0	0.0
Gasoline Stations	4.2	2.2	2.2	0.0	0.0	0.0
Sporting Goods, Hobby, and Musical Instrument Stores	6.8	3.5	3.5	0.0	0.0	0.0
Miscellaneous Store Retailers	7.7	4.0	4.0	0.0	0.0	0.0
Nonstore Retailers	16.9	8.8	0.0	8.8	0.0	0.0
Arts, Entertainment, & Recreation	12.0	6.2	6.2	0.0	0.0	0.0
Medical/Health						
Ambulatory Health Care Services	3.1	1.8	0.0	0.0	0.0	1.8
General Medical and Surgical Hospitals	3.5	2.0	2.0	0.0	0.0	0.0
Nursing and Residential Care Facilities	7.9	4.6	0.0	4.6	0.0	0.0
Social Assistance	5.8	3.4	3.4	0.0	0.0	0.0
Services						
Personal and Household Goods Repair and Maintenance	8.7	5.0	5.0	0.0	0.0	0.0
Services to Buildings and Dwellings	5.4	3.1	0.0	0.0	0.0	3.1
Waste Management and Remediation Services	3.8	2.2	0.0	0.0	2.2	0.0
Real Estate and Rental and Leasing	0.6	0.4	0.0	0.4	0.0	0.0
Personal Care Services	8.7	5.1	5.1	0.0	0.0	0.0
Dry Cleaning and Laundry Services	1.3	0.7	0.7	0.0	0.0	0.0
Auto Repair and Maintenance	9.1	5.3	0.0	5.3	0.0	0.0
Veterinary Services	1.8	1.0	0.0	1.0	0.0	0.0
Photographic Services	0.4	0.3	0.0	0.3	0.0	0.0
Educational Services	10.2	5.9	5.9	0.0	0.0	0.0
Accounting	2.1	1.2	0.0	1.2	0.0	0.0
Architectural, Engineering, and Related	1.3	0.7	0.0	0.0	0.0	0.7
Specialized Design Services	1.2	0.7	0.0	0.7	0.0	0.0
Death Care Services	1.8	1.0	0.0	1.0	0.0	0.0
Legal Services	0.8	0.5	0.5	0.0	0.0	0.0
Total Workers and Households	272.2	145.8	113.5	24.5	2.2	5.7
Total Income-Qualified HH Generated Per 1,000 Market-Rate Units [2]		140.2	113.5	24.5	2.2	0.0
Total Income-Qualified HH Generated Per 100 Market-Rate Units [2]		14.0	11.4	2.4	0.2	0.0

[1] Assumes 1.69 workers per worker household in the City of Capitola based on 2015-2019 American Community Survey. Includes a 12.5% discount for retail and 1.9% discount for other industries to account for workers under age 20.

[2] Excludes above moderate-income households because these incomes are adequate to acquire market-rate housing.

Source: Economic & Planning Systems, Inc.

Table B-2
Income Levels for Worker Households
Worker Household Generation per 1,000 Units - For Rent 1-Bedroom Apartment
City of Capitola Rental Housing Fee; EPS# 201117

Industry	Total Workers	Total Worker Households [1]	VLI Households	LI Households	Moderate Income Households	Above Moderate Income Households
Retail						
Unspecified Retail	7.3	3.8	3.8	0.0	0.0	0.0
Food & Beverage Stores	32.5	16.9	16.9	0.0	0.0	0.0
Food Services and Drinking Places	110.9	57.5	57.5	0.0	0.0	0.0
Health and Personal Care Stores	3.5	1.8	1.8	0.0	0.0	0.0
General Merchandise	6.8	3.5	3.5	0.0	0.0	0.0
Furniture and Home Furnishings Stores	7.9	4.1	4.1	0.0	0.0	0.0
Building Material and Garden Equipment and Supplies Dealer	4.3	2.2	2.2	0.0	0.0	0.0
Electronics and Appliance Stores	11.2	5.8	5.8	0.0	0.0	0.0
Clothing and Clothing Accessories Stores	10.9	5.7	5.7	0.0	0.0	0.0
Motor Vehicle and Parts Dealers	3.8	2.0	0.0	2.0	0.0	0.0
Gasoline Stations	5.6	2.9	2.9	0.0	0.0	0.0
Sporting Goods, Hobby, and Musical Instrument Stores	15.5	8.1	8.1	0.0	0.0	0.0
Miscellaneous Store Retailers	10.8	5.6	5.6	0.0	0.0	0.0
Nonstore Retailers	21.2	11.0	0.0	11.0	0.0	0.0
Arts, Entertainment, & Recreation	18.0	9.3	9.3	0.0	0.0	0.0
Medical/Health						
Ambulatory Health Care Services	4.4	2.5	0.0	0.0	0.0	2.5
General Medical and Surgical Hospitals	5.0	2.9	2.9	0.0	0.0	0.0
Nursing and Residential Care Facilities	10.4	6.0	0.0	6.0	0.0	0.0
Social Assistance	6.8	4.0	4.0	0.0	0.0	0.0
Services						
Personal and Household Goods Repair and Maintenance	13.1	7.5	7.5	0.0	0.0	0.0
Services to Buildings and Dwellings	8.4	4.9	0.0	0.0	0.0	4.9
Waste Management and Remediation Services	4.9	2.8	0.0	0.0	2.8	0.0
Real Estate and Rental and Leasing	1.0	0.6	0.0	0.6	0.0	0.0
Personal Care Services	12.4	7.2	7.2	0.0	0.0	0.0
Dry Cleaning and Laundry Services	1.7	0.9	0.9	0.0	0.0	0.0
Auto Repair and Maintenance	11.4	6.6	0.0	6.6	0.0	0.0
Veterinary Services	2.6	1.5	0.0	1.5	0.0	0.0
Photographic Services	1.6	0.9	0.0	0.9	0.0	0.0
Educational Services	29.6	17.2	17.2	0.0	0.0	0.0
Accounting	2.8	1.6	0.0	1.6	0.0	0.0
Architectural, Engineering, and Related	1.7	1.0	0.0	0.0	0.0	1.0
Specialized Design Services	1.6	0.9	0.0	0.9	0.0	0.0
Death Care Services	2.4	1.4	0.0	1.4	0.0	0.0
Legal Services	<u>1.1</u>	<u>0.6</u>	<u>0.6</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Workers and Households	393.0	211.3	167.5	32.5	2.8	8.4
Total Income-Qualified HH Generated Per 1,000 Market-Rate Units [2]		202.9	167.5	32.5	2.8	0.0
Total Income-Qualified HH Generated Per 100 Market-Rate Units [2]		20.3	16.8	3.3	0.3	0.0

[1] Assumes 1.69 workers per worker household in the City of Capitola based on 2015-2019 American Community Survey. Includes a 12.5% discount for retail and 1.9% discount for other industries to account for workers under age 20.

[2] Excludes above moderate-income households because these incomes are adequate to acquire market-rate housing.

Source: Economic & Planning Systems, Inc.

Table B-3
Income Levels for Worker Households
Worker Household Generation per 1,000 Units - For Rent 2-Bedroom Apartment
City of Capitola Rental Housing Fee; EPS# 201117

Industry	Total Workers	Total Worker Households [1]	VLI Households	LI Households	Moderate Income Households	Above Moderate Income Households
Retail						
Unspecified Retail	6.2	3.2	3.2	0.0	0.0	0.0
Food & Beverage Stores	32.9	17.1	17.1	0.0	0.0	0.0
Food Services and Drinking Places	126.9	65.8	65.8	0.0	0.0	0.0
Health and Personal Care Stores	3.5	1.8	1.8	0.0	0.0	0.0
General Merchandise	8.0	4.2	4.2	0.0	0.0	0.0
Furniture and Home Furnishings Stores	8.9	4.6	4.6	0.0	0.0	0.0
Building Material and Garden Equipment and Supplies Dealer	5.0	2.6	2.6	0.0	0.0	0.0
Electronics and Appliance Stores	13.5	7.0	7.0	0.0	0.0	0.0
Clothing and Clothing Accessories Stores	13.4	7.0	7.0	0.0	0.0	0.0
Motor Vehicle and Parts Dealers	4.5	2.3	0.0	2.3	0.0	0.0
Gasoline Stations	5.1	2.6	2.6	0.0	0.0	0.0
Sporting Goods, Hobby, and Musical Instrument Stores	13.6	7.1	7.1	0.0	0.0	0.0
Miscellaneous Store Retailers	11.3	5.9	5.9	0.0	0.0	0.0
Nonstore Retailers	21.2	11.0	0.0	11.0	0.0	0.0
Arts, Entertainment, & Recreation	23.6	12.2	12.2	0.0	0.0	0.0
Medical/Health						
Ambulatory Health Care Services	3.7	2.1	0.0	0.0	0.0	2.1
General Medical and Surgical Hospitals	4.2	2.4	2.4	0.0	0.0	0.0
Nursing and Residential Care Facilities	9.7	5.6	0.0	5.6	0.0	0.0
Social Assistance	7.4	4.3	4.3	0.0	0.0	0.0
Services						
Personal and Household Goods Repair and Maintenance	15.5	8.9	8.9	0.0	0.0	0.0
Services to Buildings and Dwellings	10.0	5.8	0.0	0.0	0.0	5.8
Waste Management and Remediation Services	4.8	2.8	0.0	0.0	2.8	0.0
Real Estate and Rental and Leasing	1.2	0.7	0.0	0.7	0.0	0.0
Personal Care Services	11.5	6.7	6.7	0.0	0.0	0.0
Dry Cleaning and Laundry Services	2.1	1.1	1.1	0.0	0.0	0.0
Auto Repair and Maintenance	13.7	7.9	0.0	7.9	0.0	0.0
Veterinary Services	2.3	1.3	0.0	1.3	0.0	0.0
Photographic Services	1.4	0.8	0.0	0.8	0.0	0.0
Educational Services	38.7	22.5	22.5	0.0	0.0	0.0
Accounting	3.8	2.2	0.0	2.2	0.0	0.0
Architectural, Engineering, and Related	2.3	1.3	0.0	0.0	0.0	1.3
Specialized Design Services	2.1	1.2	0.0	1.2	0.0	0.0
Death Care Services	3.2	1.8	0.0	1.8	0.0	0.0
Legal Services	<u>1.4</u>	<u>0.8</u>	<u>0.8</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Workers and Households	436.5	234.8	187.8	34.9	2.8	9.3
Total Income-Qualified HH Generated Per 1,000 Market-Rate Units [2]		225.5	187.8	34.9	2.8	0.0
Total Income-Qualified HH Generated Per 100 Market-Rate Units [2]		22.6	18.8	3.5	0.3	0.0

[1] Assumes 1.69 workers per worker household in the City of Capitola based on 2015-2019 American Community Survey. Includes a 12.5% discount for retail and 1.9% discount for other industries to account for workers under age 20.

[2] Excludes above moderate-income households because these incomes are adequate to acquire market-rate housing.

Source: Economic & Planning Systems, Inc.

Table B-4
Income Levels for Worker Households
Worker Household Generation per 1,000 Units - For Rent 3-Bedroom Apartment
City of Capitola Rental Housing Fee; EPS# 201117

Industry	Total Workers	Total Worker Households [1]	VLI Households	LI Households	Moderate Income Households	Above Moderate Income Households
Retail						
Unspecified Retail	7.2	3.7	3.7	0.0	0.0	0.0
Food & Beverage Stores	38.5	20.0	20.0	0.0	0.0	0.0
Food Services and Drinking Places	148.4	77.0	77.0	0.0	0.0	0.0
Health and Personal Care Stores	4.1	2.1	2.1	0.0	0.0	0.0
General Merchandise	9.4	4.9	4.9	0.0	0.0	0.0
Furniture and Home Furnishings Stores	10.4	5.4	5.4	0.0	0.0	0.0
Building Material and Garden Equipment and Supplies Dealer	5.8	3.0	3.0	0.0	0.0	0.0
Electronics and Appliance Stores	15.8	8.2	8.2	0.0	0.0	0.0
Clothing and Clothing Accessories Stores	15.7	8.1	8.1	0.0	0.0	0.0
Motor Vehicle and Parts Dealers	5.2	2.7	0.0	2.7	0.0	0.0
Gasoline Stations	6.0	3.1	3.1	0.0	0.0	0.0
Sporting Goods, Hobby, and Musical Instrument Stores	15.9	8.3	8.3	0.0	0.0	0.0
Miscellaneous Store Retailers	13.2	6.9	6.9	0.0	0.0	0.0
Nonstore Retailers	24.8	12.9	0.0	12.9	0.0	0.0
Arts, Entertainment, & Recreation	27.5	14.3	14.3	0.0	0.0	0.0
Medical/Health						
Ambulatory Health Care Services	4.3	2.5	0.0	0.0	0.0	2.5
General Medical and Surgical Hospitals	4.9	2.8	2.8	0.0	0.0	0.0
Nursing and Residential Care Facilities	11.3	6.6	0.0	6.6	0.0	0.0
Social Assistance	8.7	5.1	5.1	0.0	0.0	0.0
Services						
Personal and Household Goods Repair and Maintenance	18.1	10.4	10.4	0.0	0.0	0.0
Services to Buildings and Dwellings	11.8	6.8	0.0	0.0	0.0	6.8
Waste Management and Remediation Services	5.6	3.3	0.0	0.0	3.3	0.0
Real Estate and Rental and Leasing	1.4	0.8	0.0	0.8	0.0	0.0
Personal Care Services	13.5	7.8	7.8	0.0	0.0	0.0
Dry Cleaning and Laundry Services	2.4	1.3	1.3	0.0	0.0	0.0
Auto Repair and Maintenance	16.0	9.3	0.0	9.3	0.0	0.0
Veterinary Services	2.7	1.6	0.0	1.6	0.0	0.0
Photographic Services	1.6	0.9	0.0	0.9	0.0	0.0
Educational Services	45.3	26.3	26.3	0.0	0.0	0.0
Accounting	4.4	2.6	0.0	2.6	0.0	0.0
Architectural, Engineering, and Related	2.6	1.5	0.0	0.0	0.0	1.5
Specialized Design Services	2.4	1.4	0.0	1.4	0.0	0.0
Death Care Services	3.7	2.1	0.0	2.1	0.0	0.0
Legal Services	<u>1.7</u>	<u>1.0</u>	<u>1.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Workers and Households	510.5	274.6	219.6	40.9	3.3	10.9
Total Income-Qualified HH Generated Per 1,000 Market-Rate Units [2]		263.7	219.6	40.9	3.3	0.0
Total Income-Qualified HH Generated Per 100 Market-Rate Units [2]		26.4	22.0	4.1	0.3	0.0

[1] Assumes 1.69 workers per worker household in the City of Capitola based on 2015-2019 American Community Survey. Includes a 12.5% discount for retail and 1.9% discount for other industries to account for workers under age 20.

[2] Excludes above moderate-income households because these incomes are adequate to acquire market-rate housing.

Source: Economic & Planning Systems, Inc.

DRAFT MEMORANDUM

To: Katie Herlihy, City of Capitola

From: Darin Smith and Jake Cranor

Subject: Affordable Housing Fee Feasibility Assessment;
EPS #201117

Date: September 3, 2021

The Economics of Land Use



Economic & Planning Systems, Inc. (EPS) was retained by the City of Capitola (City) to prepare affordable housing nexus studies for both rental and for-sale residential development as a complement to a broader update of the City's Inclusionary Housing Ordinance. The City's goal is to ensure its policies encourage development of a range of housing options to address market pressures, mitigate displacement, and enable housing for future residents.

Under Capitola's existing inclusionary housing ordinance, new housing developments creating seven or more for-sale housing units, residential parcels, converted condominiums, or mobile home parcels are required to reserve and restrict one out of seven total units (nominally 15 percent) at or below prices affordable to the area median household income adjusted for household size. Housing development projects with a unit count that is not evenly divisible by seven must pay affordable housing fees for the remainder of the units at a cost of \$10 per square foot.

Housing development projects that consist solely of rental housing units are required to pay \$6.00 per square foot, and projects with fewer than seven for-sale housing units, residential parcels or converted condominiums, or mobile home parcels are required to pay affordable housing in-lieu fees (\$10.00 per square foot) or provide affordable units on-site. In addition, a structural addition to an existing housing unit which will result in a fifty percent or greater increase in the housing unit's square footage is required to pay affordable housing in-lieu fees (\$2.50 per added square foot).

This analysis evaluates the feasibility of potential changes to the City's affordable housing programs to inform levels of fees or inclusionary requirements that may be supported with minimal adverse impact on new development. The memo also describes an overview of comparable jurisdictions' inclusionary requirements, a discussion on the State's Density Bonus Law, a detailing of EPS's approach to the feasibility analysis, and recommendations for staff regarding the update to the City's inclusionary housing ordinance.

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Definitions

When discussing affordable housing policies and programs, it is helpful to review certain definitions and see actual numbers. The figure below shows the names of various affordability categories, what those categories mean in terms of their relation to the median incomes of the County’s overall population, and what the current maximum income level in each category would be for a 3-person household (generally, the average size of Capitola households). The specific income levels are set by the State Department of Housing and Community Development (HCD) and bear a nominal but not literal relationship to the median income. For example, the “Low Income” category is nominally set at up to 80 percent of the County’s median income, but HCD sets the dollar amount at \$95,600 or over 95 percent of the actual median income at \$99,000. As shown, a “Very Low Income” household in Capitola earns up to nearly \$60,000 per year, greater than the amount earned by two full-time workers earning the State’s minimum wage of \$13.00 per hour in 2021.

Affordability Category	Percentage of County Median	2021 Max Income [1] 3-person household
Extremely Low Income (ELI)	0% - 30%	\$35,750
Very Low Income (VLI)	50%	\$59,600
Low Income (LI)	80%	\$95,600
Median Income	100%	\$99,000
Moderate Income (Mod)	120%	\$118,800

[1] 2021 HCD maximum income thresholds are used to translate employment, wages and total worker household incomes to affordable housing categories and to compute supportable housing costs based on household income levels.

Key Findings

1. Capitola’s inclusionary requirement for ownership housing is more or less in line with its neighboring jurisdictions. Capitola requires that 15 percent of for-sale housing units be designated as affordable, while neighboring jurisdictions in the northern Central Coast that have inclusionary ordinances require either 15 percent or 20 percent. The degree of inclusionary units’ affordability varies significantly, however. While Capitola requires that inclusionary units be priced at values affordable to the area median income, other jurisdictions require that ownerships units be set aside for income categories ranging from ‘very low’ to ‘above moderate.’
2. Among northern Central Coast jurisdictions with an inclusionary housing ordinance, Capitola is the only one to that does not have an inclusionary requirement for rental (although rental developments do pay an affordable housing fee). Neighboring jurisdictions typically require a 12 to 20 percent set aside for affordable units in rental developments.
3. Due to high development costs including the acquisition of developable land, for-sale housing developments in Capitola appear to face challenges to achieve industry-standard financial returns while also meeting the City’s current inclusionary standards for on-site units. The feasibility of such projects would be greatly enhanced if the developers are allowed to pay an in-lieu or nexus-based impact fee, even one much higher than the current fee at \$10 per square foot. EPS estimates that a fee of roughly \$25 per square foot would allow developers to achieve an attractive financial return, exceeding

achievable when providing inclusionary units on-site, and would also fall within the maximum nexus-supported fees calculated in the EPS nexus study.

4. New rental housing in Capitola also faces feasibility challenges due to high development costs. Even without any inclusionary requirements or in-lieu/impact fee obligations, rental development appears to fall somewhat short of industry-standard return thresholds. The City of Capitola may consider whether to maintain its current \$6.00 per square foot in-lieu fee for rental development (which very modestly affects project feasibility) or eliminate any inclusionary or fee requirements for rental housing, but EPS does not recommend any increase to the City's current inclusionary standards for rental housing at this time.
5. The City currently charges an affordable housing in-lieu fee of \$2.50 per square foot for home additions that increase an existing unit's size by 50 percent or greater. The for-sale housing nexus study indicates that this current fee and an even higher one could be justified from a nexus perspective. However, EPS cautions the City against raising the current home additions fee dramatically, as the cost burden of such an increase would fall largely upon existing homeowners who may not be able to absorb those costs as readily as can a professional developer who will sell a newly constructed unit very shortly after construction is complete.

Overview of Comparable Jurisdictions

In considering potential changes to the City's inclusionary requirements, it is helpful to understand how these policies are being implemented in comparable jurisdictions. To provide this context, EPS surveyed the neighboring jurisdictions in the Northern Central Coast Region, including in Santa Cruz County, Monterey County, and San Benito County.

- **Santa Cruz County:**
 - Capitola
 - Santa Cruz
 - Watsonville
- **Monterey County:**
 - City of Monterey
 - Marina
 - Monterey County
 - Salinas
 - Seaside
- **San Benito County**
 - San Benito County
 - San Juan Bautista

Inclusionary requirements adopted by jurisdictions in the Region vary based on local policy preferences, including factors such as the number of units in the development or the type of housing (i.e., rental, condominium, townhome, or single family). The charts on the following pages are divided into requirements for new rental development versus requirements for new for-sale developments, which often vary in cities. The charts also highlight the range of affordability requirements among the cities, from very-low to low- to moderate income. On the rental side, overall inclusionary percentages required ranged from 12 to 20 percent, as illustrated in **Figure 1**. On the for-sale side, percentages range from 15 percent to 20 percent (**Figure 2**).

Capitola is unique among its neighbors in that it does not have an inclusionary requirement for rental housing. Of the comparative set of jurisdictions, most have a requirement of 20 percent, while the City of Salinas and San Benito County have requirements of 12 percent and 15 percent, respectively. There is a high degree of variation with regard to affordability standards for rental properties, though every jurisdiction has a set-aside for low-income households. Six have set-asides for very low-income, while four have set-asides for moderate income. In most cases, developments with total units under a certain threshold are often exempted. This

threshold varies from jurisdiction to jurisdiction, the lowest being five-unit projects (multiple jurisdictions), and the highest being 20-unit projects in Marina.

Should Capitola alter its inclusionary requirements to reflect the nexus study finding that a market rate renter-household generates demand for at least 0.14 below market rate units, it would fall in the lower end of the range of this comparison set. However, it would require the majority of inclusionary units being set aside for very low-income households, which would represent a much deeper level of affordability than most communities require.

Figure 1 Inclusionary Requirements for New Rental Development

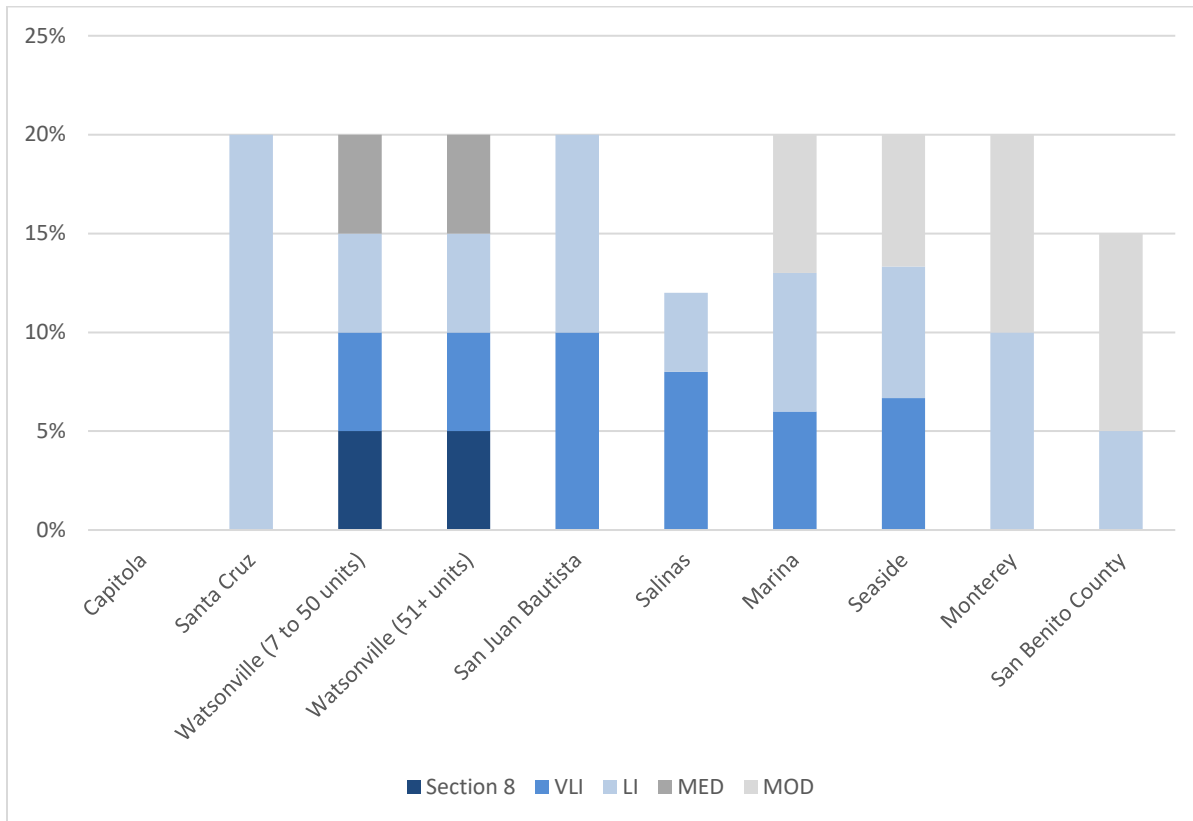
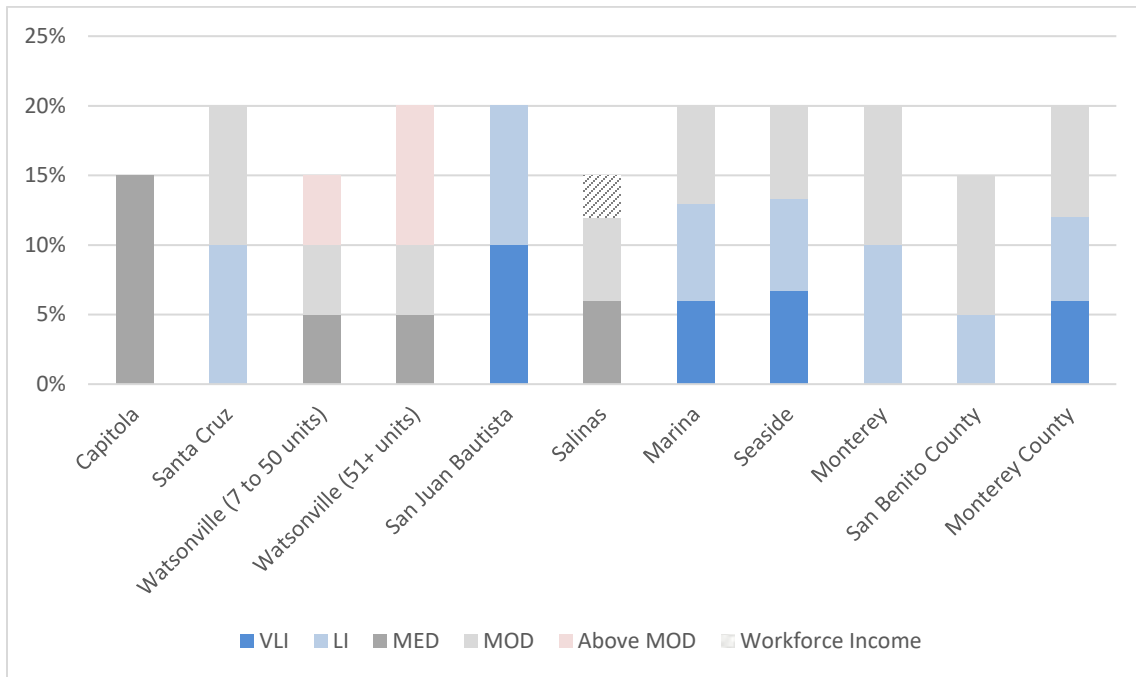


Figure 2 shows that Capitola’s for-sale inclusionary requirement of 15 percent is within the range of many neighboring jurisdictions. Capitola is again unique in that all inclusionary units must be affordable only to the median area income adjusted for household size, while other jurisdictions require set asides for multiple income categories, including low and even very-low-income units. Overall, affordability requirements for for-sale housing among neighboring jurisdictions focus on higher income levels than are required for rental housing. Again, the results of the nexus study show that there is potential justification for more aggressive inclusionary requirements in Capitola. However, this memorandum’s analysis below indicates that more aggressive inclusionary standards may not be economically feasible in Capitola.

Figure 2 Inclusionary Requirements for New For-Sale Development



Feasibility Analysis

The City has asked EPS to compare the maximum fees as determined by the nexus studies to the costs and values of new development of various types, to determine whether the maximum fees represent a significant burden on project feasibility and to estimate a figure at which the fees may be more feasibly absorbed by developers. To do this, EPS has prepared financial pro formas reflecting the expected costs of new development, and compared those costs to the revenues that could be generated from the projects given various mixes of market-rate and affordable housing. EPS has endeavored to identify potential “win-win” scenarios, in which the development’s affordability would be enhanced but so would the developer’s return on investment, relative to adhering to the City’s current inclusionary standards.

Ownership Scenarios

In evaluating various inclusionary and impact fee scenarios for ownership housing, EPS analyzed the development economics of a hypothetical development consisting of 100 single-family units¹ with a density of eight units per acre. Units are assumed to average 1,800 square feet and three bedrooms each, with an average of four persons per household. The five scenarios are:

Current Ordinance – 15 percent of units within the project must be affordable to households at the area median income adjusted for household size. For this hypothetical development, 15 units are inclusionary and there are no fractional units requiring the \$10 per square foot fee.

Existing Fee – The current ordinance states that a \$10 per square foot in-lieu fee applies to fractional inclusionary units (for instance, a 30-unit project would provide four inclusionary units (1/7 of 28 units) and pay the in-lieu fee on the remaining two market-rate units). Within in this scenario, the project would be assumed to pay the \$10 fee for all units instead of providing any affordable units within the project.

No Inclusionary or Fee – This scenario shows the estimated return that could be achieved by developers if they are not required to pay any fee or provide any inclusionary units.

Maximum Nexus-Based Fee – Based on the results of the nexus study, a unit of this size/value can be charged a maximum fee of about \$44 per square foot. The project would be assumed to pay this maximum fee for all units instead of providing any affordable units within the project.

Nexus-Based Inclusionary Requirement – The results of the nexus study show that 100 homes of this value would generate local spending and increase demand for local labor, resulting in demand for roughly 27 new affordable units, most of which would be required for very low-income households. For this scenario, EPS has modeled the construction of one affordable unit for every four market-rate units (or 20 percent of the total number of units), with the majority of the affordable units priced at very low-income levels per the nexus study findings.

Maximum Feasible Fee – This scenario shows the fee that can be levied against these units while still allowing the developer to achieve the profit margin required to make such a development feasible. No on-site inclusionary units are assumed.

Feasible Inclusionary Requirements – Three additional inclusionary scenarios show the number of inclusionary units that can be built when affordable to a given income level while still allowing the developer to achieve the required profit margin. The first assumes all inclusionary units are affordable to moderate-income households, the second assumes all inclusionary units are affordable to median-income households, and the third assumes all inclusionary units are affordable to low-income households.

¹ EPS uses a hypothetical 100-unit project in order to illustrate the effects of various inclusionary or fee requirements in a mathematically clear manner. EPS is aware that 100-unit projects would be rare in Capitola, and has assumed per-unit costs more reflective of the economies of scale of much smaller projects (5-10 units). As such, EPS intends and believes that the results of this analysis can be reasonably interpreted to reflect for-sale housing developments with far fewer than 100 units.

Key revenue assumptions are based on RedFin sales data for Capitola over the period from May 2020 through May 2021, which suggest that a home of this type and size in Capitola could sell for \$800 per square foot or roughly \$1.44 million. For the affordable units, maximum value by income category is shown in **Table 1**.

Land acquisition cost assumptions are based on local land transactions for the development of single-family homes, with an assumption of \$2.6 million per acre held constant across all scenarios. Construction cost estimates are based on EPS experience with similar developments in Northern California, with total direct and indirect costs (except land and affordable housing fees) assumed to be \$851,000 per unit.

The scenarios presented test the feasibility of incorporating different fee levels and affordability requirements, feasibility being measured by an estimated profit margin. These revenue and cost estimates inform a range of profit margins (net revenue divided by total cost), which vary by scenario, as shown in **Table .** Based on recent experience with developers and lenders in Northern California, EPS assumes that developers would require at least an 18 percent profit margin in order to accept the risk associated with the project.²

The results show that, unsurprisingly, the 'No Inclusionary or Fee' scenario yields the highest return, while the existing fee level at \$10 per square foot also allows developers to achieve an attractive return. Providing affordable units on-site – even the City's current 15 percent requirement at median income, let alone the higher proportion at lower price points determined in the nexus study – appears to yield profit margins below development industry standards. This result would suggest that, under current market conditions regarding construction costs, developers of for-sale housing would need to reduce their costs (for instance, by paying less for land) and/or increase their revenues (by selling their homes at higher prices) in order to support the construction of on-site affordable units. Fees appear to be better tolerated than on-site inclusionary requirements, with the 'Maximum Nexus-Based Fee' scenario nearly achieving feasibility with a profit margin of nearly 15 percent. A fee set at roughly \$25 per square foot appears to allow a attractive financial return to developers while also increasing City revenues for affordable housing and falling within the maximum fee levels calculated through the nexus study.

The three feasible inclusionary requirement scenarios show that, if all inclusionary units are affordable to moderate incomes, the developer could probably accommodate an inclusionary requirement of about 8 percent and still reach the 18 percent profit margin. If all inclusionary units are affordable at the median household income, an inclusionary requirement of 7 percent is likely to be feasible. When affordable for low-income households, only a 6 percent inclusionary requirement appears to be feasible.

² An 18 percent profit margin means that the average prices at which the units can be sold exceed the total costs of development (property acquisition, design and entitlement process, construction, financing, marketing, etc.) by 18 percent. It is common for new housing construction in Northern and Coastal California to require at least a year for property acquisition and entitlement and another year for construction and marketing, so the total \$1,176,000 per unit development costs might be roughly split over two years prior to selling the unit for \$1.4 million in Year 3. In this case, an 18 percent profit margin would equate to closer to a 11 percent "Internal Rate of Return" on the overall investment – comparable to the rate of return on investing in the general stock market over the past decade. This is consistent with

Table 1 Affordable Home Value for a 4-Person Household by Income Category

Income Category	Maximum Household Income [1]	Maximum Unit Value
Very Low-Income	\$66,200	\$296,500
Low-Income	\$106,200	\$515,000
Median-Income	\$110,000	\$641,500
Moderate-Income	\$132,000	\$765,500

[1] For 4-person household. Assumes 30% of gross household income spent on housing costs for VLI and Low-Income, and 35% of gross income spent on housing for Median and Moderate.

Sources: City of Capitola; County of Santa Cruz; Economic and Planning Systems, Inc.

Table 2 Ownership Scenarios

Program	Current Ordinance		Existing Fee		No Inclusionary or Fee		Maximum Nexus-Based Fee		Nexus-Based Inclusionary Requirement		Maximum Feasible Fee		Feasible Inclusionary Requirement - Mod		Feasible Inclusionary Requirement - Median		Feasible Inclusionary Requirement - Low		
	Value/ Unit ¹	Revenue Units	Total Value	Revenue Units	Total Value	Revenue Units	Total Value	Revenue Units	Total Value	Revenue Units	Total Value	Revenue Units	Total Value	Revenue Units [4]	Total Value	Revenue Units [4]	Total Value	Revenue Units [4]	Total Value
Units in Project		100		100		100		100		100		100		100		100		100	
Revenues																			
MR Units [1]	\$1,440,000	85	\$122,400,000	100	\$144,000,000	100	\$144,000,000	100	\$144,000,000	80	\$115,200,000	100	\$144,000,000	92	\$132,811,200	93	\$134,553,600	94	\$135,864,000
VLI Units [2]	\$297,000	0	\$0	0	\$0	0	\$0	0	\$0	16	\$4,752,000	0	\$0	0	\$0	0	\$0	0	\$0
Low Units [2]	\$515,000	0	\$0	0	\$0	0	\$0	0	\$0	3	\$1,545,000	0	\$0	0	\$0	0	\$0	6	\$2,909,750
Median Units [2]	\$642,000	15	\$9,630,000	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	7	\$4,211,520	0	\$0
Mod Units [2]	\$766,000	0	\$0	0	\$0	0	\$0	0	\$0	1	\$766,000	0	\$0	8	\$5,951,820	0	\$0	0	\$0
Total		100	\$132,030,000	100	\$144,000,000	100	\$144,000,000	100	\$144,000,000	100	\$122,263,000	100	\$144,000,000	100	\$138,763,020	100	\$138,765,120	100	\$138,773,750
Costs																			
Land Purchase + Carrying Costs [3]	\$325,000		\$32,500,000		\$32,500,000		\$32,500,000		\$32,500,000		\$32,500,000		\$32,500,000		\$32,500,000		\$32,500,000		\$32,500,000
Hard + Soft Costs (excluding AH fee)	\$851,000		\$85,100,000		\$85,100,000		\$85,100,000		\$85,100,000		\$85,100,000		\$85,100,000		\$85,100,000		\$85,100,000		\$85,100,000
Affordable Housing Fee per SF			\$0.00		\$10.00		\$0.00		\$44.17		\$0.00		\$24.64		\$0.00		\$0.00		\$0.00
Affordable Housing Fee Total			\$0		\$1,800,000		\$0		\$7,950,032		\$0		\$4,435,714		\$0		\$0		\$0
Total			\$117,600,000		\$119,400,010		\$117,600,000		\$125,550,032		\$117,600,000		\$122,035,714		\$117,600,000		\$117,600,000		\$117,600,000
Profit Margin			\$14,430,000		\$24,599,990		\$26,400,000		\$18,449,968		\$4,663,000		\$21,964,286		\$21,163,020		\$21,165,120		\$21,173,750
Profit Margin (% of Costs)			12.27%		20.60%		22.45%		14.70%		3.97%		18.00%		18.00%		18.00%		18.00%

[1] Assumes \$800 per SF
 [2] See Table 1 for maximum sales price
 [3] Based on CoStar for land transactions between 0.5 and 1 acre
 [4] Rounded to nearest whole unit
 Sources: City of Capitola; Economic & Planning Systems, Inc.

Attachment: Affordable Housing Fee Feasibility Analysis (Consider the First Reading of an Ordinance)

Rental Scenarios

On the rental side, EPS modeled a 100-unit market rate multifamily development, assuming 20 units per acre. All units are assumed to have two bedrooms, with a household size of three people. Land acquisition cost is derived from recent transactions for multifamily development in Capitola and Santa Cruz, as reported by CoStar. Development costs are based on EPS's experience with similar developments in Northern California. For income assumptions, EPS compiled market-rate and affordable rents based on conditions and requirements in Capitola. As the standard metric for feasibility, EPS modeled the annual yield on cost, calculating aggregate Net Operating Income (NOI) divided by development costs. As on the ownership side, EPS evaluated a number of scenarios, adjusting the inclusionary requirements and fee levels in each. Outlined below are the tested against the current rental ordinance:

Current Ordinance – Rental multifamily developments are required to pay a fee of \$6 per square foot.

No Inclusionary or Fee – This scenario shows the estimated return achieved by developers when they are not required to pay any fee or provide any inclusionary units.

Maximum Nexus-based Fee – The results of the nexus study show that two-bedroom rental units can justifiably be required to pay a fee of up to \$54.54 per square foot, based on their impact on the demand for affordable housing. This scenario does not require any inclusionary units be built on-site.

Nexus-based Inclusionary Requirement – The results of the nexus study show that the construction of 100 market-rate rental units may generate demand for roughly 24 affordable units. For this scenario, EPS has modeled the construction of one affordable unit for every four market-rate units (20 percent of the total number of units), with the majority of the affordable units priced at very low-income levels per the nexus study findings.

Income assumptions include market rate rents of \$3,850 per month for a two-bedroom unit, reflecting typical rents for newly constructed multifamily in the Greater Santa Cruz-Capitola area. Affordable rents were informed by the 2021 income limits for Santa Cruz County as determined by HUD, State of CA HCD, and County of Santa Cruz (**Table**). On the cost side, EPS used a land price of \$1.4 million per acre for 5 acres, based on market data from 12 transactions from 2009-2020 for properties to be built for residential use. Aside from land, the cost of constructing the buildings is assumed to be modestly lower on a per-square-foot basis than was assumed for the for-sale project. These revenue and cost estimates inform a range of yield on cost percentages, which vary by scenario, as show in **Table** .

Assuming developers need an anticipated yield on cost of 5.25 percent³ to move forward with a project of this nature, none of these scenarios provide a high enough return. The 'No Inclusionary or Fee' and 'Existing Fee' scenarios allow the highest yields, though still significantly below the required 5.25 percent yield, with the 'No Inclusionary or Fee' scenario understandably

³ CoStar reports that Santa Cruz County apartment complexes built since 2000 have been transacting at average capitalization rates of roughly 4.50 percent. In EPS's experience, developers and lenders typically underwrite new construction projects with yield-on-cost ratios at least 0.75 percentage points higher than capitalization rates for existing, stabilized properties.

producing the highest return. The 'Maximum Nexus-Based Fee' scenario produces a yield on cost of about 4.6 percent, and the 'Nexus-based Inclusionary Requirement' scenario produced the lowest yield on cost at under 4.5 percent.

These results suggest that new market-rate rental housing in Capitola faces feasibility challenges due to high development costs. Even without any inclusionary requirements or in-lieu/impact fee obligations, rental development appears to fall somewhat short of industry-standard return thresholds. The City of Capitola may consider whether to maintain its current \$6.00 per square foot in-lieu fee for rental development (which very modestly affects project feasibility) or eliminate any inclusionary or fee requirements for rental housing, but EPS does not recommend any increase to the City's current inclusionary standards for rental housing at this time.

Capitola vs. Other Communities

It is reasonable to ask why higher inclusionary standards may be feasible in other communities but not in Capitola. For example, Marina and Seaside require 20 percent inclusionary units for for-sale developments, including a mix of Moderate, Low, and Very Low-income levels. EPS has not evaluated the feasibility of each adopted inclusionary program described on **Figures 1** and **2**. However, we can make general observations.

The feasibility of development is dependent on numerous factors including both costs and revenues, and a large portion of the costs of development in Capitola is related to land acquisition – assumed at \$2.6 million per acre or \$325,000 per unit for for-sale development. In this case, land costs alone exceed the prices at which Very Low-income units could be sold in Capitola, and more than half of the prices for which Low- and Median-income units could be sold. By contrast, lower land costs in inland areas such as Watsonville, Salinas, and San Benito County may not present as great a financial hurdle for development feasibility and thus allow those jurisdictions to require more inclusionary units or lower affordable price points. While this land cost factor may not be the only reason that inclusionary housing standards create feasibility challenges in Capitola, it illustrates the fact that certain key considerations may not be evident in high-level comparisons of inclusionary standards among jurisdictions.

Furthermore, the adoption of an inclusionary standard does not necessarily indicate that such standards are in fact feasible. Indeed, under AB 1505 the State's Housing and Community Development Department (HCD) has authority under certain circumstances to require jurisdictions considering new or amended inclusionary housing standards after September 15, 2017 to submit analysis regarding the feasibility impacts of such standards⁴ – recognizing that some inclusionary standards would be expected to have negative impacts in specific market areas. One circumstance that could trigger such a review by HCD is if the jurisdiction has permitted less than 75 percent of the "Above Moderate" (i.e., market-rate) housing it was allocated in the Regional Housing Needs Allocation (RHNA) process, as such a record could indicate that the inclusionary requirement is a deterrent to housing production due to feasibility impacts. Seven of the 10 jurisdictions shown on Figures 1 and 2, including Capitola, have fallen

⁴ See: [Division of Administration and Management Letterhead \(ca.gov\)](https://www.ca.gov/divisions/division-of-administration-and-management/)

short of this 75 percent permitting threshold, suggesting that their inclusionary standards may be one factor in delivering fewer than their allocated housing units.⁵

In summary, EPS acknowledges that other communities have higher inclusionary standards than does Capitola, but recommends considering the results of this feasibility analysis as guidance regarding whether Capitola's standards should be increased.

Home Additions

Capitola currently charges an affordable housing in-lieu fee of \$2.50 per square foot for home additions that increase the unit size by 50 percent or greater. The EPS nexus study for for-sale housing includes a discussion of the impact of home additions on the demand for affordable housing, and concludes that a nexus-based fee could be justified for such projects, which are common in Capitola. While EPS concluded that a fee similar to those for new for-sale construction could be justified from a nexus perspective, raising the home additions fee from \$2.50 per square foot to as much as \$25 per square foot as suggested herein for new for-sale construction would represent a very large increase. A typical home addition is undertaken by the property owner to enhance their quality of life and eventual property value, but they may not be able to absorb high cost increases as well as a professional developer who can recoup their investment by selling the unit immediately upon completion. For this reason, EPS cautions the City of Capitola against a significant increase in the current \$2.50 fee for home additions.

⁵ See [Housing Element Open Data Project and SB 35 Determination \(arcgis.com\)](#)

Table 3 Estimated Revenue Generation per Unit by Income Level – 3-Person Households

Item	3-Story Multifamily Building With Surface Parking			
	Very Low Income (50% AMI)	Low Income (80% AMI)	Moderate Income (120% AMI)	Market Rate
Household Income [1]	\$59,600	\$95,600	\$118,800	N/A
Income Available for Housing Costs [2]	\$17,880	\$28,680	\$35,640	\$46,200
(Less) Operating Expenses per Unit per Year [3]	<u>-\$6,000</u>	<u>-\$6,000</u>	<u>-\$10,000</u>	<u>-\$16,170</u>
Net Operating Income	\$11,880	\$22,680	\$25,640	\$30,030

[1] Based on 2021 income limits for a three person household in Santa Cruz County.

[2] Assumes housing costs to be 30% of gross household income. Market rate rent assumed to be \$3,850 per month

[3] Operating expenses are generally based on EPS feasibility studies in the region and are inclusive of utility costs; 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.

Source: California Housing and Community Development Department; Apartments.com; Economics and Planning Systems, Inc.

Table 4 Rental Scenarios

	Current Ordinance	No Inclusionary or Fee	Maximum Nexus Fee	Nexus-Based Inclusionary Requirement
Inclusionary Requirement	0%	0%	0%	23%
Total Project Costs				
Land Costs (1 acre) [1]	\$7,000,000	\$7,000,000	\$7,000,000	\$7,000,000
Hard and Soft Cost (excluding affordable housing fee)	\$53,300,000	\$53,300,000	\$53,300,000	\$53,300,000
Affordable Housing Fee (per SF)	\$6.00	\$0.00	\$54.54	\$0.00
<u>Affordable Housing Fee (Total)</u>	<u>\$570,000</u>	<u>\$0</u>	<u>\$5,248,750</u>	<u>\$0</u>
Total	\$60,870,000	\$60,300,000	\$65,548,750	\$60,300,000
Units by Price Point				
Market Rate Units	100	100	100	81
Annual NOI/Unit [2]	\$30,030	\$30,030	\$30,030	\$30,030
Aggregate NOI of Market Rate Units	\$3,003,000	\$3,003,000	\$3,003,000	\$2,432,430
Moderate Income Units (120% of AMI)	0	0	0	0
Annual NOI/Unit [2]	\$25,640	\$25,640	\$25,640	\$25,640
Aggregate NOI of Moderate Income Units	\$0	\$0	\$0	\$0
Low Income Units (80% of AMI)	0	0	0	4
Annual NOI/Unit [2]	\$22,680	\$22,680	\$22,680	\$22,680
Aggregate NOI of Low Income Units	\$0	\$0	\$0	\$90,720
VLI Units (50% of AMI)	0	0	0	15
Annual NOI/Unit [2]	\$11,880	\$11,880	\$11,880	\$11,880
Aggregate NOI of VLI Units	\$0	\$0	\$0	\$178,200
Total Project NOI	\$3,003,000	\$3,003,000	\$3,003,000	\$2,701,350
Weighted Avg. NOI/Unit	\$30,030	\$30,030	\$30,030	\$27,014
Yield on Cost	4.93%	4.98%	4.58%	4.48%

[1] Based on recent land sales for 1+ acre parcels, as reported by CoStar

[2] See Table 3 for revenue assumptions

Sources: City of Capitola; Economic & Planning Systems, Inc.



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF OCTOBER 14, 2021

FROM: City Manager Department
SUBJECT: GreenWaste Franchise Agreement

RECOMMENDED ACTION: Authorize the City Manager to enter into the amended and restated Franchise Agreement with GreenWaste Recovery, Inc. for collection and disposal of garbage, recycling, organics, food waste, yard waste, and construction and demolition debris.

BACKGROUND: The City of Capitola and GreenWaste Recovery first entered into an agreement for GreenWaste Recovery to be the franchise waste hauler for the City of Capitola in 2008. The original agreement was for 10-years. This agreement was amended in 2010 and 2012 and extended through 2022.

GreenWaste is responsible for the collection and transportation of solid waste within the City of Capitola. GreenWaste takes trash, yard waste, organics, and construction and demolition debris to the Monterey Regional Waste Management District for processing and disposal. Recycling is taken to the GreenWaste facility in San Jose for processing.

At the October 8, 2020, Council Meeting, the City Council approved an updated agreement with Monterey Regional Waste Management District for solid waste generated in the City of Capitola. This agreement included a phased rate increases for City of Capitola solid waste. The phased approach will increase the rate to 95% of the Member Agency rate for disposal on July 1, 2024.

Over the past few years, as part of the State of California plan to reduce disposal in landfills, increase diversion, and decrease methane gas emissions, there have been several pieces of legislation passed, including Senate Bill 1383. The bills add new requirements that increase costs for both collection and disposal of solid waste. On November 3, 2020, the Office of Administrative Law approved the final SB 1383 regulations.

SB 1383 requires jurisdictions to:

- Capture organics that would other be disposed in landfills
- Adopt model ordinances
- Provide education and outreach to promote new programs and incentivize customer participation
- Implement contamination monitoring programs
- Procure organic materials (compost) for local use
- Participate in edible food recovery programs; and
- Establish compliance reporting.

Non-compliant jurisdictions will be assessed penalties.

GreenWaste Franchise Agreement
October 14, 2021

DISCUSSION: The updated and restated franchise agreement extends the agreement with GreenWaste Recovery until 2030. This timing aligns with the GreenWaste franchise agreements with Santa Cruz County and the City of Scotts Valley. In addition, the contract year has been changed from January 1st to July 1st to align with the City fiscal year.

The updated franchise agreement includes the necessary changes for compliance with SB1383 and other state requirements.

To meet all the requirements of SB1383 the following contract amendments have been incorporated in the new agreement:

- Update definitions and language to provide organic materials collection for all customers
- Extension of the term through June 30, 2030
- Update container colors to comply with SB 1383
- Route reviews by Green Waste to review a selection of customer's containers and document contamination for subsequent noticing to the individual customer if determined to be out of compliance
- Reporting to maintain an accurate and up-to-date implementation record for CalRecycle
- Public education requirements for SB 1383; and,
- Additional liquidated damages for SB 1383 specific compliance requirements.

In addition to the operational and required contract amendments, GreenWaste is recapitalizing the company in 2021 and may also undergo a company reorganization to be completed by December 31, 2022, so section 10.10 has been added to approve the change in control and potential future limited assignment to an affiliate..

The implementation of the requirements of SB 1383 and the increase in costs related to disposal will mean that customer rates will increase. The increases in the contract are approximately 23% over the rates that went into effect on January 1, 2020. It is important to know that the increases include a deferred CPI increase from January 1, 2021, and the initial increases from the City's disposal agreement with Monterey Regional Waste Management District.

The new rates separate out the costs related to the collection service and the costs related to disposal. The 35-gallon service, which is the most common, will increase \$4.11/month. The residential service rates in Capitola remain the lowest in Santa Cruz County.

New Monthly Residential Service Rates

Garbage Service Cart Size	Quantity	Rate	Rate Components		New Rate (1/1/2022)
		(01/01/2020)	Service	Disposal	
10 Gallon	1	\$ 13.47	\$ 14.57	\$ 1.95	\$ 16.52
<i>Care Discounted</i>		\$ 8.08	\$ 7.96	\$ 1.95	\$ 9.91
20 Gallon	1	\$ 16.01	\$ 17.32	\$ 2.32	\$ 19.63
<i>Care Discounted</i>		\$ 9.60	\$ 9.46	\$ 2.32	\$ 11.78
35 Gallon	1	\$ 18.15	\$ 19.63	\$ 2.63	\$ 22.26
<i>Care Discounted</i>		\$ 10.89	\$ 10.73	\$ 2.63	\$ 13.35
64 Gallon	1	\$ 30.88	\$ 33.41	\$ 4.47	\$ 37.88
96 Gallon	1	\$ 43.77	\$ 47.35	\$ 6.33	\$ 53.69

GreenWaste Franchise Agreement
October 14, 2021

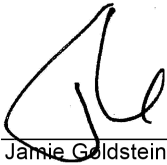
FISCAL IMPACT: As part of the franchise agreement, the City of Capitola collects a 10% franchise fee. In fiscal year 2020-21 that fee was approximately \$285,000.

ATTACHMENTS:

1. GreenWaste Capitola 10-14-2021 Franchise Agreement

Report Prepared By: Larry Laurent
Assistant to the City Manager

Reviewed and Forwarded by:



Jamie Goldstein, City Manager

10/8/2021

AMENDED AND RESTATED
GARBAGE, RECYCLING, ORGANICS, FOOD WASTE, YARD WASTE
AND CONSTRUCTION AND DEMOLITION DEBRIS
SERVICES FRANCHISE AGREEMENT

This Amended and Restated Franchise Agreement (the “Franchise”) is entered into this _____ day of _____, 2021, by the City of Capitola, a Municipal Corporation within the State of California (hereafter “City”) to Green Waste Recovery, Inc., a California Corporation (hereafter “Franchisee”), with an effective date of October 14, 2021, and an expiration date of June 30, 2030.

RECITALS:

WHEREAS, the Legislature of the State of California, by enactment of the California Integrated Waste Management Act of 1989 (“AB 939”) established a solid waste management process which requires cities and other local jurisdictions to implement source reduction, reuse and recycling as integrated waste management practices; and

WHEREAS, AB 939 authorizes and requires local agencies to make adequate provisions for solid waste handling within their jurisdictions; and

WHEREAS, the City of Capitola is obligated to protect the public health and safety of its residents and has determined that arrangements by waste haulers for the collection of Solid Waste should be made in a manner consistent with the protection of public health and safety; and

WHEREAS, the Franchisee has represented and warranted to the City that it has the experience, responsibility, and qualifications to conduct the services detailed herein for the collection, safe transportation and processing or disposal of Franchise Materials as described herein; and

WHEREAS, Public Resources Code Section 40059 permits the City to impose terms and conditions on the award of a solid waste franchise if, in the opinion of the governing body, the public health, safety and well-being require the imposition of those terms and conditions; and

WHEREAS, the City Council of the City of Capitola determines and finds that, the public interest, health, safety and well-being would be served if the Franchisee performs the solid waste handling services described herein for single family residences, multi-family dwellings and commercial service customers; and

WHEREAS, the City and Franchisee entered into that certain Exclusive Refuse, Recycling, Yard Waste Collection Franchise Agreement on September 1, 2008 with a term ending December 31, 2018 with options to extend the term of the Franchise Agreement; and

WHEREAS, the City and Franchisee entered into that certain First Amendment to the 2008 Agreement on October 14, 2010 for Franchisee to implement a two year pilot program for the collection of food waste from commercial customers and related new requirements; and

WHEREAS, the City and Franchisee entered into that certain Second Amendment to the 2008 Agreement on January 3, 2013 to modify the service fee schedule and extend the term of the Agreement through December 31, 2022; and

WHEREAS, Senate Bill 1383 (SB 1383) that was passed by the California legislature in 2016 established methane emission reduction targets in a statewide effort to reduce emissions of short lived climate pollutants by requiring local agencies to ensure their solid waste collection and processing systems promote the diversion or organic waste from landfills; and

WHEREAS, the City entered into that certain Agreement to Continue Waste Disposal Services with the Monterey Regional Waste Management District to receive and dispose of acceptable waste dated October 14, 2020; and

WHEREAS, City and Franchisee desire to amend and restate the September 1, 2008 agreement to continue services through June 30, 2030 to supersede any and all prior agreements for services; and

WHEREAS, continuation of Franchisee's services through June 30, 2030, coupled with the City's agreement with MRWMD, will allow the City to be compliant with the regulations imposed by the State of California under SB 1383; and

WHEREAS, the City Council of the City of Capitola adopted Resolution No. ___ on the 14th day of October, 2021 authorizing the City Manager to execute this Franchise Agreement on behalf of the City of Capitola.

NOW, THEREFORE, the City of Capitola grants the Franchisee the Franchise described herein on the terms and conditions established hereby:

ARTICLE I DEFINITIONS & INTERPRETATION

SECTION 1.1. DEFINITIONS. The following capitalized names and terms shall have the meanings set forth below:

"Act" means the California Integrated Waste Management Act of 1989 (Division 30 of the California Public Resources Code), as amended, supplemented, superseded and replaced from time to time.

"Appendix" means an appendix to this Franchise, as the same may be amended or modified from time to time in accordance with the terms hereof.

"Applicable Law" means any law, rule, regulation, requirement, guideline, permit, action, determination or order of any Governmental Body having jurisdiction, applicable from time to time to the Franchise Services; the Operating Assets; the siting, design, acquisition, permitting, construction, equipping, financing, ownership, possession, shakedown, testing, operation or maintenance of any of the Operating Assets; or any other transaction or matter contemplated hereby (including any of the foregoing which concern health, safety, fire, environmental protection, labor relations, mitigation monitoring plans, building codes, non-discrimination and the payment of minimum wages), and further including the City Municipal Code and the County Integrated Waste Management Plan.

"Bin" means a receptacle meeting the requirements of Appendix A, for discarding Garbage, Recyclables, and/or Organics in a range of sizes set forth in Appendix A, or as hereafter agreed between the parties, provided by and/or serviced by the Franchisee.

"Box" means a receptacle meeting the requirements of Appendix A, for discarding Garbage, Recyclables, Organics and/or Construction and Demolition Debris in a range of sizes set forth in Appendix A, or as hereafter agreed between the parties, provided by and serviced by the Franchisee.

"Bulky Goods" means large and small household appliances, furniture, tires, carpets, mattresses and similar large items of Solid Waste. Bulky Goods shall not include Excluded Materials or commercial appliances or tires.

"Cart" means a receptacle meeting the requirements of Appendix A, for discarding Garbage, Recyclables, and/or Organics in a range of sizes set forth in Appendix A, or as hereafter agreed between the parties, provided by and serviced by the Franchisee.

"Change in Law" means any of the following events or conditions which have a material and adverse effect on the performance by the parties of their respective obligations under this Franchise (except for payment obligations), or on the siting, design, permitting, acquisition, construction, equipping, financing, ownership, possession, management, operation or maintenance of the Operating Assets or other matters to which Applicable Law applies:

- (1) The enactment, adoption, promulgation, issuance, modification, or written change in

administrative or judicial interpretation on or after the Franchise Date of any Applicable Law; or

(2) The order or judgment of *any* Governmental Body, on or after the Franchise Date, to the extent such order or judgment is not the result of willful or negligent action, error or omission or lack of reasonable diligence of the City or of the Franchisee, whichever is asserting the occurrence of a Change in Law; provided, however, that the contesting in good faith or the failure in good faith to contest any such order or judgment shall not constitute or be construed as such a willful or negligent action, error or omission or lack of reasonable diligence.

"**City**" means the City of Capitola, California.

"**City Indemnified Parties**" has the meaning specified in Section 10.1 hereof.

"**City Facility**" means any building, park, right of way or other site owned, leased or used regularly and significantly by employees or contractors of the City of Capitola.

"**City Facility Containers**" means those Containers located at City Facilities and designated by the City for the collection Garbage, Recyclables, Organics, and/or Construction and Demolition Debris generated at City facilities.

"**City Manager**" means the City Manager for the City of Capitola, California.

"**Commercial Customer**" means any person, including an owner of a multi-family building, who generates Solid Waste at and/or brings Solid Waste to Commercial Premises and subscribes to temporary or permanent commercial service provided by the Franchisee pursuant to this Franchise.

"**Commercial Premises**" means any building or developed or undeveloped site in the Franchise Area, other than Residential Premises, from which any business, service, non-profit, governmental, institutional, commercial or industrial activity is conducted and Solid Waste is generated, including without limitation motels, hotels, recreational vehicle parks, restaurants, professional offices, clubhouses, places of entertainment, manufacturing plants and private schools.

"**Compactor**" means a receptacle meeting the requirements of Appendix A, for discarding Garbage, Recyclables, and/or Organics in a range of sizes set forth in Appendix A, or as hereafter agreed between the parties, that meets Franchisee's specifications for service that is serviced by the Franchisee.

"**Composting**" means the controlled biological decomposition of Organics.

"**Contamination**" means (i) the percentage by weight of Non-Recyclable Material in a load of Recyclables, (ii) the percentage by weight of Non-Compostable Material in a load of Organics.

"**Containers**" means Carts, Bins and Boxes provided by Franchisee to Customers and Compactors provided by Customer that meet Franchisee's collection specifications.

"Customer" means Residential Customer or Commercial Customer.

"Customer Rates" means the then-current Service Rates charged by Franchisee to Residential and Commercial Customers for Franchise Services. Initial Customer Rates are specified in Appendices B-1, B-2, and B-3.

"Designated Composting Facility" and **"Composting Facility"** means the facility or facilities designated by the City for the Composting of Organics, Food Waste and/or Yard Waste as specified in Section 4.8.A.

"Designated C&D Facility" and **"C&D Facility"** means the facility or facilities designated by the City for the Processing of C&D and/or Wood Waste as specified in Section 4.9.A.

"Designated Disposal Site" and **"Disposal Site"** means the facility or facilities designated by the City for the disposal of Garbage as specified in Section 4.7.A.

"Designated Material Recovery Facility" and **"Material Recovery Facility"** means the GreenWaste Material Recovery Facility located at 625 Charles Street in San Jose, CA 95112 or another facility or facilities mutually agreed upon between City and Franchisee in writing.

"Designated Processing Facilities" and **"Processing Facilities"** mean the Designated Composting Facility, the Designated Transfer Facility, the Designated Material Recovery Facility, and the Designated C&D Processing Facility.

"Designated Transfer Facility" and **"Transfer Facility"** means the GreenWaste Transfer Facility located at 375 Industrial Road in Watsonville, CA 95076 or another facility or facilities mutually agreed upon between City and Franchisee in writing.

"Enclosure" means a walled or fenced storage area for Containers that is only accessible by a door or gate.

"Excluded Materials" means (1) Hazardous Waste, (2) Medical Waste, (3) Qualified Household Hazardous Waste, (4) Self-hauled Waste, (5) Excluded Recyclable Materials, (6) Tires, (7) Dead animals and animal waste and remains from slaughterhouses or butcher shops, (8) By-products of sewage treatment, including sludge, grit and screenings.

"Fees-and-Costs" means reasonable fees and expenses of employees, attorneys, architects, engineers, expert witnesses, contractors, consultants and other persons, and costs of transcripts, printing of briefs and records on appeal, copying and other reimbursed expenses, and of any Legal Proceeding.

"Franchise" means the license and other rights enjoyed by, and obligations imposed upon, the Franchisee under this Agreement between the City of Capitola and the Franchisee. Where the context so indicates, it may also refer to this Agreement.

"Franchise Area" is that geographic area comprising the city limits of the City of Capitola, California.

"Franchise Date" means the date of execution of this Franchise by both parties hereto.

"Franchisee" means GreenWaste Recovery, Inc., and its successors and assigns permitted hereby.

"Franchisee Operating Assets" and **"Operating Assets"** means all real and personal property of any kind, which is owned, leased, managed or operated by or under contract to the Franchisee for providing the Franchise Services, including without limitation, containers, vehicles, transfer stations, processing facilities, maintenance and storage facilities, administrative facilities, and other equipment, machinery, parts, supplies and tools.

"Franchise Construction and Demolition Debris" and **"C&D"** means all those materials resulting from construction, renovation, remodeling, repair, or demolition operations relating to or resulting from a building, structure, pavement or other improvement, including, without limitation, Wood Waste, concrete, brick, bituminous concrete, rubble, wood and masonry, composition roofing and roofing paper, steel, and other metals such as copper. C&D also includes, without limitation, rocks, soils, tree remains and other Yard Waste which results from land clearing or land development operations in preparation for construction. C&D does not include Garbage, Food Waste, or Excluded Materials. The definition of C&D is subject to change based on the requirements of the Processing Facilities.

"Franchise Food Waste" and **"Food Waste"** means putrescible wastes including kitchen and table food wastes; food soiled paper, animal or vegetable wastes resulting from storage, preparation, cooking, processing, or handling of food or food stuffs that has been separated by the generator from other Solid Waste. Food Waste is a subset of Organics and does not include Garbage, Recyclable Materials, C&D or Excluded Materials. The definition of Food Waste is subject to change based on the requirements of the Processing Facilities.

"Franchise Materials" means all Solid Waste generated in the Franchise Area including Franchise Garbage, Franchise Recyclables, Franchise Organics, Franchise Food Waste, Franchise Yard Waste and Franchise Construction and Demolition Debris; provided, however, that "Franchise Materials" shall not include Excluded Materials.

"Franchise Recyclables" and **"Recyclables"** means materials of the type normally accepted in curbside recycling collection programs in Central Coast region in California, which have been separated by the generator from other Solid Waste, but exclude Non-Recyclables. The list of accepted types of Recyclables ("Acceptable Recyclable") as of the Franchise Date are specified in Appendix D. The parties may, by mutual written agreement, add additional materials or remove materials from Appendix D. Recyclables may be either a mixed stream of commingled Acceptable Recyclables, or a stream consisting of a single type of Acceptable Recyclables (such as cardboard). Recyclables does not include Garbage, Organics Yard Waste, Construction and Demolition Debris or Excluded Materials.

“Franchise Garbage” and **“Garbage”** means that portion of Franchise Materials which does not constitute Recyclables, Organics, Food Waste, Yard Waste, C&D or Excluded Materials.

“Franchise Services” means all of the rights, duties and obligations of the Franchisee hereunder.

"Franchise Organics" means that portion of Franchise Materials which is separated from other Franchise Materials for Composting, consisting of Yard Waste and Food Waste. Organics does not include Garbage, Recyclables, C&D or Excluded Materials. The definition of Organics is subject to change based on the requirements of the Processing Facilities.

"Franchise Year" means the twelve-month period year beginning each July 1 and ending on the following June 30.

"Governmental Body" means any Federal, State, county, city, local or regional, legislative, executive, judicial or other governmental board, agency, authority, commission, administration, court or other body, or any officer thereof acting within the scope of his or her authority.

"Hazardous Waste" means (1) any waste which by reason of its quality, concentration, composition or physical, chemical or infectious characteristics may do either of the following: cause, or significantly contribute to, an increase in mortality or an increase in serious irreversible, or incapacitating reversible, illness, or pose a substantial threat or potential hazard to human health or the environment when improperly treated, stored, transported or disposed of or otherwise mismanaged, or any waste which is defined or regulated as a hazardous waste, toxic substance, hazardous chemical substance or mixture, or asbestos under Applicable Law, as amended from time to time including, but not limited to: (1) the Resource Conservation and Recovery Act and the regulations contained in 40 CFR Parts 260-281; (2) the Toxic Substance Control Act (15 U.S.C. Section 2601 et seq.) and the regulations contained in 40 CFR Parts 761-766; (3) the California Health and Safety Code, §25117 (West 1984 & Supp. 1991); (4) the California Public Resources Code, §40141; and (1) future additional or substitute federal, state or local laws pertaining to the identification, treatment, storage or disposal of toxic substances or hazardous wastes; and (2) radioactive materials which are source, special nuclear or by-product material as defined by the Atomic Energy Act of 1954 (42 U.S.C. Section 2011 et seq.) and the regulations contained in 10 CFR Part 40.

"Insurance Requirement" means any rule, regulation, code, or requirement issued by any fire insurance rating bureau or any body having similar functions or by any insurance company, which has issued a policy with respect to the Operating Assets or the Franchise Services.

"Legal Entitlement" means all permits, licenses, approvals, authorizations, consents and entitlements of whatever kind and however described which are required under Applicable Law to be obtained or maintained by any person with respect to the Operating Assets or the performance of any obligation under this Franchise or the matters covered hereby.

"Legal Proceeding" means every action, suit, litigation, arbitration, administrative proceeding, and other legal or equitable proceeding having a bearing upon this Franchise.

"Medical Waste" means waste capable of producing an infection or pertaining to or characterized

by the presence of pathogens, including without limitation certain waste generated by medical practitioners, hospitals, nursing homes, medical testing labs, mortuaries, taxidermists, veterinarians, veterinary hospitals and medical testing labs.

“Non-Compostables” means those materials collected by Franchisee as part of the Organics and/or Wood Waste collection program and delivered to the Designated Composting Facility and that require disposal because they are not accepted in the collection program.

“Non-Recyclable Materials” means those materials collected by Franchisee as part of a Recyclables collection program and delivered to the Designated Material Recovery Facility that require disposal because they are:

1. Not Acceptable Recyclable Materials pursuant to Appendix D, or
2. Acceptable Recyclable Materials but are:
 - a. Not free of food/liquid, or
 - b. Free of food/liquid but:
 - i. Are smaller than 2”-2.5” and, as a result, are not recoverable using industry-standard processing equipment or otherwise commercially reasonable methods, or
 - ii. Placed in a Container by the generator in a manner or condition that renders them unmarketable (e.g. contaminated with paint, mangled), or
 - iii. Where no commercially reasonable market exists for their disposition..

“Processing” and **“Process”** means the act of separating, sorting, cleansing, treating, reconstituting or otherwise preparing materials that are or would otherwise be disposed of in a landfill for return to the economic mainstream in the form of raw material for new, reused or reconstituted products which meet the quality standards necessary to be used in the marketplace. Processing shall also mean Composting where the context so indicates.

“Premises” means any Residential Premises or Commercial Premises.

“Processing Fee Component” means that component of the Customer Rate(s) that comprises Franchisee’s costs to a facility or facilities to Process, dispose of and/or Transfer Franchise Materials collected, as specified in Section 7.1 and in the Service Rate Schedules in Appendices B-1, B-2, and B-3, and as may be adjusted from time to time as specified in Section 7.1.C.

“Public Litter Containers” means containers designated by the City for the collection of Garbage and/or Recyclables in public places and as agreed upon between City and Franchisee and as specified in Appendix C.

“Qualified Household Hazardous Waste” means waste materials determined by the State Integrated Waste Management Board, the Department of Health Services, the State Water Resources Control Board, or the Air Resources Board to be:

- 1) Of a nature that they must be listed as hazardous in State statutes and regulations;

- Toxic/ignitable/corrosive/reactive; and
- 2) Carcinogenic/mutagenic/teratogenic; which are discarded from households as opposed to businesses.
 - 3) Qualified Household Hazardous Waste shall not include Hazardous Waste.

"Residential Customer" means any person who generates Solid Waste at and/or brings Solid Waste to Residential Premises and subscribes to residential service provided by the Franchisee pursuant to this Franchise.

"Residential Premises" means any building in the City used for or designated as a residential dwelling, including condominium projects, apartments, duplexes, townhouse projects, or mobile home parks.

"Residue" means materials which have been collected by Franchisee as part of Franchisee's Services but which remain after Processing.

"Routing and Collection System" means the routing and collection system as currently in use by the Franchisee to provide the Franchise Services, as it may be modified from time to time in accordance with Sections applicable to Franchise Garbage, Franchise Recyclables, Franchise Organics, and Franchisee Construction and Demolition Debris collection practices.

"Self-Hauled Waste" means Solid Waste collected and hauled by Self Haulers.

"Self-Hauler" means any person not engaged commercially in waste haulage who consolidates and hauls solid waste generated from their own residential, commercial or industrial premises generated through activities conducted solely by such person on that premise.

"Service Fee Component" means that component of the Customer Rate(s) that comprises Franchisee's costs to provide recurring or one-time collection services, exclusive of Processing costs, as specified in Section 7.1 and in the Service Rate Schedules in Appendices B-1, B-2 and B-3, and as may be adjusted from time to time as specified in Section 7.1.C.

"Service Rate Schedule" means the initial Service Rate Schedule attached hereto as Appendices B-1, B-2, and B-3, that may be a Rate comprised of Service Fee Component and a Processing Fee Component that together make up the Customer Rate(s), or a single Customer Rate without components, and as may be adjusted from time to time as specified in Section 7.1.C.

"Solid Waste" means all garbage, refuse, rubbish and other materials and substances discarded or rejected as being spent, useless, worthless or in excess to the generator thereof at the time of such discard or rejection and which are normally disposed of by or collected from residential (single family and multi-family), commercial, industrial, governmental and institutional establishments, which are acceptable at Class III landfills under Applicable Law.

"State" means the State of California.

"Term" has the meaning specified in Article IX hereof.

“Ton” means a “short ton” of 2,000 pounds.

"Uncontrollable Circumstance" means only the following acts, events or conditions, whether affecting the Operating Assets, the City, or the Franchisee, to the extent that it materially and adversely affects the ability of either party to perform any obligation under the Franchise (except for payment obligations), if such act, event or condition is beyond the reasonable control and is not also the result of the willful or negligent act, error or omission, or failure to exercise reasonable diligence, on the part of the party relying thereon as justification for not performing an obligation, or complying with any condition, required of such party under this Franchise; provided however, that the contesting in good faith or the failure in good faith to contest such action or inaction shall not be construed as willful or negligent action or a lack of reasonable diligence of either party:

- 1) An "Act of God", including, hurricane, typhoon, landslide, lightning, earthquake, fire, explosion, flood (but not including reasonably anticipated weather conditions for the geographic area of the facility), pandemic; sabotage or similar occurrence; acts of a public enemy; extortion; war; blockade or insurrection;
- 2) A change in law;
- 3) The failure of any appropriate Governmental Body or private utility having operational jurisdiction in the area in which the Operating Assets are located to provide and maintain the disposal site, utilities, services, water and sewer lines and power transmission lines to the Operating Assets, which are required for the performance of the Franchise Services and which directly results in a delay or curtailment of the performance of the Franchise Services; and
- 4) Pre-emption of materials or services by a Governmental Body in connection with a public emergency or any condemnation or other taking by eminent domain of any portion of the Operating Assets.
- 5) Preclusion of the Franchisee to deliver Franchise Garbage collected in the City to the Monterey Peninsula Landfill (MPL) as the Designated Disposal Facility pursuant to provision 5.5 of the Agreement to Continue Waste Disposal Services by and between the Monterey Regional Waste Management District (MRWMD) and the City of Capitola dated October 14, 2020.

It is specifically understood that none of the following acts or conditions shall constitute Uncontrollable Circumstances except where Franchisee has been directed by City to use a certain facility: (a) general economic condition, interest or inflation rates, or currency fluctuation or changes in the cost of fuel, commodities, supplies or equipment unless impacted by those circumstances listed above; (b) changes in the financial condition of the City, the Franchisee or any of its Affiliates or parent company(s) or any subcontractor affecting their ability to perform their obligations; (c) the consequences of errors, neglect or omissions by the Franchisee, any of its Affiliates or any subcontractor in the performance of the Franchise Services; (d) the failure of the Franchisee to secure patents or licenses in connection with the technology necessary to perform its obligations hereunder; (e) union work rules, requirements or demands which have the effect of increasing the number of employees employed in connection with the Operating Assets or otherwise increase the cost to the Franchisee of operating and maintaining the Operating Assets

or providing the Franchise Services; (f) strikes, work stoppages or other labor disputes or disturbances occurring with respect to any activity performed or to be performed by the Franchisee or any subcontractors or suppliers in connection with the Operating Assets or the Franchise Services; any failure of any subcontractor or supplier to furnish labor, materials, service or equipment for any reason; (h) equipment failure; (i) any impact of prevailing wage law, customs or practices on the Franchisee's construction or operating costs; (j) changes in market prices for, or the unavailability of markets for, the sale or purchase of Recyclables; or (k) any act, event or circumstance occurring outside of the State of California.

"Wood Waste" means dimensional lumber, post-consumer and other wood products, pallets and tree trunks, and other wood products all of which are without paint or chemical treatment of any kind. Wood Waste does not include Garbage, Recyclables, Food Waste, Construction and Demolition Debris or Excluded Materials. Wood Waste may be a subset of C&D or of Yard Waste as the context provides. The definition of Wood Waste is subject to change based on the requirements of the Processing Facilities.

"Yard Waste" means tree trimmings, including branches and Wood Waste that are less than six (6) inches in diameter less than two (2) feet in length, shrubbery prunings, vegetative garden wastes, dead plants, weeds, leaves, grass clippings and other vegetative matter. Yard Waste also means holiday trees that are cut to lengths of not more than 5-feet, and which are free of plastics or other contaminants. Yard Waste does not include Garbage, Recyclables, Construction and Demolition Debris or Excluded Materials. Yard Waste is a subset of Organics; provided, however, that Yard Waste does not include Food Waste. The definition of Yard Waste is subject to change based on the requirements of the Processing Facilities.

SECTION 1.2. INTERPRETATION.

In this Franchise, unless the context otherwise requires:

A. References Hereto.

The terms "hereby," "hereof," "herein," "hereunder" and any similar terms refer to this Agreement, and the "hereafter" means after, and the term "heretofore" means before, the date of execution of this Agreement.

B. Gender and Plurality.

Words of the masculine gender mean and include correlative words of the feminine and neuter genders and words importing the singular number mean and include the plural number and vice versa.

C. Persons.

Words importing persons include firms, companies, associations, general partnerships, limited partnerships, trusts, business trusts, corporations, non-profit corporations and other legal entities, including Governmental Bodies, as well as individuals.

D. Headings.

The table of contents and any headings preceding the text of the Articles, Sections and subsections of this Franchise shall be solely for convenience of reference and shall not constitute a part of this Franchise, nor shall they affect its meaning, construction or effect.

E. Entire Agreement.

This Agreement contains the entire agreement between the parties hereto with respect to the transactions contemplated by this Agreement, and nothing in this Agreement is intended to confer on any person other than the parties hereto and their respective permitted successors and assigns hereunder any rights or remedies under or by reason of this Agreement.

F. Reference to Days.

All references to days herein are to calendar days, including Saturdays, Sundays and holidays, except as otherwise specifically provided.

G. Counterparts.

This Agreement may be executed in any number of original counterparts. All such counterparts shall constitute but one and the same Agreement.

H. Applicable Law.

This Agreement shall be governed by and construed in accordance with the applicable laws of the State of California.

I. Severability.

If any clause, provision, subsection, Section or Article of this Agreement shall be determined to be invalid by any court of competent jurisdiction, then the parties hereto shall: (1) promptly meet and in good faith attempt to negotiate a substitute for such clause, provision, section or Article which shall, to the greatest extent legally permissible, effect the intent of the parties; (2) if necessary or desirable to accomplish item (1) above, apply to the court having declared such invalidity for a judicial construction of the invalid portion of this Agreement; (3) negotiate such changes in, substitutions for or additions to the remaining provisions of this Agreement as may be necessary in addition to and in conjunction with items (1) and (2) above to effect the intent of the parties in the invalid provision. The invalidity of such clause, provision, subsection, Section or Article shall not affect any of the remaining provisions hereof, and this Agreement shall be construed and enforced as if such invalid portion did not exist. Notwithstanding the foregoing, however, the provisions of this Agreement reserving

to the City the right, power and obligation to designate the Designated Disposal Site for Franchise Garbage, as provided in Section 4.7 hereof and otherwise herein, the Designated Composting Facility for Franchise Organics, as provided in Section 4.8 hereof and otherwise herein, and the Designated C&D Processing Facility for Franchise C&D, as provided in Section 4.9 hereof and otherwise herein shall not be deemed to be severable from the other provisions hereof. In the event such provisions are held in any Legal Proceeding which is binding upon the City to be null, void, in excess of the City's powers or otherwise invalid or unenforceable, and the Franchisee as a result thereof, utilizes a disposal site other than the Designated Disposal Site for Franchise Garbage, this entire Agreement shall immediately terminate without any liability of the City to the Franchisee; provided, however, where Uncontrollable Circumstances exist that prevent Franchisee from delivering Franchise Garbage to the Designated Disposal Site, City's right to immediately terminate shall be void and unenforceable..

J. Defined Terms.

Should there appear to be any uncertainty, ambiguity or discrepancy in defined terms or should any misunderstanding arise as to the interpretation to be placed upon any defined term hereof, the City of Capitola Manager shall be consulted and his/her decision thereon shall be final and conclusive; provided, however, that Franchisee shall retain all rights in law and in equity as provided in Sections 6.10 and 8.8 of this Agreement.

**ARTICLE II
REPRESENTATIONS AND WARRANTIES OF FRANCHISEE**

SECTION 2.1 REPRESENTATIONS AND WARRANTIES OF THE FRANCHISEE.

The Franchisee, by acceptance of this Franchise, represents and warrants that:

A. Existence and Powers.

The Franchisee is duly organized and validly existing as a corporation under the laws of the State of California, with full legal right, power and authority to enter into and perform its obligations under this Franchise.

B. Due Authorization and Binding Obligation.

The Franchisee has duly authorized the execution and delivery of this Franchise. This Franchise has been duly executed and delivered by the Franchisee and constitutes the legal, valid and binding obligation of the Franchisee, enforceable against the Franchisee in accordance with its terms except insofar as such enforcement may be affected by bankruptcy, insolvency, moratorium and other laws affecting creditors' rights generally.

C. No Conflict.

Neither the execution nor the delivery by the Franchisee of this Franchise nor the performance by the Franchisee of its obligations hereunder (1) conflicts with, violates or results in a breach of any law or governmental regulations applicable to the Franchisee; (2) conflicts with, violates or results in a breach of any term or condition of any judgment, decree, agreement (including, without limitation, the certificate of incorporation of the Franchisee) or instrument to which the Franchisee is a party or by which the Franchisee or any of its properties or assets are bound, or constitutes a default under any such judgment, decree, agreement or instrument, or (3) will result in the creation or imposition of any encumbrance of any nature whatsoever upon any of the properties or assets of the Franchisee.

D. No Litigation.

There is no action, suit or other proceeding as of the Franchise Date, at law or in equity, before or by any court or governmental authority, pending or, to the Franchisee's best knowledge, threatened against the Franchisee which is likely to result in an unfavorable decision, ruling or finding which would materially and adversely affect the validity or enforceability of this Franchise or any such agreement or instrument entered in to by the Franchisee in connection with the transactions contemplated hereby, or which would materially and adversely affect the performance by the Franchisee of its obligations hereunder or by the Franchisee under any such other agreement or instrument.

E. No Legal Prohibition.

The Franchisee has no knowledge of any Applicable Law in effect on the Agreement Date, which would prohibit the performance by the Franchisee of this Franchise and the

transactions hereby.

F. Information Supplied by the Franchisee.

The information supplied by the Franchisee in all submittals made in connection with negotiation and execution of this Franchise is correct and complete in all material respects.

G. Waiver of Certain Rights

City has retained the right, power, and obligation to designate the Designated Disposal Site for Franchise Garbage as provided in Section 4.7, the Designated Composting Facility for Franchise Organics as provided in Section 4.8, and the Designated C&D Processing Facility for Franchise C&D, as provided in Section 4.9. Franchisee hereby:

1. Waives any right it may possess to contest the legal right, power or authority of the City to enter into and perform this Franchise, including particularly the provisions thereof providing for the delivery to the Designated Disposal Site of Franchise Garbage, the delivery to the Designated Composting Facility of Franchise Organics, and the delivery to the Designated C&D Processing Facility of Franchise C&D and agrees to cooperate with and assist the City in supporting the legal validity of, and authorization for, such provisions in the event of any legal challenge thereto brought or made in any manner by a third party; and
2. Agrees to observe and comply with the operating rules and regulations established or approved by the City with respect to the Designated Disposal Site and Designated Processing Facilities, including without limitation those governing delivery procedures, receiving hours, vehicle and waste inspection, Hazardous Waste screening, litter control and safety measures.
3. In the event the Designated Composting Facility is no longer willing or able to accept or able to accept City's Organics for Processing, the parties shall work cooperatively to identify an alternative facility subject to the provisions of Section 7.1.C. Until such time as an alternative facility is identified and a formal agreement for the Processing of the City's Organics is executed, Franchisee shall not be deemed in breach of this agreement for failure to comply with SB 1383 except to the extent the lack of a Designated Composting Facility or alternative facility is caused by the conduct of Franchisee.

H. Free Market Decision.

The Franchisee, without constraint and as a free market business decision in accepting this Franchise, agrees to use the Designated Disposal Site for disposal of Franchise Garbage, the Designated Composting Facility for Organics Processing, and the Designated C&D Processing Facility for C&D Processing such decision in no way constitutes a restraint of trade, notwithstanding any change in law regarding flow control limitations or any definition thereof.

I. Franchisee Investigation.

The Franchisee has made an independent investigation to its satisfaction of matters, conditions, and circumstances relating to its execution and delivery of this Franchise Agreement and its obligations hereunder, including the nature and amount of franchise refuse materials generated within the City of Capitola and the source reduction and recycling programs now in effect or currently planned to be put into effect in the City.

ARTICLE III FRANCHISE

SECTION 3.1. GRANT AND ACCEPTANCE OF FRANCHISE.

A. Franchise Service.

Pursuant to Sections of the Act, the City of Capitola hereby grants an exclusive franchise, on the terms and conditions set forth herein, to the Franchisee for the service in the Franchise Area of collecting, transporting, handling, processing and/or disposing of Franchise Materials. By its executed acceptance hereof the Franchisee accepts the franchise, license and privilege so granted by the City on and subject to the terms and conditions contained herein and agrees to perform all of the duties and obligations of a franchisee thereunder. Specifically, the Franchisee agrees to provide Franchise Services to any person within the Franchise Areas requesting such service, subject to the payment by such person of the Fees specified in this Franchise. The Franchisee shall provide Residential and Commercial Service, as requested by the Customer, for the Service specified in this Franchise Agreement.

B. Franchise Area.

The area with respect to which this Franchise is granted is the Franchise Area contained within the city limits of the City of Capitola, California.

C. Materials to Which Franchisee is not entitled.

The franchise granted in this Franchise Agreement does not give the Franchisee the exclusive right to collect the materials listed below in this subparagraph C.

1. Materials which would otherwise constitute Recyclable Materials but which are collected by City approved youth, civic, and charitable organizations, and private recyclers (without payment of compensation of any type by the generator of such materials to such collectors).
2. Yard Waste or Wood Waste, removed from a premises by a contractor as an incidental part of a gardening, landscaping, tree trimming, cleaning, maintenance, construction or similar service offered by that contractor rather than as a hauling service and where the container and vehicle are owned by the contractor and the driver is an employee of the contractor.
3. Further, the provisions of this Franchise shall not preclude or prohibit the City or any officer or employees thereof or any employee of the State of California, or any governmental subdivision thereof, from collecting, removing, and disposing of Solid Waste from City or State facilities. In addition, the provisions of this Franchise shall not preclude or prohibit the owner or occupant of any Premises from Self-hauling.

D. Hauling by Third Parties.

This Franchise shall not prohibit haulers of Solid Waste other than Franchise Materials from

hauling such waste over city streets in accordance with Applicable Law.

E. Non-Franchise Services by Franchisee.

This Agreement does not, however, limit the right of the Franchisee to provide other services. If the Franchisee elects to provide any such other services, it shall not be governed by the terms of this Agreement, but shall be subject to Applicable Law.

SECTION 3.2. ASSIGNMENT AND TRANSFER OF FRANCHISE.

A. Consent of City Required.

This Franchise shall not be transferred, sold, pledged, hypothecated, leased, or assigned, nor shall any of the rights or privileges herein be transferred, sold, pledged, hypothecated, leased or assigned, either in whole or in part, nor shall title hereto or thereto, either legal or equitable, or any right, interest, or property herein or therein, pass to or vest in any person, except the Franchisee, either by action or inaction of the Franchisee or by operation of law, without the prior consent of the City, which shall not be unreasonably withheld or delayed. Any attempt by the Franchisee to effectuate any of the forgoing without the consent of the City shall be null and void.

B. Imposition of Conditions.

The City may impose conditions and restrictions on any approval it may elect to give of any transaction described in Sections 3.2.A. and 3.3 hereof, including without limitation, conditions relating to payment of all costs relating to such transfer and an additional fee of \$10,000 and requiring acceptance of amendments of this Franchise.

SECTION 3.3 CHANGE IN FRANCHISEE OWNERSHIP OR CONTROL.

- A. Current Ownership and Control. The Franchisee represents that, as of the Franchise Date, all the voting stock of the Franchisee is owned by Green Waste Recovery Inc.
- B. Maintenance of Corporate Existence. The Franchisee covenants that during the Term of the Franchise it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets, and will not take any other action which would materially impair the ability of the Franchisee to perform the Franchise Services.
- C. Consolidation, Merger, Sale, Transfer and Change in Control. The Franchisee shall not, without the prior written consent of the City, which may be withheld or delayed in its sole and absolute discretion, acquire any entity, consolidate with or merge with another entity, or permit one or more other entities to consolidate with or merge into it, in any manner which results in loss by Franchisee of operational or voting control of the Franchise.
- D. Transfer of Voting Stock. The City of Capitola's written consent, which may be withheld or delayed in its sole and absolute discretion, shall be required for the sale or transfer by any means whether by agreement or by operation of law (including transfers resulting from

death, bankruptcy or divorce) of any of the voting stock of the Franchisee, which results in loss by Green Waste Recovery of operational or voting control of Franchisee. "Voting control," means the ownership of, and the right to vote, stock possessing at least 51 percent of the total combined voting power of all classes of Franchisee's capital stock issued, outstanding, and entitled to vote for the election of directors. Upon transfer of any of Franchisee's voting stock, City shall be given immediate notice of the class and number of shares transferred and of the number of outstanding shares of the class.

SECTION 3.4. PAYMENT OF CERTAIN COSTS BY FRANCHISEE.

If the Franchisee requests the consent of the City for any transaction described in Section 3.2 or Section 3.3 hereof, the Franchisee shall reimburse the City for all costs and expenses incurred by the City in reviewing, examining, analyzing and acting on the request, including all direct and indirect administrative expenses of the City and consultants and attorneys' fees and expenses. In addition, the Franchisee shall pay a transfer fee in the amount of \$10,000 as described in Section 3.2(B). Bills shall be supported with evidence of the expense or cost incurred. The Franchisee shall pay such bills within thirty (30) days of receipt.

ARTICLE IV SERVICES

SECTION 4.1 COLLECTION AND PROCESSING SERVICES.

A. Commencement of Service.

The Franchisee shall provide the Franchise Services, as more particularly described below. The scope of services to be performed by the Franchisee shall include the furnishing of all labor, supervision, equipment, materials, supplies, and all other items necessary to perform all requirements of the Franchise. The enumeration of, and specification of requirements for, particular items of labor or equipment shall not relieve the Franchisee of the duty to furnish all others, as may be required, whether enumerated or not. Subject to the provisions of Section 7.1.C.2, Franchisee shall provide a multiple container service complaint with 14 Cal. Code Regs., section 18984.1, as may be amended, and the requirements of this Article. In the event of any direct conflict between the Short-Lived Climate Pollutants (SLCP) Organic Waste Reductions regulations developed by CalRecycle and adopted in December 2020, as set forth in Title 14 and 27 of the California Code of Regulations and the requirements of this Article, Franchisee shall perform those actions required under the CalRecycle regulations, and in doing so, Franchisee shall perform those actions as nearly as possible to the result intended in this Article.

B. Residential Service

1. Hours and Days of Operation.

Franchisee shall collect all Garbage, Recyclables, Organics generated by Residential Customers and placed for collection in Franchisee-provided Carts at least once per week on a Monday through Friday on a day or days designated by Franchisee. Collection shall not commence prior to 7:00 a.m. In response to a special Customer request, Franchisee may collect materials from a Residential Customer on Saturday.

Except otherwise provided in Sections 4.2.7 and 4.4.A, all Franchise Materials set out for collection by Franchisee must be placed within 5' of the accessible roadway.

2. Franchisee Equipment

Franchisee shall utilize automated and/or semi-automated collection vehicles (as described in Appendix A) appropriate in each case to provide service to the Residential Customers in the Franchise Area, based on the size and service level requested by each Residential Customer. Franchisee shall provide Residential Customers with Carts for recurring subscription-based Collection services as described below.

3. Residential Garbage Collection and Disposal.

Franchisee shall provide each Residential Customer one (1) gray Garbage Cart as provided in Appendix A and Residential Customers shall retain the right to select the size of Cart(s), as listed in Appendix A, and shall be charged the then-current rates listed in Appendix B-1. Upon request, Franchisee shall provide additional Garbage Carts at

the then-current rates listed in Appendix B-1. Collection of periodic compliant setouts of excess Garbage shall be provided by Franchisee in accordance with Section 4.1.B.6 below and at the then-current rates listed in Appendix B-1.

Franchisee shall collect and deliver to the Designated Disposal Facility all Garbage collected from Residential Customers.

4. Residential Recyclables Collection and Processing.

Franchisee shall provide each Residential Customer one (1) 64-gallon blue Recyclables Cart as listed in Appendix A for no additional charge. Upon request, Franchisee shall provide additional Recyclables Carts at the then-current rates listed in Appendix B-1. Collection of periodic compliant setouts of excess Recyclables shall be provided by Franchisee in accordance with Section 4.1.B.6 below and at the then-current rates listed in Appendix B-1.

Franchisee shall collect and deliver to the Transfer Facility or the Designated Material Recovery Facility all Recyclables collected from Residential Customers. Franchisee shall accept as Recyclables the materials described in Appendix D. Franchisee shall not add or remove materials from the this list without City Manager approval, which shall not be unreasonably withheld.

5. Residential Organics Collection and Composting

Franchisee shall provide each Residential Customer one (1) 64-gallon green Organics Cart as listed in Appendix A for no additional charge. Upon request, Franchisee shall provide additional Organics Carts at the then-current rates listed in Appendix B-1. Collection of periodic compliant setouts of excess Organics shall be provided by Franchisee in accordance with Section 4.1.B.6 below and at the then-current rates listed in Appendix B-1.

From the effective date of this Agreement through December 31, 2021, Franchisee shall collect and deliver to the Composting Facility all Franchisee Yard Trimmings collected from Residential Customers. Beginning January 1, 2022, Franchisee shall collect and deliver to the Composting Facility all Franchisee Organics collected from Residential Customers. The initial list of items accepted as Franchisee Organics is included Section 1.1 of this Agreement.

6. Excess Materials

Franchisee shall collect Garbage, Recyclables, and/or Organics that do not fit within the Residential Customer's Franchisee-issued Carts when those material are set out for collection on the Customer's regular collection day in a manner that conforms to Franchisee's excess material specifications described below and when the Customer has place a standing authorization on their account or has contacted Franchisee in advance and authorized Franchisee to charge the then-current Rates listed in Appendix B-1. Charges for excess materials shall be based on the estimated volume (expressed in terms of equivalents to the volume of a 32-gallon container and by material type).

Franchisee shall collect excess materials set out for collection by Residential Customers

that are compliant with the following specifications:

- Excess Garbage setouts shall be considered compliant when the Garbage is placed in a Customer-provided lidded can or tightly cinched black or gray bag with a capacity that is equal to or less than 32-gallons and properly labeled.
- Excess Recyclables setouts shall be considered compliant when the Recyclables are placed in a Customer-provided lidded can or tightly cinched clear bag with a capacity that is equal to or less than 32-gallons and properly labeled. Cardboard setouts shall also be considered compliant when they are securely bundled/tied such that when lifted they remain secure, and each set out must be smaller than 3' x 1' x 1'. Non-compliant setouts may be collected and charged as Garbage.
- Excess Organics setouts shall be considered compliant when the Organics are placed in a Customer-provided and lidded can and properly labeled. Setouts for woody Yard Trimmings shall also be considered compliant when they are securely bundled/tied such that when lifted they remain secure, and each set out must be smaller than 3' x 1' x 1'. Non-compliant setouts may be collected and charged as Garbage.

7. Special Services.

Franchisee shall provide, without additional charge or compensation, special manual carry-out services for those Residential Customers who are determined by the City Manager, or his or her designee, to have exceptional difficulty doing so themselves due to physical disabilities or frailty and where no other able-bodied persons reside in the household. Franchisee shall offer such services to all Residential Customers at the then-current rates listed in Appendix B-1.

Franchisee shall also make available to qualifying Residential Customers a 40 percent discount on weekly Garbage Service. To qualify for this discounted rate, the Customer must: (1) be a Residential Customer; (2) use a single 35-gallon Cart or less, once a week for Garbage service; and (3) participate in the PG&E Care Program.

8. Drop Box/Roll Off Services.

Franchisee shall provide Roll-off Collection services for Franchise Materials, as requested by Residential Customers, at the then-current Rates shown in Appendix B-2.

Franchisee shall deliver collected Franchise Material collected by Residential Customers to the Designated Disposal Facility or the appropriate Processing Facility for Processing.

9. Used Motor Oil and Filter Collection.

Franchisee shall provide, without additional charge or compensation, a used motor oil and filter collection program for all Residential Customers and shall provide the used motor oil jug and bags upon Customer request. Franchisee shall only be required to

collect used motor oil and filters in Franchise-provided containers, in amounts up to five gallons, from Residential Customers when placed alongside the Recyclables Cart.

10. Residential Cart Weight Limitations.

When set upon the curb for collection, no Residential Cart shall exceed the following weight: maximum weight for 35-gallon Carts - 125 lbs.; maximum weight for 64-gallon Carts - 200 lbs.; maximum weight for 96-gallon Carts - 250 lbs.; maximum weight for 32-gallon cans – 70lbs.

11. Used Household Battery Collection.

Franchisee shall collect used household batteries when the customer has bagged and placed them on top of Recyclables Cart. Franchisee shall dispose of the used household batteries through a qualified disposal company at the Franchisee's cost.

C. Commercial Services

1. Hours and Days of Operation.

Franchisee shall collect all Garbage, Recyclables and Organics generated by Commercial Customers and placed for collection in Carts and/or Bins provided by Franchisee at least once per week and up to six (6) days per week on a Monday through Saturday schedule. In the Capitola Village, the frequency of pick-up may include Saturday and Sunday service on weeks in summer and peak periods if the City Manager determines that to be necessary to keep the area clean. Commercial collection shall not begin any earlier than 6:30 a.m.; however, Commercial collection at the Brown Bulb Ranch Shopping Center and the Capitola Avenue and Bay Avenue corridors shall not begin any earlier than 8:00 a.m. and in accordance with City ordinance, Commercial Collection at the Capitola Village shall be completed by 7:00 a.m..

Upon request of a minimum 10 Commercial Customers within the Capitola Village area that receive collection of a single material type six (6) days per week, Franchisee will provide Sunday as a 7th day of pick-up for that material type and shall charge the Commercial Customers an additional fee that shall be calculated by adding the then-current 1x/week collection rate for the Container size and material type to the then-current 6x/week collection rate plus the then-current Sunday surcharge charged listed in Appendix B-2. These Commercial Customers may also drop their Tuesday pickup to be replaced with the Sunday pickup and shall be charged the then-current 6x/week collection rate plus the then-current Sunday surcharge charged listed in Appendix B-2. This would only take effect upon the request of 10 Commercial Customers within the Capitola Village area. If 10 commercial businesses request this service, then the Franchisee will also pick up the Public Garbage and/or Public Recyclables Containers in the Village on Sunday so long as there remain at least 10 Commercial Customers subscribing to Sunday Service.

2. Franchisee Equipment.

Franchisee shall utilize automated and/or semi-automated side-load, front load, and/or rear-load collection vehicles (as described in Appendix A) appropriate in each case to

provide service to the Commercial Customers in the Franchise Area, based on the material type, Container type and Container size requested by each Commercial Customer. Franchisee shall provide Commercial Customers with Carts and/or Bins for all recurring subscription-based Collection services as described below.

3. Commercial Garbage Collection.

Franchisee shall provide each Commercial Customer the number and kind of gray Garbage Containers described in Appendix A, and at the frequency requested and/or that is that is sufficient to contain the Garbage generated between collections and shall be charged the then-current rates listed in Appendix B-2. Franchisee shall service Bins with locks at no additional charge to the Commercial Customer.

Franchisee shall collect and deliver to the Designated Disposal Facility all Garbage collected from Commercial Customers. Collection of periodic compliant setouts of excess Garbage shall be provided by Franchisee in accordance with Section 4.1.C.6 below and at the then-current rates listed in Appendix B-2.

4. Commercial Recycling Collection.

Franchisee shall provide each Commercial Customer the number and kind of blue Recyclables Containers described in Appendix A, and at the frequency requested and/or that is sufficient to contain the Recyclables generated between collections and shall be charged at the then-current Rates listed in Appendix B-2. At a minimum, and unless otherwise exempted by the City, Franchisee shall provide one (1) 64-gallon Recyclables Cart to Commercial Customers. Franchisee shall service Bins with locks at no additional charge to the Commercial Customer.

Franchisee shall collect and deliver to the Transfer Facility or the Designated Material Recovery Facility all Recyclables collected from Commercial Customers. Collection of periodic compliant setouts of excess Recyclables shall be provided by Franchisee in accordance with Section 4.1(C)6 below and at the then-current rates listed in Appendix B-2.

5. Commercial Organics Collection.

The Franchisee shall provide each Commercial Customer the number and kind of green Organics Containers described in Appendix A, and at the frequency requested and/or that is that is sufficient to contain the Organics generated between collections and shall be charged the then-current rates listed in Appendix B-2. At a minimum, and unless otherwise exempted by the City, Franchisee shall provide one (1) 64-gallon Organics Cart to Commercial Customers. Franchisee shall service Bins with locks at no additional charge to the Commercial Customer.

From the effective date of this Agreement through December 31, 2021, Franchisee shall collect and deliver to the Composting Facility all Franchise Food Waste collected from Commercial Customers. Beginning January 1, 2022, Franchisee shall collect and deliver to the Designated Composting Facility all Organics collected from Commercial Customers. Collection of periodic compliant setouts of excess Organics shall be provided

by Franchisee in accordance with Section 4.1.C.6 below and at the then-current rates listed in Appendix B-2.

6. Excess Materials.

Franchisee shall collect Garbage, Recyclables, and/or Organics that do not fit within the Commercial Customer's Franchisee-issued Containers when those material are set out for collection on the Customer's regular collection day in a manner that conforms to Franchisee's excess material specifications described below and when the Customer has place a standing authorization on their account or has contacted Franchisee in advance and authorized Franchisee to charge the then-current Rates listed in Appendix B-1. Charges for excess materials shall be based on the estimated volume (expressed in terms of equivalents to the volume of a 32-gallon container and by material type).

Franchisee shall collect excess materials set out for collection by Commercial Customers that are compliant with the following specifications:

- Excess Garbage setouts shall be considered compliant when the Garbage is placed in a Customer-provided lidded can or tightly cinched black or gray bag with a capacity that is equal to or less than 32-gallons and properly labeled.
- Excess Recyclables setouts shall be considered compliant when the Recyclables are placed in a Customer-provided lidded can or tightly cinched clear bag with a capacity that is equal to or less than 32-gallons and properly labeled. Cardboard setouts shall also be considered compliant when they are securely bundled/tied such that when lifted they remain secure, and each set out must be smaller than 3' x 1' x 1'. Non-compliant setouts may be collected and charged as Garbage.
- Excess Organics setouts shall be considered compliant when the Organics are placed in a Customer-provided and lidded can and properly labeled. Setouts for woody Yard Trimmings shall also be considered compliant when they are securely bundled/tied such that when lifted they remain secure, and each set out must be smaller than 3' x 1' x 1'. Non-compliant setouts may be collected and charged as Garbage.

7. Drop Box / Roll Off.

Franchisee shall provide Roll Off collection service for Franchise Materials, as requested by Commercial Customers, at the then-current rates listed in Appendix B-3.

Franchisee shall deliver collected Franchise Material collected by Residential Customers to the Designated Disposal Facility or the appropriate Processing Facility for Processing.

D. Commercial Technical Assistance.

Franchisee shall, without additional charge or compensation expeditiously provide a Commercial Technical Assistance Plan for review and modification by the City Manager. The plan shall be designed to encourage Commercial Customers to subscribe to the combination of Commercial Garbage, Recyclables, and Organics collection services that will reduce the

amount of overflow of Commercial Containers in the City. The Franchisee shall report to the City Manager, on a quarterly basis, the status of the technical assistance program.

E. Multi-Family Services.

Franchisee shall work with the landlord to ensure that the premises receive an adequate level of Garbage service, including Recyclables and Organics collection equivalent to that described in Section 4.1.B. Disputes between the Franchisee and owners of multi-family buildings regarding the type and level of service required shall be referred to the City Manager who may determine the appropriate type and level of service at his or her discretion.

F. Services to Public Facilities and of Public Containers

1. Public Containers. The Franchisee shall, without charge or compensation, collect Garbage, Recyclables and Organics from City buildings and facilities and shall collect Garbage and Recyclables from Public Containers located at city centers, parks and other City facilities at locations and schedules as listed in Appendix C. The City Manager, in his or her sole discretion may amend Appendix C when reasonably necessary to achieve adequate collection. Franchisee shall empty all Public Containers located within the Village Area (as described in Appendix C) six (6) days per week, two of which may be Saturday and Sunday if the City Manager determines that to be necessary. The City Manager may approve a less frequent schedule for those portions of the year where adequate service can be maintained.
2. Recycling Promotion Programs. Each calendar year, on or before November 1, Franchisee shall pay \$4,200 to the City to be used in any manner the City Council determines is appropriate for promoting recycling. This includes, but is not limited to, grants or reimbursements to schools for recycling programs. Amounts, if any, not so utilized by the time the next year's payment is due shall be credited against the Franchisee's then due payment.

G. Community Events.

Each franchise year, the Franchisee shall, without additional compensation, provide and collect one equivalent 30 cubic yard roll off collection container (or such other size and number of containers as may be reasonably designated by the City Public Works Director) for the disposal of franchise refuse materials and containers for Recyclables and Organics for 4 major community events (such as the Begonia Festival, Art & Wine Festival or the Rod & Custom Car Show) designated by the City Manager.

H. Bulky Goods.

Franchisee shall collect Bulky Goods from Residential Customers and Commercial Customers in accordance with this Section at the then-current rates provided for in Appendix B-1 and B-2 respectively. To arrange for a Bulky Goods pickup, a Customer must call the local office of the Franchisee Monday through Friday between the hours of 8:00 a.m. and 5:00 p.m. to arrange for a mutually acceptable time and day for the collection of said material. The Franchisee shall then pick up the material at the agreed upon day and time. Unless otherwise agreed by the Customer, this day and time shall be within the week following the date when the Customer

first called for this service.

I. Spring and Fall Cleanup Program.

At least twice each calendar Year, over a one-week period, on dates designated by the City Manager, the Franchisee shall, without additional charge or compensation, undertake a "Spring and Fall Cleanup" program, pursuant to which the Franchisee shall collect and remove certain Garbage, Recyclables, Wood Waste, and Yard Waste. Franchisee shall collect from each Residential Customer any combination of up to seven (7) 32-gallon compliant set-outs described in Section 4.1.B.6 of this Agreement and Bulky Goods.

J. Illegal Dumping Abatement.

Upon request of the City Manager, the Franchisee shall within seven (7) days collect and remove from the City's streets, alleys, parks and other public areas which are located in the City, Bulky Goods and Solid Waste in any volume which has been unlawfully abandoned or discarded.

K. Large Event Recycling Collection.

Franchisee, at no charge, shall collect and deliver to the Transfer Facility all Recyclables generated at large events in the City including, but not limited to: Begonia Festival, Art & Wine Festival, Capitola Rod & Custom Car Show, and the Wharf-to-Wharf Race, and other events as City may designate, up to a maximum of ten (10) per year. Franchisee shall be responsible for supplying an appropriate number of collection Containers, such as Carts and/or Bins, with signage for said events. Franchisee shall also collect, at no charge, source-separated food waste from such events provided event organizers have a City-approved food waste recovery system in place. A large event is a publicly or privately sponsored gathering, which may or may not charge an admission fee, attended by 1,000 or more persons each day of operation of the event.

L. Processing Services.

1. Franchise Recyclables Processing and Marketing.

Franchisee shall be responsible for the following activities:

- a) The receipt, storage, transfer and Processing of all Recyclables properly placed for collection in the City of Capitola, California.
- b) The marketing of products recovered from the Processing of Recyclables in a manner which allows City to receive AB939 diversion credit. City understands that market availability and AB939 compliance will control the extent to which collected materials are actually recycled.

2. Payment for Recyclables Processing, Marketing and Residue Disposal Costs.

Franchisee shall be responsible for the payment of all costs and expenses associated with the transportation, processing and marketing of Recyclables collected or delivered by it

under this Franchise, including any costs incurred by the Franchisee for Processing. In addition, the Franchisee will bear the costs of and is solely responsible for the proper and lawful disposal of all Processing Residues.

3. Franchisee Responsibility for Marketing.

Franchisee shall have full responsibility for marketing the Recyclables. The City shall have no responsibility for the availability of market for recycled products, nor shall it have any liability associated with or resulting from the markets for, or end-uses of, recycled products, and the Franchisee shall indemnify and hold the City harmless from same. Notwithstanding the foregoing, the Franchisee agrees to aggressively explore its ability to collect, process, and market additional materials when the markets for such material become viable.

4. Recycling Market Development Zone.

The Franchisee shall make recyclables available to remanufacturing businesses, identified by the City Manager, within reasonable distances, at the prevailing market prices, or at such other prices agreed to by the parties hereto. The Franchisee will use reasonable efforts to process Recyclables to the specifications desired by such businesses.

5. Franchise Organics Processing.

The Franchisee shall be responsible for the following activities:

- a. Collection of Franchise Organics.
- b. The delivery of Franchise Organics to the Designated Composting Facility.

6. Payment of Organics Processing.

The Franchisee shall be responsible to make payment to the Designated Composting Facility for Organics delivered for Composting. Franchisee shall not be responsible for any costs associated with Processing and/or Marketing or any other activities related to Organics Processing, unless otherwise agreed upon by the Parties in writing.

7. Franchise C&D Processing.

The Franchisee shall be responsible for the following activities:

- a. Collection of Franchise C&D.
- b. The delivery of C&D to the Designated C&D Processing Facility.

8. Payment of C&D Processing.

The Franchisee shall be responsible to make payment to the Designated C&D Processing Facility for C&D delivered for Processing. Franchisee shall not be responsible for any

costs associated with Processing and/or Marketing or any other activities related to C&D Processing, unless otherwise agreed upon by the Parties in writing.

M. Public Outreach and Education.

Franchisee shall provide, without charge or compensation, a public outreach and education program to properly utilize the Franchise Services, enhance program participation and maximize diversion of Recyclables and Organics. Within sixty (60) days of the effective date of this Agreement, the Franchisee shall submit a Public Outreach and Education plan for review and approval of the City Manager. At a minimum, the Public Outreach and Education program will include: information distribution, media relations, video and radio programming, publications, special events, displays and programs, community presentations, school activities, newsletters, billing inserts, and consumer surveys. Outreach materials shall target the generator, including renters, and be distributed directly to the generator (especially if the generator is not the property owner or billing party). The programs and budgets for each Franchise Year shall be submitted to the City Manager for approval prior to implementation of such. Franchisee shall translate educational materials provided by print or electronic media into any non-English language spoken by a substantial number of the public provided Collection service, consistent with requirements set forth in 14 Cal Code Regs. section 18985.1.

Franchisee shall also annually provide commercial business and property owners with public education materials. The Franchisee's public education materials shall include, at a minimum, information about organic waste recovery requirements and proper sorting of discarded materials, and shall reflect content requirements described below. Contractor shall provide the following materials for this purpose:

Franchisee's educational information shall include information on the following, as appropriate:

1. Customers' obligations to properly separate recyclable Materials, Organics, and Garbage and place such materials in appropriate containers pursuant to this Franchise, regulations enacted pursuant to SB1383, and other Applicable Law.
2. Information regarding the benefits of reducing the disposal of Organic waste.
3. Information related to the public health and safety and environmental impacts associated with the disposal of organic waste.
4. Information regarding programs for donation of edible food to the extent such resources are provided by the City as part of the City's Edible Food Recovery program;
5. For Commercial Customers, information about the City's Edible Food Recovery program; Tier One Commercial Edible Food Generators and Tier Two Edible Food Generators requirements specified in 14 CCR, Division 7, Chapter 12, Article 10; Food Recovery Organizations and Food Recovery Services operating within the Jurisdiction, and where a list of those Food Recovery Organizations and Food Recovery Services can be found; and, information about actions that Commercial Edible Food Generators can take to prevent the creation of Food Waste to the extent such resources are provided by the City as part of the City's Edible Food Recovery program.

Commercial Customers may request these materials more frequently than the standard annual

provision if needed to comply with the requirement of 14 CCR Section 18984.10. In this case, Commercial Customers may request delivery of materials by contacting the Contractor's customer service department not later than two (2) weeks in advance of the date that the materials are needed.

To the extent the City provides Franchisee with information on the City's Edible Food Recovery program, Franchisee shall provide Commercial Customers with information about the City's Edible Food Recovery program; the Commercial Edible Food Generator requirements under 14 CCR, Division 7, Chapter 12, Article 10; Food Recovery Organizations and Food Recovery Services operating within the City, and where a list of those Food Recovery Organizations and Food Recovery Services can be found; and about actions that Commercial Edible Food Generators can take to prevent the creation of Food Waste.

The Franchisee shall maintain records sufficient to document compliance with these requirements which shall be provided to the City annually. upon request.

Franchisee agrees to provide, via U.S. mail and on its website, a twice-annual newsletter to all Capitola Customers. Newsletters are to provide public education on the proper use and benefits associated with the Capitola collection programs. Newsletters shall be mailed during the months of February and September of each year. City shall have the opportunity to assist Franchisee in the development of the Newsletter and have the opportunity to review the Newsletter prior to its distribution. The Newsletters are to be directed to and describe only benefits and programs available to Capitola customers.

N. Customer Service Level Determination.

The Franchisee shall regularly monitor the amount of Franchise Garbage from each Customer, and, unless the Customer specifically requests otherwise, shall only provide that level of service, which the Customer is entitled to receive as a result of its classification.

O. Changes in Classification.

Any change in service level shall become effective on the first day of the week following the date of the request or the date Franchisee made such service level change, whichever is later. The Franchisee shall provide information on changes in classifications to the City Manager as a part of the quarterly reports.

P. Christmas Trees.

The Franchisee shall, without additional compensation, collect for delivery to the Designated Composting Facility all Christmas trees discarded by any Residential Customer or Commercial Customer on their first two (2) regularly scheduled collection days after New Year's Day, free of any additional charge to the City or such Customer.

Franchisee shall be responsible for individual Customer notification and newspaper advertisement prior to the collection program informing residents of the dates of collection. In addition, for the first two (2) weeks for each calendar year, the Franchisee shall provide, without additional compensation, up to two drop boxes or roll off boxes for Christmas trees,

of at least 40 cubic yards in size (or smaller if requested by the City Manager), at locations designated by the City Manager. Franchisee shall be responsible for delivering Christmas trees to the Designated Composting Facility without additional compensation.

Q. Annual Food Bank Drive.

Upon request, each year the Franchisee shall participate, at no additional charge or compensation, in a food bank drive to benefit local agencies, such as the Second Harvest Food Bank of the Central Coast, or other local agency as designated by the City Council. The Franchisee shall pickup donated food from its Customers and deliver it to the designated agency. The food bank drive will be publicized by the Franchisee at its own cost and expense.

R. Additional Services.

The Franchisee shall provide those special services, if any, identified in the Service Fee Schedule, Appendicies B-1, B-2, and B-3, at the rates specified therein. The Franchisee shall also have the right, but not the obligation, to establish rates and provide additional special services requested by any Customer, which are directly related and ancillary to any of the other Franchise Services authorized hereunder. Such special services may include, without limitation, steam cleaning of containers, providing roll-off containers to Customer for special events or other special collection needs, and compactor maintenance services.

S. Service Coordinator

Franchisee shall designate in writing on or immediately following the Franchise Date a person to transmit instructions, receive information and otherwise coordinate service and community relation's matters arising pursuant to this Franchise Agreement (each a "Service Coordinator"). The City Service Coordinator shall be the City Manager. Either party may designate a successor or substitute Service Coordinator at any time by written correspondence to the other party.

SECTION 4.2. COLLECTION SERVICE OPERATING REQUIREMENTS.

A. Collection Routes

The Franchisee shall establish and maintain collection routes in such manner as to provide for the uniform and efficient collection of Franchise Materials herein specified.

B. Collection Schedule Revisions.

Franchisee shall notify all affected Customers at least seven (7) days prior to implementing changes to any established collection schedule. Collection schedule revisions shall not be made by Franchisee without the City Manager's prior consent.

C. Route Books and Maps.

Franchisee shall prepare and maintain route books or computer print out route schedules and maps, which outline specific routing information regarding the scheduled daily collection of Franchise Materials. The route books shall be kept current and copies shall be provided to the

City Manager upon request.

D. Hours of Service.

Except for special pickups, collecting missed pickups, or due to emergencies, the Franchisee, unless otherwise approved by the City Manager, shall schedule no collection earlier than 7:00 a.m. and no later than 4:00 p.m. for any Residential Customer, Monday through Friday and no earlier than 6:30 am or later than 4:00 p.m. for any Commercial Customer; however, commercial pick-ups at the Brown Bulb Ranch Shopping Center and at the Capitola Avenue and Bay Avenue corridors shall take place no earlier than 8:00 a.m. and pursuant to City ordinance, commercial pick-ups at the Capitola Village shall be completed by 7:00 am. In addition, the Franchisee shall use reasonable efforts to revise collection routes to address any noise complaints.

E. Holidays.

Collection of Franchise Materials shall not be required on the following legal holidays: New Year's Day, Thanksgiving Day and Christmas Day, except in case of emergency or as otherwise required by the City Manager. Whenever a regular collection falls on such a holiday, the collection shall be made on the following working day, and collections shall become current within one (1) week immediately thereafter.

F. Contaminated Recyclables and Organics.

Franchisee is not required to, pick up Recycling Containers containing greater than or equal to ten percent (10%) by weight Non-Recyclable Materials or Organics Containers containing greater than or equal to one percent (1%) by weight Non-Compostable Materials; provided, however, that the allowable percentage of Non-Compostable Material contamination in Organics Containers is subject to change based on the Organics Processing Facility. In the event that Franchisee determines that a particular Container contains more than the allowable amount of Non-Recyclables or Non-Compostables, Franchisee may do any of the following:

- Not collect the Container and place a tag on such Container not collected informing the Customer of the reason for non-collection, wherein the standard form for such tag is subject to the approval of the City Manager, or
- Collect the Container despite the contamination, if permitted under 14 Cal. Code Regulations, section 18984.5(b)(2), to an appropriate facility for processing, and
- Charge the Customer then then-current rate for 1x/week Garbage collection based on Container size.

In the event that the City determines that excessive amounts of contamination are being deposited in Containers for Recyclable Materials or Organics collected by the Franchisee, it may so notify the Franchisee and the Franchisee shall take steps to identify Customers who are the source of such excessive contamination and instruct them to curtail such contamination. Such steps may include heightened examination of Containers by drivers or other employees of the Franchisee, increased educational efforts, or other steps directed by the City Manager.

SECTION 4.3 CONTAINERS.

A. City Regulations.

The type, size and other specific physical requirements for Containers are specified in Appendix B for Commercial Customers, Residential Customers and may not be changed without the prior written approval of the City Manager.

B. Repair.

The Franchisee shall repair or replace, at its own expense, any Container provided by the Franchisee: (i) damaged by the Franchisee; (ii) damaged by the Customer (through normal wear and tear); (iii) damaged by others; or (iv) stolen. Commercial containers that need to be replaced will be replaced within five (5) working days and Commercial Containers that need to be delivered will be delivered by next service day available. Residential Carts that need to be replaced will be replaced within five (5) working days and Residential Carts that need to be delivered will be delivered prior to the Customer's next service day.

C. Franchisee Provision of Containers to Residential Customers and Commercial Customers

1. Provision of Containers - Residential

- a) The Franchisee shall provide each Residential Customer with separate Carts for Garbage, Recyclables, and Organics. Residential Customer's may choose the size of the Cart(s) for Garbage and Franchisee shall provide one (1) 64-gallon Cart for Recyclables and one (1) 64-gallon Cart for Organics for no additional charge. Additional Carts may be requested by Residential Customers at the then-current rates provided in Appendix B-1.
- b) Franchisee shall also maintain an adequate supply of backyard home composting bins, including worm composting bins, and provide such bins to Residential Customers who request such bins. Brand or specifications for home composting bins shall be approved by the City Manager prior to purchase of such bins. The fee for such bins shall be Franchisee's actual cost.
- c) All Franchisee-provided Carts will remain the property of the Franchisee.

2. Provision of Containers - Commercial.

- a) Franchisee shall supply each Commercial Customer with separate Containers for Garbage, Recyclables and Organics. The Commercial Customer may choose the size of the Container(s) for Franchise Garbage, Recyclables, and Organics based on the options listed in the Commercial Service Schedule in Appendix B-2; provided, however, that unless otherwise exempted by the City, all Commercial Customers shall be provided a minimum of one (1) 64-gallon Recyclables Cart and one (1) 64-gallon Organics Cart and charged for 1x/week collection at the then-current rates provided in

Appendix B-2.

b) All Franchisee-provided Containers will remain the property of the Franchisee.

3. Minimum Container Requirement.

All Containers shall meet the requirements of Appendix A and Federal O.S.H.A requirements and minimum industry standards for safety and effectiveness. Upon request of any Commercial Customer, due to repeated incidents of illegal dumping or scavenging, the Franchisee shall provide such Customer with a locking mechanism for the Container for an additional one-time charge.

4. Franchisee Responsible for Cost of Containers.

Franchisee shall provide all Containers at the Franchisee's cost and expense without any compensation beyond the then-current Service Fees set forth in Appendices B-1, B-2, and B-3.

5. Assembly and Distribution, Repair, Maintenance of Containers.

Franchisee shall assemble and distribute all Containers required pursuant to this Franchisee and the Franchisee's cost and expense without any compensation beyond the then-current Service Fees set forth in Appendices B-1, B-2, and B-3.

Franchisee shall be responsible for the general maintenance and repair of Commercial Containers as provided to the Commercial Customers and shall institute and maintain an effective program to repair, clean and repaint all such Commercial Containers twice per year without interruption in service. Franchisee shall clean Commercial Containers used by restaurants as needed (determined by City Manager) without additional charge or compensation. If more frequent repairing, maintenance, cleaning, and or repainting is required as a result of neglect or misuse on the part of any Customer, the Franchisee shall be entitled to charge such a Commercial Customer a fee, as approved by the City Manager, to compensate the Franchisee for the cost thereof. The Franchisee shall, within five (5) working days from the date such request is received or the Franchisee otherwise becomes aware of the need for such repair or replacement, repair or replace any damaged or dilapidated Container.

SECTION 4.4 COLLECTION LOCATIONS.

A. General.

Except as otherwise specified in Section 4.2.F, Franchisee is responsible for the collection of all Franchise Materials placed for collection in Franchisee-provided Containers or in compliant setouts described in Sections 4.1.B.6 and 4.1.C.6 at the roadside, or in the event that physical conditions prohibit roadside placement, at a location within a reasonable distance of roadside, visible to the Franchisee.

Franchisee shall immediately notify the City Manager or City Public Works Director of any condition at or near any collection location, which creates a safety hazard or accessibility

problem. In such circumstances, upon authorization by City staff, the Franchisee shall arrange with the Customer for a temporary collection location until the safety hazard or accessibility problem is corrected. The Franchisee shall, where necessary, traverse private roads in order to collect Containers deposited by Customers for collection; provided, however, that the Franchisee shall not be required to utilize private roads if the owner of such road prohibits the use of such road by the Franchisee. The Franchisee shall also provide any other special services reasonably requested by a Customer; provided, however, that the Franchisee shall be entitled to reasonable compensation for providing such services, as specified in Appendix B-2, or if no rate is specified in Appendix B-2, at such rates as may be determined by Franchisee and approved by the City Manager.

B. Enclosures.

Where the collection location is within a private Commercial Customer enclosure constructed pursuant to the requirement of, or approved by, the City, the Franchisee shall be responsible for the removal, replacement and closure of all lids and doors of all Containers properly placed therein. The Franchisee shall use sufficient care in the handling of such Containers so as to prevent any damage to the enclosure, the enclosure doors, and adjacent facilities or improvements. The Franchisee shall repair at its own expense, and within thirty (30) working day after notification from the City Manager, any such City code constructed enclosures or adjacent facilities or improvements damaged by it.

SECTION 4.5 GENERAL REQUIREMENTS RELATING TO COLLECTION.

A. Clean Up.

Franchisee shall cause all spills of Franchise Materials occurring during the collection process (including waste spills due to tipping by animals or vandals of containers legally placed for collection) to be cleaned up immediately upon occurrence or discovery of the spill. Franchisee shall close all gates after making collections and shall avoid crossing private or public planting areas and grounds or jumping over hedges and fences.

B. Employees Uniform.

Franchisee shall take all steps necessary to ensure that its employees performing collection services conduct themselves in a workmanlike manner, and as quietly as possible. All such employees shall at all times of employment be dressed in industry standard uniforms with suitable identification. No employee may remove any portion of his or her uniform while working.

C. Record of Non-Collection.

When any Franchise Materials set out by a Customer for collection are not collected by the Franchisee, the Franchisee shall leave a tag indicating the reason(s) for such non-collection and the local telephone number of the Franchisee at which the Customer can inquire as to the circumstances relating to the non-collection. This information shall be in writing or by means of a check mark on a form tag. The Franchisee shall maintain, at its place of business, a log listing all such circumstances in which Franchise Materials set out for collection does not occur. The logbooks shall contain the names of the Premises involved,

the date of such tagging, the reason for non-collection, and the date and manner of disposition of each case. The log shall be kept so that it may be conveniently inspected by the City Manager upon request. The log relating to any particular tagging shall be retained for a period of one year following the tagdate.

D. Fees and Gratuities.

Franchisee shall not, nor shall it permit, any agent, employee or subcontractor employed by it, to request, solicit, demand or accept, directly or indirectly, any compensation or gratuity for providing Franchise Services, except such compensation as is specifically provided for herein.

SECTION 4.6 EVENTS ALLOWING FRANCHISEE TO REFUSE COLLECTION.

The Franchisee is not required to pick up the following:

- A. Excluded Materials
- B. Franchise Materials left for pick-up in a non-compliant manner that are not deposited in the appropriate Container.
- C. Materials not left for pick up at the proper locations, as provided in Section 4.4.A and Section 4.1.B.
- D. Materials contain contamination in excess of those percentages and types described in Section 4.2.F of this Agreement.
- E. The Franchisee may decline to collect any manually dumped Containers which weigh in excess of 100 pounds per Franchisee provided Residential Customer 64-gallon Carts, or have been compacted or otherwise placed, kept or accumulated in a manner such that the Franchise Materials will not, of their own weight, fall out of the Container in which they were placed, when the Container is turned upside down. The Franchisee shall tag any Container, which it does not collect, pursuant to this Section, identifying the reason for such non-collection.

SECTION 4.7 DISPOSAL

A. Disposal Location and Methods.

The City shall have the right and the obligation during the Term hereof to designate the Designated Disposal Site, or multiple concurrent Designated Disposal Sites, in its sole and absolute discretion. The Designated Disposal Site shall be the Monterey Peninsula Landfill owned by the Monterey Waste Management District. The City Manager shall have the right to designate alternative Designated Disposal Sites (subject to the indemnification requirements described in Section 10.1 of this Franchise); provided, however, that if the City changes the Designated Disposal Site and delivery to the new Designated Disposal Site adds more than ten (10) miles round trip to Franchisee's haul routes, the City and Franchisee agree to meet and confer on a reasonable adjustment to Franchisee's

compensation.

The City shall notify the Franchisee in writing of any changes in, or additions to, the Designated Disposal Site. The Franchisee shall transport and dispose of all Garbage, which it collects, and does not divert from landfill disposal at the Designated Disposal Site, in accordance with the requirements of Applicable Law, and shall comply with the requirements, rules and regulations of the owner or operator of the Designated Disposal Site. The Franchisee agrees that it shall not dispose of Recyclables or Organics at any disposal site, through any other type of disposal or, in the case of Recyclable Materials, through incineration, except as may be required in emergencies resulting from Uncontrollable Circumstances with the prior written approval of the City Manager.

B. Disposal Records.

Franchisee shall keep and maintain such logs, records, manifest, bills of lading or other documents as the City Manager may deem to be reasonably necessary or appropriate to confirm compliance by the Franchisee with this Franchise and shall retain all weight slips or other call information provided to the Franchisee's drivers by the owner or operator of the Designated Disposal Site.

C. Payment of Disposal Fees.

Franchisee shall pay, or make arrangements for the payment of, all tipping fees and other transfer or disposal charges imposed by the owner or operator of the Designated Disposal Site for the disposal of Garbage generated by Customers in the City of Capitola and collected by Franchisee.

SECTION 4.8 COMPOSTING

A. Composting Facility.

Subject to the limitations described herein, the City shall have the right and the obligation during the Term hereof to designate the Designated Composting Facility, or multiple concurrent Composting Facilities, in its sole and absolute discretion. The Designated Composting Facility shall be the Monterey Peninsula Landfill owned by the Monterey Waste Management District. The City Manager shall have the right to designate alternative Designated Composting Facility (subject to the indemnification requirements described in Section 10.1 of this Franchise); provided, however, that if the City changes the Designated Composting Facility and delivery to the new Designated Composting Facility adds more than ten (10) miles round trip to Franchisee's haul routes, the City and Franchisee agree to meet and confer on a reasonable adjustment to Franchisee's compensation.

The City shall notify the Franchisee in writing of any changes in, or additions to, the Designated Composting Facility. The Franchisee shall deliver all Organics which it collects to the Designated Composting Facility, in accordance with the requirements of Applicable Law, and shall comply with the requirements, rules and regulations of the owner or operator of the Designated Composting Facility. The Franchisee agrees that it shall not dispose of Organics at any disposal site, except as may be required in emergencies resulting from

Uncontrollable Circumstances with the prior written approval of the City Manager.

In the event the Designated Composting Facility is no longer willing or able to accept or able to accept City's Organics for Processing, the parties shall work cooperatively to identify an alternative facility subject to the provisions of Section 7.1.C. Until such time as an alternative facility is identified and a formal agreement for the Processing of the City's Organics is executed, Franchisee shall not be deemed in breach of this agreement for failure to comply with SB 1383 and its implementing regulations except to the extent the lack of a Designated Composting Facility or alternative facility is caused by the conduct of Franchisee.

B. Composting Records.

Franchisee shall keep and maintain such logs, records, manifest, bills of lading or other documents as the City Manager may deem to be reasonably necessary or appropriate to confirm compliance by the Franchisee with this Franchise and shall retain all weight slips or other call information provided to the Franchisee's drivers by the owner or operator of the Designated Composting Facility.

C. Payment of Composting Fees.

Franchisee shall pay, or make arrangements for the payment of, all tipping fees and associated charges imposed by the owner or operator of the Designated Composting Facility for the composting of Organics generated by Customers in the City of Capitola and collected by Franchisee.

SECTION 4.9 C&D

A. C&D Facility.

Subject to the limitations described herein, the City shall have the right and the obligation during the Term hereof to designate the Designated C&D Facility, or multiple concurrent Composting Facilities, in its sole and absolute discretion. The Designated C&D Facility shall be the Monterey Peninsula Landfill owned by the Monterey Waste Management District. The City Manager shall have the right to designate alternative Designated C&D Facility (subject to the indemnification requirements described in Section 10.1 of this Franchise); provided, however, that if the City changes the Designated C&D Facility and delivery to the new Designated C&D Facility adds more than ten (10) miles round trip to Franchisee's haul routes, the City and Franchisee agree to meet and confer on a reasonable adjustment to Franchisee's compensation.

The City shall notify the Franchisee in writing of any changes in, or additions to, the Designated C&D Facility. The Franchisee shall deliver all C&D which it collects to the Designated C&D Facility, in accordance with the requirements of Applicable Law, and shall comply with the requirements, rules and regulations of the owner or operator of the Designated C&D Facility. The Franchisee agrees that it shall not dispose of C&D at any disposal site, except as may be required in emergencies resulting from Uncontrollable Circumstances with the prior written approval of the City Manager.

B. C&D Records.

Franchisee shall keep and maintain such logs, records, manifest, bills of lading or other documents as the City Manager may deem to be necessary or appropriate to confirm compliance by the Franchisee with this Franchise and shall retain all weight slips or other call information provided to the Franchisee's drivers by the owner or operator of the Designated C&D Facility.

C. Payment of C&D Fees.

Franchisee shall pay, or make arrangements for the payment of, all tipping fees and associated charges imposed by the owner or operator of the Designated C&D Facility for the Processing of C&D generated by Customers in the City of Capitola and collected by Franchisee.

SECTION 4.9 RECYCLING

A. Designated Material Recovery Facility.

Franchisee shall transport all Recyclables to the Designated Material Recovery Facility, provided that such facility complies with Applicable Law and may lawfully accept such materials. Franchisee shall be responsible for ensuring that the Designated Material Recovery Facility has adequate capacity for processing and disposal

B. Recycling Records.

Franchisee shall keep and maintain such logs, records, manifest, bills of lading or other documents as the City Manager may deem to be necessary or appropriate to confirm compliance by the Franchisee with this Franchise and shall retain all weight slips or other call information provided to the Franchisee's drivers by the owner or operator of the Designated Material Recovery Facility.

C. Payment of Fees.

Franchisee shall pay, or make arrangements for the payment of, all tipping fees and associated charges imposed by the owner or operator of the Designated Material Recovery Facility.

ARTICLE V OPERATING ASSETS

SECTION 5.1 FRANCHISEE OPERATING ASSETS.

A. Obligation to Provide.

Franchisee shall acquire and maintain at its own cost and expense Franchise Operating Assets which in number, nature and capacity, shall be sufficient to enable the Franchisee to provide the Franchise Services in accordance with the terms hereof.

B. Vehicle and Equipment Identification.

Franchisee's name, local, toll-free phone number and vehicle or equipment number shall be visibly displayed on both sides of its vehicles or other collection equipment used by the Franchisee. No other signs or markings, other than safety or recycling related, shall be placed upon the Franchisee's vehicles or equipment without prior approval of the City Manager.

C. Vehicle Specifications, Maintenance and Appearance.

All vehicles used by the Franchisee in providing the Franchise Services shall be kept clean and in good repair, and shall be uniformly painted. Vehicles used to collect or transport Franchise Materials shall be kept covered at all times except when such material is actually being loaded or unloaded or when the vehicles are moving along a collection route in the course of collection. Any cover or screen shall be so constructed and used that Franchise Materials shall not blow, fall or leak out of the vehicle onto the street. Franchise Materials collection vehicles shall be washed at least once every seven (7) days and cleaned and painted as required to maintain a sanitary, like-new, appearance. No advertisement or other display shall be carried on any Franchise Materials collection vehicle, other than those specified in Section 5.1.B, without the prior written approval of the City Manager. All Franchisee vehicles used in connection with this Franchise may be required to be inspected by the City Manager on an annual basis for compliance with this sub-section C. He/she may also require an inspection conducted by the California Highway Patrol, or other similar designated governmental agency.

D. Inventory of Operating Assets.

Franchisee shall maintain an inventory of Operating Assets used by the Franchisee to provide Franchise Services under this Franchise and shall update the inventory at least annually. Such inventory shall indicate the type, capacity and location of each vehicle and of each piece of equipment, and the date of acquisition and disposition. The inventory of Operating Assets shall be provided to the City Manager upon request.

SECTION 5.2 OPERATING AND MAINTENANCE OF THE OPERATING ASSETS.

Franchisee, at its sole cost and expense, shall at all times operate, or cause to be operated, the Operating Assets properly and in a sound and economical manner; shall maintain, preserve, and keep the Operating Assets or cause the Operating Assets to be maintained, preserved and kept in good repair, working order and condition; shall staff the Operating Assets with the appropriate

number of hourly and salaried employees consistent with good management practice; and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the Operating Assets may be properly and advantageously conducted. The Franchisee shall maintain the safety of the Operating Assets at a level consistent with Applicable Law and prudent solid waste management practices. Franchisee shall obtain and maintain all insurance necessary to comply with this section.

SECTION 5.3 COMPLIANCE WITH APPLICABLE LAW.

Franchisee shall comply with the rules and regulations governing the operation, use and services of the Designated Disposal Site, the Designated Composting Facility, and the Designated C&D Processing Facility, shall observe and perform all of the terms and conditions contained in the Act, the Municipal Code and all other Applicable Law, shall obtain and maintain all Legal Entitlements required for the Operating Assets and the Franchise Services, and shall comply with all valid acts, rules, regulations, order and directions of any Governmental Body applicable to the Operating Assets and the Franchise Services provided hereunder.

SECTION 5.4 TAXES, FEES AND UTILITY CHARGES.

The Franchisee shall pay all Taxes and Fees lawfully levied or assessed upon or in respect of the Operating Assets or the Franchise Services, or upon any part thereof or upon any revenues of the Franchisee there from and provide and pay the cost of all Utilities necessary for the operation of the Operating Assets and the provision of the Franchise Services, when the same shall become due.

ARTICLE VI GENERAL REQUIREMENTS

SECTION 6.1. PUBLIC ACCESS TO THE FRANCHISEE.

A. Office Facilities.

Franchisee shall establish and maintain at all times during the Term hereof a local access toll free customer service number that shall be identified on all publications, bills and correspondence.

B. Office Hours.

Franchisee's office hours shall be, at a minimum, from 8:00 a.m. to 5:00 p.m. daily, except Saturdays, Sundays and holidays. A weekend/after hour's voicemail service shall be provided. Calls to the weekend/after hours voicemail system will be responded to on the next business day.

C. Availability of Representatives.

A representative of the Franchisee shall be available at the Franchisee's office hours for communication with the City Manager and the public. This requirement is not met merely by providing a message recorder, voice mail, etc. The phone system used during regular business hours must be such that callers can ordinarily directly speak with a knowledgeable representative within thirty (30) seconds of the first ring into the call queue.

D. Emergency Telephone Number.

Franchisee shall maintain an emergency telephone number for use during other than normal business hours. The Franchisee shall have a representative, or an answering service to contact such representative, available at the emergency telephone number during all hours other than normal office hours. The Franchisee shall provide the City Manager with night and weekend telephone numbers for senior officials of the Franchisee for use by the City Manager in case of emergencies.

E. Continuation of Franchise Services During Labor Actions.

Franchisee shall prepare and submit to the City Manager, a contingency plan for uninterrupted continuation of Franchise services in the event of labor actions such as strikes, sick-outs, work stoppages or slowdowns, or any other reasonably foreseeable labor action intended to negatively impact, reduce or stop Franchisee services. The plan shall not prevent the Franchisee, workers or labor organizers from exercising their lawful rights as defined by applicable law.

SECTION 6.2 SERVICE COMPLAINTS AND DEFICIENCIES.

A. Complaints to Franchisee.

Franchisee shall maintain during office hours a complaint service satisfactory to the City Manager. All service complaints will be directed to the Franchisee. The Franchisee shall provide bilingual, Spanish-speaking customer service representatives. Copies of all complaints

shall be given to the City Manager upon request. The Franchisee shall record all complaints, including date and time, complainant name and address, and nature and date and time of resolution of complaint. This log shall be available to the City.

B. Required Response to Complaints.

Missed pick-ups that are called in by 12:00 p.m. and are not late put outs, shall be picked up on the same day; missed pick-ups called in after 12:00 p.m. and are not late put outs, shall be picked up on the next scheduled business day. Drivers shall call in to the Dispatch office between 11:30 a.m. and 1:00 p.m. daily to receive and act on missed pick-ups. For service complaints, the field supervisor shall have 48 hours to resolve or attend to the complaint. Customer services representatives shall call customer after complaint resolution to confirm satisfactory results. For all other valid complaints or failure to provide a Franchise Service to a customer, corrective action shall commence the next business day following the complaint.

C. Penalties for Failure to Meet Requirements of Franchise.

The City Manager may establish and collect penalties in the amounts listed below for Franchisee's failure to meet the requirements of this Franchise. The provisions of this subparagraph D shall not constitute a mandatory election of remedies. The City Manager's decision to not impose any such penalty shall not be deemed a waiver of any breach by the Franchisee under this Franchise. The City Manager may, but shall not be obligated to, impose the penalties listed below for the corresponding deficiency in performance by the Franchisee. If the City Manager determines the issuance of penalties are appropriate, the City Manager shall issue a written notice to Franchisee ("Notice of Assessment") of the penalty and the basis on which the determination was made, including supporting documentation.

1. Failure to correct a missed pickups within the times set forth in Sections 4.1.B.1, 4.1.C.1, and 4.2.D: \$100.00 per occurrence; each additional 24-hour working day period: \$100.00;
2. Failure to provide Containers to initial Customer within seven days of request for service: \$100.00 per day;
3. Failure to deliver collected Franchise Refuse Materials to the Designated Disposal Site: \$1,000 per incident;
4. Failure to repair or replace any Container, when so required by this Agreement: \$100.00 per occurrence;
5. Undertaking Residential collection operations earlier or later than specified in Sections 4.1.B.1 or 4.2.D: \$100.00 per occurrence;
6. Failure to maintain Operating Assets in neat and orderly manner, after notice by the City Manager and within a reasonable time to remedy: \$100.00 per day;
7. Failure to record a response to a Customer complaint or request within 24 hours of resolution: \$100 per occurrence;
8. Failure to clean up spillage or litter during Franchisee collection activity: \$100.00 per occurrence;

9. Failure to take reasonable steps to resolve a legitimate billing complaint within seven working days from the complaint: \$100.00 per occurrence;
10. Additional penalty when Franchisee receives more than 25 valid service-related complaints in any 30-day period: \$500.00;
11. Failure to tag materials not collected due to contamination or inappropriately prepared: \$100.00 per occurrence;
12. Failure to attain final complete deployment of containers and automated pick up vehicles for Recycling or Franchise Yard Waste on the date required by this agreement: \$500.00 per day;
13. Failure to remit City fees by the fifteenth of the month: \$100.00 per occurrence plus late fees of three-quarters of one percent per month for every month thereafter until paid;
14. Failure to maintain or submit documents and reports as required under the terms of this Agreement after ten day notice: \$100 per incident per day;
15. An improper refusal to pick up materials when the stated or ostensible basis for the refusal is one of the grounds listed in Section 4.6: \$100 per incident per day.

Any penalty due under this section shall be paid to the City in accordance with Section 7.1.B.

D. Procedure for Review of Administrative Charges.

The penalties assessed shall become final unless, within ten (10) calendar days of the date of the Notice of Assessment, Franchisee provides a written request for a meeting with the City Manager to present evidence that the assessment should not be made. The City Manager shall schedule a meeting between Franchisee and the City Manager as soon as reasonably possible after timely receipt of Franchisee's request. The City Manager shall review Franchisee's evidence and render a decision sustaining or reversing the penalties as soon as reasonably possible after the meeting. Written notice of the decision shall be provided to Franchisee.

SECTION 6.3 ACCOUNTING AND RECORDS.

A. Maintenance and Audit of Records.

Franchisee shall maintain in its principal office full and complete financial and accounting records prepared on an accrual basis in accordance with generally accepted accounting principles. Such records shall be subject to audit and inspection by the City and its authorized officers, agents or employees, at any reasonable time at the Franchisee's principal office. The gross receipts derived from the Franchise Services under this Franchise, whether such services are performed by the Franchisee or by a subcontractor or subcontractors, shall be recorded as revenues in the accounts of the Franchisee. The Franchisee shall maintain and preserve all disposal records and service level records for a period of not less than three (3) years following the expiration or termination of the Franchise. The City Manager may require a Customer audit in order to verify that Customers are receiving the level of service for which they are being billed.

B. Inspection of Franchisee's Accounts and Records.

The Franchisee's service levels and disposal records shall be available at the Franchisee's local office at any time during regular business hours for inspection by the City Manager during the term of this Franchise and for a period of three (3) years following the expiration or termination of the Franchise.

C. Delivery of Financial Reports to City.

Annually the Franchisee shall furnish at its sole cost and expense complete annual financial statements of the Franchisee to the City Manager necessary in order for the City to reconcile any financial determination related to this Franchise. Such statements should include those records applicable to the services defined in this Franchise. The statement shall be examined by an independent Certified Public Accountant and shall include the unqualified opinion of such accountant as to whether such statement is a fair representation of the data included therein. The financial information shall include a report on the service classification of each Customer within the Franchise Area. The Franchisee shall have a complete audited financial statement available to the City by July 15 of each year.

D. Recycling and Organics Information.

Franchise shall maintain in its principal office full and complete financial and accounting records pertaining to cash, billing, purchase, processing, shipping and sale of Recyclables processed and sold under the provisions of this Franchise. City acknowledges Franchisee records may contain confidential and proprietary corporate information belonging to Franchisee and that constitute Franchisee's Trade Secrets under the California Civil Code section 3426.1(d) ("Trade Secrets") that are not of public knowledge or general knowledge in the trade or business, and that have an intrinsic value preserved by being safeguarded from disclosure. Said records shall be subject to inspection by the City Manager only.

E. Computer System.

Franchisee shall maintain a computer database which specifies the service address of each Customer within the Franchise Area covered by the Franchise Agreement, the service classification applicable to each Premises, and any special services provided to such Premises. The Franchisee computer system shall allow the City to review for each Customer:

1. Record of missed pickups or late put out by the customer,
2. Records of daily container (refuse, recycling, yard waste, home composting) delivery,
3. Route identification,
4. Container servicing, and
5. Tagging for contamination, placement or other reasons.

The Franchisee shall provide the City convenient access to this information, including printouts, if requested.

SECTION 6.4 RULES AND REGULATIONS OF THE CITY MANAGER.

The City Manager or City Council shall have the power to establish rules and regulations relating

to the accumulation, collection, recycling, and disposal of Franchise Materials not inconsistent with the provisions of this Franchise, provided such rules and regulations are found to be reasonably necessary by the City Manager for enforcement of the provisions of this Franchise, or any and all Applicable Laws.

SECTION 6. 5 PERFORMANCE BOND.

Franchisee shall furnish to the City and maintain and file with the City of Capitola no later than 30 days after the Franchise Date a corporate surety bond, or other acceptable surety, approved as to form by the City of Capitola City Attorney executed by the Franchisee as principal and by a corporate surety, in the sum of \$500,000.00. Such bond shall permit the City to draw upon it in the event the Franchisee fails to perform its obligations hereunder and fails to pay any liquidated damages required to be paid as a result of such non-performance. The surety bond shall serve to secure the performance of the Franchise Services, and the amount thereof shall in no way limit the damages which may be payable hereunder upon any breach hereof by the Franchisee.

SECTION 6. 6 SUBCONTRACTORS.

Franchisee shall not utilize any subcontractors for the performance of the Franchise Services except with the consent of the City, which may be withheld or delayed in its sole and reasonable discretion.

SECTION 6.7 MONITORING AND REPORTING.

A. Records.

Franchisee shall maintain in its local office records for the City of the quantities of (i) Garbage collected and disposed under the terms of this Franchise, (ii) Recyclables collected, processed, sold, donated or given for no compensation, and residue disposed, and (iii) Organics collected and delivered to the Designated Composting Facility for Processing. Quantities by type of Recyclables collected by Franchisee may be determined by estimate based on load sampling to characterize the contents of each commingled material load, using a sample protocol that is standardized for all such characterizations performed at the Designated Material Recovery Facility. Said records shall be subject to inspection by the City Manager.

B. Waste Disposal and Characterization Studies.

Franchisee shall, at no additional compensation, conduct one seasonal characterization study per year during the course of this agreement on the Franchise Recyclables in order to determine the content of said material for marketing and public outreach purposes.

C. Collection Monitoring.

Franchisee shall allow a person designated by the City Manager to ride with the Franchisee collection vehicles on any route or routes with the proper Franchisee indemnification of liability, or liability waiver provided by the City of Capitola. The City Manager will inform the Franchisee at least one week in advance prior to date of route monitoring. Franchisee shall also perform ongoing contamination monitoring required for SB1383 as described in Appendix D.

D. Reporting.

Unless waived in writing, the Franchisee shall submit the following reports to the City:

1. Quarterly Report Submittals.

Monthly reports shall be submitted no later than the 25th of the month following the reporting period.

a) Franchise Garbage Materials Data – Quarterly.

Identify Residential and Commercial quantities collected.

b) Recycling and Diversion Data – Quarterly.

Identify, by diversion type (Residential and Commercial), amounts of collected Recyclables, which are recycled or diverted from landfill disposal.

c) Franchise Organics Data - Quarterly.

Identify residential Franchise Organics quantities collected, processed and delivered to the end-user. Include gross tons collected weekly.

d) Praises Complaints Missed Pickups and Resolutions - Quarterly.

Provide the City Manager with a monthly report summary of compliments and complaints received in any one month. In particular, such summary will specifically identify any complaints, which require the payment by the Franchisee of liquidated damages pursuant to this Article.

e) Problems and Actions Taken – Quarterly.

Provide summary narrative of problems encountered with collection and processing activities and actions taken. Indicate instances of and responses to property damage or injury, poaching or scavenging, significant changes in operation in response to such problems.

2. Annual Report Submittals.

Unless another date is provided herein, or specified by the City Manager, Annual reports shall be submitted no later than sixty (60) days following the end of the Franchise Year.

a) Public Education and Information - Annually.

Provide a summary description of public education and information activities undertaken. Include distribution of individual customer literature, collection notification tags, community information and events, tours and other activity involvement.

b) Annual Report Contents.

The Annual Report shall summarize: the numerical information contained in the quarterly reports, changes, and customer complaints or comments. Franchisee shall also provide a status update on whether the Designated Composting Facility has and will continue to have the capabilities to Process and recover the compostable plastics

E. State Diversion Mandates

Franchisee agrees to operate collection program for Franchise Materials from Residential Customers and Commercial Customers compliant with Applicable Law, including with current and future State mandates, including, but not limited to, CIWMB Act of 1989, AB 939, AB 341, AB 1594, AB1826 and SB 1383, and provide all of the necessary data and documentation, to the extent Franchisee controls such data, for reporting to CalRecycle. To the extent State mandates require new or different requirements or processes, Franchisee may submit a request for a special rate adjustment subject to the provisions of Section 7.1.C.2.

SECTION 6.8. RESEARCH AND DEVELOPMENT.

Franchisee agrees to take a proactive approach on its own initiative and, in addition, to cooperate with the City in pursuing new technologies, management techniques and markets through pilot programs or other similar activities to improve cost-efficiencies and product quality and to increase material recovery from the collection and processing services described herein. The Franchisee and the City, by mutual agreement, will determine the scope of work, timing, costs, and compensation, if any, due Franchisee to accomplish the purposes of this paragraph. The Franchisee shall provide the City, on request, with a written summary report identifying the results and conclusions of such research or pilot programs. In the context of the objectives of this paragraph, the Franchisee will meet with the City, as requested, to evaluate the performance of the Franchise Services and to examine new market opportunities for the processed materials produced by the Franchise services.

SECTION 6.9. CITY RIGHT TO DIRECT CHANGES.

The City may direct the Franchisee to perform additional services or modify the manner in which it performs existing services; provided, however, that City's request shall not impact the exclusivity provisions of this Agreement. Franchisee shall be entitled to an adjustment in its compensation for providing such additional or modified services in accordance with Section 7.1.C.2 of this Agreement.

A. Franchisee Proposal Process

If requested by the City, the Franchisee shall present, within 30 days of the request, a proposal to provide additional or modified services. The proposal shall contain a complete description of the following when applicable; (i) collection methodology to be employed, (ii) equipment to be utilized, (iii) labor requirements, (iv) type of containers to be utilized, (v) provision of program marketing and public education, (vi) a projection of the financial results of the program's operations for the remaining Term of the Agreement in a balance sheet and operating statement format including documentation of key assumptions underlying the projections and the support for the assumptions, (vii) materials processing facility to be used, and (viii) proposed rate adjustment.

SECTION 6.10. DISPUTE RESOLUTION

- A. If the parties are unable to resolve a dispute arising under this Agreement in a cooperative manner, either party may call for mediation, as hereafter described. The party calling for mediation shall serve notice in writing upon the other party setting forth the question or questions to be mediated. The costs of mediation shall be borne equally by the parties.
- B. Within ten (10) days after delivery of the notice called for under Section 6.10.A, the parties shall select a mutually acceptable mediator from the Judicial Arbitration and Mediation Service (JAMS) or other mutually agreeable organization.

In the event the parties are unable to agree on a mediator, both parties shall provide two names of two proposed mediators and the mediator shall be selected randomly from the proposals. However, either side may reject the proposed mediator and JAMS will select another. Within ten (10) days thereafter the parties shall meet with the mediator in a good faith attempt to resolve their dispute. The parties shall continue to meet with the mediator until their dispute is resolved or the mediator indicates that he or she does not believe that further efforts are likely to result in a successful resolution at which time litigation may be commenced.

ARTICLE VII COMPENSATION

SECTION 7.1. SERVICE RATE SCHEDULE/BILLING PROCEDURES.

A. Formula.

Except as otherwise provided in Sections 7.3 and 7.4 of this Agreement, commencing with the first regular billings mailed after the effective date of this Agreement, the Franchisee shall be entitled to retain all Customer Revenue billed in accordance with the Service Rate Schedule for the Franchise Services provided by the Franchisee hereunder in accordance with the provisions of this Article and Appendices B-1, B-2, and B-3. Service Fees shall be adjusted from time to time as provided in Section 7.1.C of this Agreement. JF

Franchisee shall offer qualifying Residential Customers participating in the PG&E Care Program discounted services as described in Appendix B-1. In order for a Residential Customer to be eligible for a discounted rate, the Customer may only be subscribed to a single 10-gallon, 20-gallon or 35-gallon Garbage Cart

Except as otherwise expressly provided in this Agreement, the revenue from the Service Rate Schedule, less the monthly remittance due to City described in Section 7.3 and 7.4, constitutes the entire compensation of the Franchise for the Franchise Services. Except as otherwise provided in this Agreement, Franchisee waives any right it has or may have at any time during the Term of this Franchise to seek to have the Service Rate Schedule increased in a manner not set forth in this Agreement under any theory of fact or law by any Governmental Body.

B. Damages.

All penalties and/or damages shall be paid by the Franchisee directly to the City, or persons subject to receive payment for damages, within 25 days following the end of the month in which determination for payment has been concluded.

C. Modification of the Service Rate Schedules.

1. Annual Rate Adjustments

Commencing on July 1, 2022 and on July 1st of each subsequent year during the Term of the Franchise, the Service Rates contained in the Service Rate Schedules herein provided in Appendices B-1, B-2, and B-3 shall be changed as follows:

- a. Service Rates without components shall be adjusted by 100% of the change in the Consumer Price Index for All Urban Consumers for All Items for the area of San Francisco-Oakland-Hayward from the prior December to the December of the current adjustment year and shall include any changes in Fees pursuant to Section 7.3 and 7.4 of this Agreement.
- b. Commercial Recyclables Service Rates shall be determined by taking eleven percent (11%) of the then-current Commercial Garbage rate by Container type, Container size and collection frequency.
- c. Where Residential and Commercial Service Rates for Garbage and Organics that

include a Service Fee Component and a Processing Fee Component, each component shall be adjusted independently, and the resulting components shall be added together to determine the new Service Rate as follows:

- i. The Service Fee Component of such rates shall be adjusted by 100% of the change in the Consumer Price Index for All Urban Consumers for All Items for the area of San Francisco-Oakland-Hayward from the prior December to the December of the current adjustment year and shall include any changes in the Fee pursuant to Section 7.3 and 7.4 of this Agreement.
 - ii. The Processing Fee Component of such rates shall be adjusted by 100% of the percentage change in the per ton fees by Franchise Material type at the Designated Disposal Facility and/or the Designated Composting Facility and then grossed up for the Fees described in Sections 7.3 and 7.4 of this Agreement as well as any changes in the Fees described in these Sections.
- d. If Franchisee incurs contamination charges at the Designated Composting Facility resulting from evolving definitions of acceptable material types at the Designated Composting Facility and where such contamination is not primarily the result of Customer placing unacceptable materials in organics containers and/or Franchisee failing to performing adequate outreach on acceptable materials or monitoring of Containers, City authorizes Franchisee to deduct actual costs of any contamination fees paid by the Franchisee from the monthly Franchise Fee remittance to City up to a maximum amount of \$2,500.00 in a single calendar year and provide the City with sufficient documentation to identify the type(s) of contamination that triggered contamination charges to Franchisee. In the event the contaminated charges exceed \$2,500.00 in a single calendar year, the parties will meet and confer and develop a method to pass on charges to the Residential Garbage Rate and/or the Processing Fee component of the Commercial Organics rates such that Franchisee is made whole.

On or before April 1 of each year of this Agreement, Franchisee shall present to City the indices on which the adjustments are to be calculated, and the proposed adjusted Service Rates.

Rate changes shall not be applied to services which have already been billed (whether or not performed) prior to Franchisee's mailing of notice of rate increase to Customers. The City Manager or designee shall review the rate change calculations for accuracy and provided the calculations are accurate, the new Service Rate Schedules shall be considered approved and Franchisee may commence charging the newly adjusted Service Rates 30 days after written notice has been provided to Customers.

2. Special Rate Adjustments

Any City-directed changes in scope, a Change in Law, changes to per ton fees made by the Designated Disposal Facility and/or the Designated Composting Facility that do not coincide with the beginning of a new rate period (July 1st) or other changes which cannot be foreseen, may be the basis for a special adjustment of the Franchisee's

Service Rates. Franchisee may request a Special Rate Adjustment at any time. Special Rate Adjustments will be at the reasonable discretion of the City, based on the written request and documentation provided by the Franchisee.

In the event Franchisee requests a Special Rate Adjustment as a result of a Change in Law, Franchisee shall have the burden of demonstrating to the reasonable satisfaction of the City Manager that the failure of City to adjust the rates will result in the Franchisee incurring new and unanticipated costs or reduced revenues due to the Change in Law. The Franchisee will have to demonstrate new and unanticipated costs or reduced revenues by allowing for the City Manager review of financial statements and/or other supporting documentation reasonably necessary to determine the impact of the change. Any resulting rate adjustment shall be subject to the approval of the City Council; provided, however, if the necessary rate adjustment required for Franchisee to continue to operate within Applicable Law is not approved, Franchisee may petition the City Council to offset Franchisee's increased costs using Franchise Fees or reducing other services provided under this Agreement and not approved, Franchisee retains the right to initiate dispute resolution procedures described in Section 6.10 or to take any action and seek any remedy at law or in equity.

SECTION 7.2. MONTHLY SERVICE FEE CUSTOMER STATEMENT.

Franchisee shall continue to bill (frequency and timing) in accordance with its present practices in City. No significant changes shall occur without City Manager approval.

SECTION 7.3. FRANCHISE FEE.

Commencing upon the date that the City executes the Franchise Agreement, Franchisee shall be assessed by the City a Franchise Fee equal to ten percent (10%) of all Fees and Assessments charged by Franchisee to Residential and Commercial Customers.

SECTION 7.4. CITY SURCHARGES.

The City may, at its sole and absolute discretion, require the Franchisee to include in its bill to Customers, collect, and pass through to City without any additional charge, any applicable fees or surcharges as may be imposed by the City Council, including but not limited to recycling fees, disposal fees, AB 939, or SB 1383 fees. The Franchisee may separately list and describe any such fees or charges.

SECTION 7.5. DISPUTES REGARDING EXTRA SERVICES.

If a Residential or Commercial Customer disputes any statement billing amount for extra Customer-requested service above the established Service Fee Rate, the Franchisee shall provide the Residential or Commercial Customer with a written verification of the amount billed. If the Customer and the Franchisee are not able to resolve such dispute within 30 days after the date of Customer's written objection, either party may refer such dispute to the City Manager for review. If the City Manager accepts the matter for review, the City Manager's determination shall be final. The City Manager may decline to accept the matter for review, in which case the parties shall have normal recourse to the courts.

**ARTICLE VIII
DEFAULT, TERMINATION FOR CAUSE AND DISPUTE
RESOLUTION**

SECTION 8.1. TERMINATION, PRE-CONDITION FOR BREACH.

The parties agree that, in the event that either party breached any obligation under this Franchise or any representation made by either party hereunder is untrue in any material respect, the other party shall have the right to take any action and seek any remedy at law or in equity it may have to enforce the payment of any damages for the performance of such other obligation hereunder. The Franchisee acknowledges that the City intends to rely on the Franchisee to provide Franchise Materials collection, transportation to the Designated Disposal Site, Designated Transfer Facility, Designated Composting Facility and Designated C&D Processing Facility and other services hereunder for the protection of the public health, safety and welfare, and that therefore the City may enforce any action for specific performance of the Franchisee's obligations hereunder to provide the Franchise Services on the terms and conditions provided herein. Neither party shall have the right to terminate this Franchise for cause except after an Event of Default determined in accordance with the provisions of this Article VIII has occurred, and has not been remedied.

SECTION 8.2. RIGHT OF THE CITY TO PERFORM SERVICES IN CERTAIN CIRCUMSTANCES.

Franchisee Failure to Collect for any Reason. Should the Franchisee, for any reason whatsoever, fail, refuse or be unable to collect, transport and dispose of any or all Franchise Materials which it is herein obligated to collect, transport and Dispose, deliver for Processing or Process in the time and manner as herein in the Franchise provided, for a period of more than seventy-two (72) hours, exclusive of the 24-hour period that is Sunday, or if in any lesser time period Garbage and/or Organics should accumulate in the City to such an extent, in such manner, or for such time that the City Manager or City Council should find that such accumulation endangers or menaces the Public Health, safety or welfare, then, in any of those events, the City shall have the right, upon notice to the Franchisee, after such notice, to cause the Garbage and/or Organics to be collected. All of the reasonable costs of such collection shall be paid by Franchisee. In such event the City shall submit a reimbursement statement to the Franchisee. Each statement shall list such costs and expenses, and the reimbursement shall be made no later than five (5) days from and after each such submission. In the event the reimbursement is not made, the City may draw upon any bond or other security required to be maintained thereunder.

SECTION 8.3. EVENTS OF DEFAULT OF FRANCHISEE.

A. Event of Default Defined. Each of the following shall constitute an Event of Default on the part of the Franchisee:

1. Certain Events of Non-Compliance.

Any transaction not complying with the requirements of Section 3.2. or Section 3.3. hereof.

2. Failure of Deliveries to the Designated Disposal Site.

Except for Uncontrollable Circumstances, the failure by the Franchisee for any reason, without any requirement of notice or cure opportunity, to deliver to the Designated Disposal Site, on a consecutive or cumulative basis though out the Term of this Franchise, Garbage that it collects from Customers in any significant amount.

3. Missed Collections. The failure of the Franchisee, except as may be excused by Uncontrollable Circumstances, to, in any Franchise Year, make at least 99.95% of the gross number of scheduled collections placed at the curb by Residential - Customers or at the designated collection points by Commercial Customers.

4. Improper Disposal of Recyclables or Organics.

Except for Uncontrollable Circumstances with approval of the City, Disposal by the Franchisee in any landfill of Recyclables or Organics.

5. Refusal to Timely Provide or Falsification of Report.

Intentional refusal to timely provide, or falsification by the Franchisee of, any report or document required to be provided by the Franchisee under this Franchise.

6. Voluntary Bankruptcy.

The written admission by either the Franchisee or Guarantor that it is bankrupt, or the filing by the Franchisee or either Guarantor of a voluntary petition under the Federal Bankruptcy Code, or the consent by the Franchisee or either Guarantor to the appointment by a court of a receiver or trustee for all or a substantial portion of its property or business, or the making an assignment to a trustee, receiver or similar fiduciary, regardless of how designated, of all or a substantial portion of the Franchisee's or either Guarantor's property or business .

7. Involuntary Bankruptcy.

The final adjudication of the Franchisee or either Guarantor as a bankrupt after the filing of an involuntary petition under the Bankruptcy Act, but no such adjudication shall be regarded as final unless and until the same is no longer being contested by the Franchisee nor until the order of the adjudication shall be regarded as final unless and until the same is no longer being contested by the Franchisee nor until the order of the adjudication is no longer appealable.

8. Failure to Provide Performance Bond.

The failure of the Franchisee to provide or maintain the performance bond required pursuant to Section 6.5. hereof.

9. Other Failure to Perform, Notice.

Failures described in sub-paragraphs 1, 2, 6, 7 and any falsification of reports are events for which City may, at its sole election, terminate this Franchise without prior notice. On all other matters listed in this section, and for Franchisee's failure or refusal to perform any material term, covenant, obligation or condition contained in the Franchise, the City

shall have the right to terminate this Franchise under this Section when:

- (a) The City has given prior written notice to the Franchisee, stating that a specific failure or refusal to perform exists which will, unless corrected, constitute a material breach of this Franchise on the part of the Franchisee and which will, in its opinion, give the City a right to terminate this Franchise for cause under this Section unless such default is corrected within the time specified in Part B of this Section 8.3; and
- (b) The Franchisee has neither challenged in an appropriate forum the City's conclusion that such failure or refusal to perform has occurred or constitutes a material breach of this Franchise nor corrected or diligently taken steps to correct such default within 15 days from receipt of the notice given. However, if the Franchisee has diligently taken steps to correct such default within a reasonable period of time, the same shall not constitute an Event of Default for as long as the Franchisee is expeditiously continuing to take such steps to correct such default.

B. Termination Liquidated Damages Payable to the Cities.

If this Franchise is terminated by the City for cause as a result of an Event of Default by the Franchisee hereunder, the Franchisee immediately upon receipt of the City termination notice shall pay to the City as damages:

1. All amounts payable to the City by the Franchisee as damages for actions occurring prior to such date of termination,
2. An amount equal to the sum of all increased payments, damages, penalties incurred by or on behalf of the City under or Applicable Law as a result of the termination of this Franchise, and
3. \$150,000.00 as compensation for the cost (including but not limited to staff and consultant time) and dislocation, which results from having to hurriedly obtain other service and another Franchisee.

C. Adequacy of Termination Liquidation Damages.

The parties agree that upon termination of the Franchisee for cause under Section 8.3, actual damages would be difficult or impossible to ascertain, that the termination liquidated damages provided for are herein intended to place the City in an economic position equivalent to that which it would have been in the Event of Default or material breach permitting termination for cause had not occurred. The obligation to pay such termination liquidated damages shall not impair or limit the obligation of the Franchisee or the City under any other provision of this Franchise, which expressly survives termination hereunder.

SECTION 8.4. EVENT OF DEFAULT BY THE CITY.

- A. Event of City Default Defined. The following shall constitute an Event of Default on the Part of the City:

The failure of the City to pay undisputed amounts due and owing to the Franchisee under this Franchise within 90 days following receipt of a Franchisee invoice therefore relative to direct payment of invoices submitted in excess of the free service provided to the City under the terms of this Franchise Agreement only.

SECTION 8.5. NO WAIVERS.

No action of the City or Franchisee pursuant to this Franchise (including, but not limited to, any investigation or payment), and no failure to act, shall constitute a waiver by either party of the other party's compliance with any term or provision of this Franchise. No course of dealing or delay by the City or Franchisee in exercising any right, power or remedy under this Franchise shall operate as a waiver thereof or otherwise prejudice such party's rights, powers and remedies. No single or partial exercise of (or failure to exercise) any right, power or remedy of the City or of the Franchisee under this Franchise shall preclude any other or further exercise thereof or the exercise of any other right, power or remedy.

SECTION 8. 6. PUNITIVE DAMAGES.

In no event shall either party hereto be liable to the other or obligated in any manner to pay to the other any punitive or similar damages (except for penalties herein provided) based upon claims arising out of or in connection with the performance of non-performance of its obligations or otherwise under this Franchise, or the material inaccuracy of any representation made in this Franchise, whether such claims are based upon contract, tort, negligence, warranty or other legal theory.

SECTION 8.7. FORUM FOR DISPUTE RESOLUTION.

All legal actions and proceedings related to this Franchise or to the Franchise Services or to any rights or any relationship between the parties arising therefrom shall, unless precluded by federal jurisdiction mandates, be solely and exclusively initiated and maintained in the courts of the State of California.

SECTION 8.8. ADMINISTRATIVE REVIEW OF DISPUTES.

Either party hereto may give the other party written notice of dispute relating to matters, which are ongoing or unresolved. The parties shall try to arrange a mutually satisfactory time and place to meet. If they cannot agree, the City Manager shall set a time, during business hours, approximately one week from the date of the notice, for a meeting at City Hall. The parties shall attempt to resolve such dispute. The City Manager shall keep a record of the proceedings conducted and information presented during such meeting. In the event that such dispute cannot be resolved by the parties hereto within 30 days of delivery of the initial notice, either party may initiate the dispute resolution procedures in Section 6.10 and if unsuccessful, may avail itself of any other remedy. This Section shall not apply: when City has declared a default under Section 8.3; when city has assessed a penalty under Section 6.2(D); when City claims reimbursement under Section 8.2 or for matters covered by Section 8.9.

SECTION 8.9. CRIMINAL ACTIVITY OF THE FRANCHISEE.

Should the Franchisee or any of its officers or directors be "found guilty" of felonious conduct relating to the Franchise Services, or other felonious conduct involving (i) a price fixing conspiracy in connection with Franchise Services, (ii) illegal transport or disposal of hazardous or toxic materials, or (iii) bribery of public officials, the City reserves the right to do any of the following:

1. To unilaterally terminate this Franchise Agreement; or
2. Exercise all other remedies available to the City in instances of default; or
3. Accept such other sanctions (which may include financial sanctions or any other condition deemed appropriate short of termination) as the City and Franchisee shall mutually agree.

Such action shall be taken after the Franchisee has been given notice and an opportunity to present evidence in mitigation. The term "found guilty" shall be deemed to include any judicial determination that the Franchisee or any of its officers, directors or employees is guilty, and any admission of guilty by the Franchisee, or any of its officers, directors, or employees including, but not limited to, the pleas of "guilty", nolo contendere", "no contest" or "guilty of a lesser felony" entered as part of any plea bargain. Notwithstanding the foregoing, if such officers, director or employees are acting in their own behalf in their individual capacities as officer, directors or employees, the Franchisee shall dismiss or remove such officers, directors or employees and take all action necessary and appropriate to remedy any breach of this Franchise Agreement.

ARTICLE IX

TERM

SECTION 9. 1. TERM. The term of this Franchise shall commence on the Effective Date and shall end on June 30, 2030. The City hereby grants Franchisee the exclusive option to submit a proposal for extending the Franchise Agreement beyond June 30, 2030. Franchisee must submit any such proposal no later than February 28, 2029 and if no such proposal is forthcoming on or before February 28, 2029, Franchisee’s exclusive option to submit a proposal as herein set forth shall automatically terminate. If Franchisee submits such a proposal but City and Franchisee have not agreed to terms for a Franchise Agreement extension on or before October 1, 2029, City at its sole discretion, may solicit proposals for waste and recycling collection services of the types provided for in this Franchise Agreement from any other firm or vendor.

Attachment: GreenWaste Capitola 10-14-2021 Franchise Agreement (GreenWaste Franchise Agreement)

ARTICLE X MISCELLANEOUS PROVISIONS

SECTION 10.1 INDEMNIFICATION.

The Franchisee agrees that it will protect, indemnify and hold harmless the City and its representatives, officers, employees and subcontractors (as applicable in the circumstances), (the "City Indemnified Parties") from and against (and pay the full amount of) all "Loss-and-Expenses."

Franchisee will defend the City Indemnified Parties in any suit, including appeals, for personal injury to, or death of, any person, or loss or damage to property arising out of:

- A. The negligence or wrongful conduct of the Franchisee or any of its officers, members, employees, agents, representatives or Subcontractors in connection with its obligations or rights under this Franchise,
- B. The collection, transportation, handling, storage, processing, marketing, or disposal of Franchise Refuse Materials,
- C. Any Franchisee Breach,
- D. Any claim for any finder's or brokerage fee or other commission resulting from any services alleged to have been rendered to or performed on behalf of the Franchisee with respect to this Franchise or any of the transactions contemplated hereby,
- E. Any action taken by the City pursuant to its rights under Section 8.2. hereof upon a failure to collect, transport, process, or dispose of Franchise Refuse Materials,
- F. The performance or non-performance of the Franchisee's obligations under this Franchise,
- G. Non-compliance with the Act, excluding instances where non-compliance is the result of city's action and not to activities herein contemplated to be performed by Franchisee,
- H. Any alleged violation of the Comprehensive Environmental Response, Compensation and Liability Act 42 U.S.C. Section 9601 et seq.,
- I. Any liability associated with Franchisee's use of any Designated Disposal Site, Designated Composting Facility and/or Designated C&D Facility.
- J. The Franchisee shall not however, be required to reimburse or indemnify any City Indemnified Party for any Loss-and-Expense to the extent any such Loss-and-Expense is due to (1) any City Breach, or (2) the negligence or other wrongful conduct of any City Indemnified Party. "Loss-and-Expense" means any and all loss, liability, obligation, damage, delay, penalty, judgment, deposit, cost, claim, demand, charge, tax, or expense including all Fees-And-Costs.

A City Indemnified Party shall promptly notify the Franchisee of the assertion of any claim against it for which it is entitled to be indemnified hereunder, shall give the Franchisee the opportunity to defend such claim and shall not settle the claim without the approval of the

Franchisee. These indemnification provisions are for the protection of the City Indemnified Parties only and shall not establish, of themselves, any liability to, third parties. The provisions of this subsection shall survive termination of this Franchise.

SECTION 10.2 UNCONTROLLABLE CIRCUMSTANCES GENERALLY.

A. Performance Excused.

Except as otherwise specifically provided in this Franchise, neither the Franchisee nor the City shall be liable to the other for any failure or delay in the performance of any obligation under this Franchise (other than any payment at the time due and owing) to the extent such failure or delay is due to the occurrence of an Uncontrollable Circumstance.

B. Notice, Mitigation.

The party experiencing an Uncontrollable Circumstance shall notify the other party by telecommunication or telephone and in writing, within 24 hours after the party experiencing such Uncontrollable Circumstance first knew of the commencement thereof, followed within two days by a written description of:

1. The Uncontrollable Circumstance and the cause thereof (to the extent known),
2. The date the Uncontrollable Circumstance began and the cause thereof, its estimated duration, the estimated time during which the performance of such party's obligations hereunder will be delayed, and
3. Potential mitigating actions, which might be taken by the Franchisee or City.

Each party shall provide written notice of the cessation of such Uncontrollable Circumstance within 24 hours thereof. Whenever such act, event or condition shall occur, the party claiming to be adversely affected thereby shall, as promptly as reasonably possible, use its best efforts to eliminate the cause therefore and resume performance under this Franchise. While the delay continues, the Franchisee or City shall give daily notice to the other party updating the information. Neither party to this Franchise shall have any responsibility whatsoever with respect to services provided or contractual obligations or liabilities assumed by the other party.

SECTION 10.3. RELATIONSHIP OF THE PARTIES.

The Franchisee is an independent contractor and franchise holder and nothing in this Franchise shall be deemed to constitute either party a partner, agent or legal representative of the other party.

SECTION 10.4. NO DISCRIMINATION.

The Franchisee shall not discriminate nor permit discrimination by any of its officers, employees, agents and representatives against any person because of age, race, color, religion, national origin, sex, sexual orientation or physical or mental disability. The Franchisee will take all actions deemed reasonably necessary to ensure that applicants are employed, and that employees are treated during employment, without regard to their age, race, color, religion, national origin, sex, sexual orientation or physical or mental disability. Such action shall include, without limitation, recruitment and recruitment advertising; layoff or termination; upgrading, demotion, transfer, rate

of pay or other form of compensation; and selection for training, including apprenticeship. The Franchisee shall impose the non-discrimination provision of this Section by contract on all Subcontractors hired with City consent to perform work related to performance of its obligations hereunder and shall take all reasonable actions necessary to enforce such provisions.

SECTION 10.5. ACTIONS OF CITY IN ITS GOVERNMENTAL CAPACITY.

Nothing in this Franchise shall be interpreted as limiting the rights and obligations of the City in a governmental or regulatory capacity, or as limiting the right of the Franchisee to bring any legal action against the City, not based upon this Franchise, arising out of any act of omission of the City in governmental or regulatory capacity.

SECTION 10.6. BINDING EFFECT.

This Franchise shall bind and inure to the benefit of the parties hereto and any successor or assignee acquiring an interest hereunder consistent with the provision hereof.

SECTION 10.7. AMENDMENTS. Neither this Franchise nor any provision hereof may be changed, modified, amended or waived except by written agreement duly executed by both parties.

SECTION 10.8. NOTICE OF LITIGATION. Each party shall deliver written notice to the other of any Legal Proceeding to which it is a party and which questions the validity or enforceability of this Franchise or any other related agreement executed by the Cities or the Franchisee or Legal Entitlement issued in connection herewith.

SECTION 10.9. NOTICES.

Any notices or communications required or permitted hereunder to be given to the City shall be writing and shall be sufficiently given only if delivered in person to the City Manager. Notices and communications given by mail hereunder shall be deemed to have been given 5 days after the date of dispatch; all other notices shall be deemed to have been given upon receipt.

10.10. CHANGE IN CONTROL – LIMITED ASSIGNMENT

A. Consent to Change in Control.

Notwithstanding any provision in this Agreement to the contrary, the City hereby approves and consents to the change of control of Franchisee to MIP V Waste, LLC, a Delaware limited liability company (“Company”) (“COC Approval”). The COC Approval shall in no event be deemed an event of default or cause or result in any default or violation under, termination of, or any other effect on this Agreement. The COC Approval shall become effective immediately upon execution by City of this Agreement unless Franchisee furnishes written notice to City that it will not consummate the Transaction, at which time the COC Approval and this Section 10.10 shall be deemed null and void.

B. Consent to Future Assignment.

City acknowledges that Company may cause Franchisee and its affiliates to undergo a reorganization and, in connection therewith, Franchisee may assign the Agreement to an affiliate of the Company (“Proposed Assignee”) in a manner that would otherwise constitute

an assignment pursuant to Sections 3.2 and/or 3.3 of the Agreement (“Future Assignment”). For the purposes of this Section 10.9, “affiliate” of the Company shall only include MIP V Waste (ECI) AIV, L.P. (together with Macquarie Infrastructure Partners V, L.P., Macquarie Infrastructure Partners V SCSp and any special purpose vehicles, portfolio companies or subsidiaries thereof). Effective upon the COC Approval, the City approves and consents to any Future Assignment, and such assignment shall in no event be deemed an event of default or cause or result in any default or violation under, termination of, or any other effect on this Agreement, upon the satisfaction of the following:

1. Franchisee furnishes thirty (30) calendar days written notice to City following the closing of any Future Assignment (“Notice”). The Notice shall describe the assignment in general terms, and identify the Proposed Assignee, as that term is defined herein below.
2. The closing of Future Assignment must occur no later than December 31, 2022.
3. By furnishing Notice to City, Proposed Assignee represents and warrants to City that it accepts the assignment of the Agreement from Franchisee, and that it assumes all of the rights, interests, and obligations of the Franchisee under this Agreement.

Franchisee acknowledges that City is providing such consent upon representations by Franchisee that any such reorganization shall not result in any adverse changes in the quality or frequency of services provided under this Agreement, and that Franchisee acknowledges that any such reorganization shall not be grounds for an increase in rates under the terms of this Agreement.

SECTION 10.11. FURTHER PERFORMANCE.

Each party agrees to execute and deliver any instruments and to perform any acts as may be necessary or reasonably requested by the other in order to give full effect to this Franchise.

CITY OF CAPITOLA

GREEN WASTE RECOVERY, INC.

BY: _____
City Manager

BY: _____

Date: _____

Date: _____

Approved as to form:

CITY ATTORNEY

Attachment: GreenWaste Capitola 10-14-2021 Franchise Agreement (GreenWaste Franchise Agreement)

**APPENDIX A
EQUIPMENT AND CONTAINER SPECIFICATIONS**

The Franchisee agrees to provide Containers as described below. Carts shall be made with at least 25% post-consumer recycled material, with attached secure-fitting lids and large wheels. Bins shall be metal or plastic and be leak-proof with attached secure-secure fitting lids and wheels, as appropriate. Container colors may either be both the body and the lid or just the lid.

Residential Customers			
Material Type	Container Color	Included w/ Base Service	Available for a Charge
Garbage	Gray or Black	n/a	10 gallons 20 gallons 32 or 35 gallons 64 or 65 gallons 95 or 96 gallons
Recyclables	Blue	64 or 65 gallons	32 or 35 gallons 64 or 65 gallons 95 or 96 gallons
Organics	Green	64 or 65 gallons	32 or 35 gallons 64 or 65 gallons 95 or 96 gallons

Commercial Customers			
Material Type	Container Color	Cart Service	Bin Service
Garbage	Gray or Black	32 or 35 gallons 64 or 65 gallons 95 or 96 gallons	1 cubic yard 2 cubic yards 3 cubic yards 4 cubic yards 6 cubic yards 8 cubic yards
Recyclables	Blue	32 or 35 gallons 64 or 65 gallons 95 or 96 gallons	1 cubic yard 2 cubic yards 3 cubic yards 4 cubic yards 6 cubic yards 8 cubic yards
Organics	Green	64 or 65 gallons	1 cubic yard 1.5 cubic yards

Containers shall comply with 14 Cal. Code Regs., section 18984.7, provided this shall not require Franchisee to replace functional Containers, including Containers purchased prior to January 1, 2022 that do not comply with color requirements prior to the end of the useful life of those Containers, or prior to January 1, 2036, whichever comes first. If an existing Container breaks or is otherwise rendered non-functional on or after January 1, 2022, the Franchisee shall replace the non-functional Container with a Container that complies with the color requirements of 14 Cal. Code Regs., section 18984.7 and the labeling requirement in 14 Cal. Code Regs., section 18984.8.

DROP BOXES OF THE FOLLOWING CAPACITIES:

- 15 Yd
- 20 Yd
- 30 Yd
- 40 Yd

COLLECTION VEHICLES:

- Rear Loader and/or Front Loader – Bin Services
- Fully Automated Side Loader – Cart Services
- Roll-off Truck – Debris Box Services

All collection vehicles with diesel engines shall be in full compliance with Monterey Bay Unified Air Pollution Control District and California Air Resources Board regulations.

**APPENDIX B
SERVICE RATES**

**APPENDIX B-1
MONTHLY SERVICE RATES - RESIDENTIAL**

Garbage Service Cart Size	Quantity	Current Rate (01/01/2020)	Rate Components		New Rate (01/01/2022)
			Service	Disposal	
10 Gallon	1	\$ 13.47	\$ 14.57	\$ 1.95	\$ 16.52
<i>Care Discounted</i>		\$ 8.08	\$ 7.96	\$ 1.95	\$ 9.91
20 Gallon	1	\$ 16.01	\$ 17.32	\$ 2.32	\$ 19.63
<i>Care Discounted</i>		\$ 9.60	\$ 9.46	\$ 2.32	\$ 11.78
35 Gallon	1	\$ 18.15	\$ 19.63	\$ 2.63	\$ 22.26
<i>Care Discounted</i>		\$ 10.89	\$ 10.73	\$ 2.63	\$ 13.35
64 Gallon	1	\$ 30.88	\$ 33.41	\$ 4.47	\$ 37.88
96 Gallon	1	\$ 43.77	\$ 47.35	\$ 6.33	\$ 53.69

Each Resident subscribing to Garbage service receives one (1) 64-gallon Recyclables Cart and one (1) 64-gallon Organics Cart for no additional charge.

Additional Containers (Weekly Recurring)

Material Type	Recyclables Carts		Organics Carts	
	64 Gallon	96 Gallon	64 Gallon	96 Gallon
Extra Carts	\$9.47	\$13.42	\$18.94	26.84

Excess Material Pick-up (Non-Recurring)

Material Type	Per 32-Gal. Set-out	Plus Dismount Fee	Regular Service Day	Non-Service Day
Garbage	\$ 5.56	\$ 3.00	<i>n/a</i>	+ \$25.00 Trip Fee
Recyclables	\$ 3.40	\$ 3.00	<i>n/a</i>	
Organics	\$ 6.81	\$ 3.00	<i>n/a</i>	

Bulky Item Collection

Material Type	Collection Charge	Containing CFCs	Regular Service Day	Non-Service Day
Bulky Good	\$ 25.00/item	<i>n/a</i>	<i>n/a</i>	+ \$25.00 Trip Fee
Appliances	\$ 25.00/item	+ \$10.00/ea	<i>n/a</i>	
Carpet/Padding	\$ 1.00/sq.ft.	<i>n/a</i>	<i>n/a</i>	

Miscellaneous Charges

Description	Charge	Frequency
Walk-in Service	\$ 12.00	/container/mo.
Re-Start Fee	\$ 25.00	/occurrence

Attachment: GreenWaste Capitola 10-14-2021 Franchise Agreement (GreenWaste Franchise Agreement)

APPENDIX B-2
MONTHLY SERVICE RATES - COMMERCIAL GARBAGE

Garbage CARTS			Current Rate	Rate Components		New Rate (01/01/2022)
Quantity	Size	Frequency		Service	Disposal	
1	35-gal	1x/week	\$ 24.16	\$ 26.13	\$ 3.50	\$ 29.63
1	64-gal	1x/week	\$ 48.86	\$ 52.86	\$ 7.07	\$ 59.93
1	96-gal	1x/week	\$ 72.69	\$ 78.63	\$ 10.52	\$ 89.15

Garbage CANS			Current Rate	Rate Components		New Rate (01/01/2022)
Quantity	Size	Frequency		Service	Disposal	
1	32-gal	1x/week	\$ 18.47	\$ 19.98	\$ 2.67	\$ 22.65
2	32-gal	1x/week	\$ 36.96	\$ 39.98	\$ 5.35	\$ 45.33
3	32-gal	1x/week	\$ 55.41	\$ 59.94	\$ 8.02	\$ 67.96

Garbage BINS			Current Rate	Rate Components		New Rate (01/01/2022)
Quantity	Cart Size	Frequency		Service	Disposal	
1	1 cu yd	1x/week	\$ 184.38	\$ 198.45	\$ 26.55	\$ 225.00
1	1 cu yd	2x/week	\$ 278.67	\$ 301.46	\$ 40.33	\$ 341.79
1	1 cu yd	3x/week	\$ 372.80	\$ 403.28	\$ 53.95	\$ 457.24
1	1 cu yd	4x/week	\$ 467.29	\$ 505.51	\$ 67.63	\$ 573.14
1	1 cu yd	5x/week	\$ 561.61	\$ 607.53	\$ 81.28	\$ 688.81
1	1 cu yd	6x/week	\$ 655.91	\$ 709.54	\$ 94.93	\$ 804.47
2	1 cu yd	1x/week	\$ 278.67	\$ 301.46	\$ 40.33	\$ 341.79
2	1 cu yd	2x/week	\$ 467.29	\$ 505.51	\$ 67.63	\$ 573.14
2	1 cu yd	3x/week	\$ 655.91	\$ 709.54	\$ 94.93	\$ 804.47
2	1 cu yd	4x/week	\$ 844.54	\$ 913.60	\$ 122.23	\$ 1,035.83
2	1 cu yd	5x/week	\$ 1,033.13	\$ 1,117.61	\$ 149.52	\$ 1,267.14
2	1 cu yd	6x/week	\$ 1,221.74	\$ 1,321.65	\$ 176.82	\$ 1,498.47
3	1 cu yd	1x/week	\$ 372.99	\$ 403.49	\$ 53.98	\$ 457.48
3	1 cu yd	2x/week	\$ 655.92	\$ 709.55	\$ 94.93	\$ 804.48
3	1 cu yd	3x/week	\$ 939.03	\$ 1,015.81	\$ 135.90	\$ 1,151.72
3	1 cu yd	4x/week	\$ 1,221.77	\$ 1,321.67	\$ 176.82	\$ 1,498.50
3	1 cu yd	5x/week	\$ 1,504.70	\$ 1,627.75	\$ 217.77	\$ 1,845.52
3	1 cu yd	6x/week	\$ 1,787.58	\$ 1,933.76	\$ 258.71	\$ 2,192.47
4	1 cu yd	1x/week	\$ 467.29	\$ 505.51	\$ 67.63	\$ 573.14
4	1 cu yd	2x/week	\$ 844.54	\$ 913.60	\$ 122.23	\$ 1,035.83
4	1 cu yd	3x/week	\$ 1,222.14	\$ 1,322.08	\$ 176.88	\$ 1,498.96
4	1 cu yd	4x/week	\$ 1,599.03	\$ 1,729.78	\$ 231.42	\$ 1,961.21
4	1 cu yd	5x/week	\$ 1,976.25	\$ 2,137.86	\$ 286.02	\$ 2,423.87
4	1 cu yd	6x/week	\$ 2,353.42	\$ 2,545.86	\$ 340.60	\$ 2,886.47

**APPENDIX B-2
MONTHLY SERVICE RATES - COMMERCIAL GARBAGE (Cont...)**

Quantity	Garbage BINS		Current Rate	Rate Components		New Rate (01/01/2022)
	Cart Size	Frequency		Service	Disposal	
1	2 cu yd	1x/week	\$ 278.71	\$ 301.50	\$ 40.34	\$ 341.83
1	2 cu yd	2x/week	\$ 467.29	\$ 505.51	\$ 67.63	\$ 573.14
1	2 cu yd	3x/week	\$ 655.91	\$ 709.54	\$ 94.93	\$ 804.47
1	2 cu yd	4x/week	\$ 844.54	\$ 913.60	\$ 122.23	\$ 1,035.83
1	2 cu yd	5x/week	\$ 1,033.13	\$ 1,117.61	\$ 149.52	\$ 1,267.14
1	2 cu yd	6x/week	\$ 1,221.74	\$ 1,321.65	\$ 176.82	\$ 1,498.47
2	2 cu yd	1x/week	\$ 467.29	\$ 505.51	\$ 67.63	\$ 573.14
2	2 cu yd	2x/week	\$ 844.54	\$ 913.60	\$ 122.23	\$ 1,035.83
2	2 cu yd	3x/week	\$ 1,221.76	\$ 1,321.66	\$ 176.82	\$ 1,498.48
2	2 cu yd	4x/week	\$ 1,599.00	\$ 1,729.76	\$ 231.42	\$ 1,961.18
2	2 cu yd	5x/week	\$ 1,976.26	\$ 2,137.87	\$ 286.02	\$ 2,423.89
2	2 cu yd	6x/week	\$ 2,353.50	\$ 2,545.95	\$ 340.61	\$ 2,886.57
3	2 cu yd	1x/week	\$ 655.91	\$ 709.54	\$ 94.93	\$ 804.47
3	2 cu yd	2x/week	\$ 1,221.76	\$ 1,321.66	\$ 176.82	\$ 1,498.48
3	2 cu yd	3x/week	\$ 1,787.64	\$ 1,933.82	\$ 258.72	\$ 2,192.54
3	2 cu yd	4x/week	\$ 2,353.50	\$ 2,545.95	\$ 340.61	\$ 2,886.57
3	2 cu yd	5x/week	\$ 2,919.34	\$ 3,158.06	\$ 422.51	\$ 3,580.57
1	3 cu yd	1x/week	\$ 372.97	\$ 403.47	\$ 53.98	\$ 457.45
1	3 cu yd	2x/week	\$ 654.03	\$ 707.51	\$ 94.66	\$ 802.17
1	3 cu yd	3x/week	\$ 938.84	\$ 1,015.61	\$ 135.88	\$ 1,151.49
1	3 cu yd	4x/week	\$ 1,221.76	\$ 1,321.66	\$ 176.82	\$ 1,498.48
1	3 cu yd	5x/week	\$ 1,504.73	\$ 1,627.77	\$ 217.77	\$ 1,845.55
1	3 cu yd	6x/week	\$ 1,787.64	\$ 1,933.82	\$ 258.72	\$ 2,192.54
2	3 cu yd	1x/week	\$ 655.91	\$ 709.54	\$ 94.93	\$ 804.47
2	3 cu yd	2x/week	\$ 1,221.76	\$ 1,321.66	\$ 176.82	\$ 1,498.48
2	3 cu yd	3x/week	\$ 1,787.64	\$ 1,933.82	\$ 258.72	\$ 2,192.54
2	3 cu yd	4x/week	\$ 2,353.50	\$ 2,545.95	\$ 340.61	\$ 2,886.57
2	3 cu yd	5x/week	\$ 2,919.34	\$ 3,158.06	\$ 422.51	\$ 3,580.57
2	3 cu yd	6x/week	\$ 3,485.21	\$ 3,770.20	\$ 504.40	\$ 4,274.61
3	3 cu yd	1x/week	\$ 938.83	\$ 1,015.60	\$ 135.87	\$ 1,151.48
3	3 cu yd	2x/week	\$ 1,787.64	\$ 1,933.82	\$ 258.72	\$ 2,192.54
3	3 cu yd	3x/week	\$ 2,636.42	\$ 2,852.01	\$ 381.56	\$ 3,233.57
3	3 cu yd	4x/week	\$ 3,485.21	\$ 3,770.20	\$ 504.40	\$ 4,274.61
3	3 cu yd	5x/week	\$ 4,334.01	\$ 4,688.42	\$ 627.25	\$ 5,315.67
3	3 cu yd	6x/week	\$ 5,182.79	\$ 5,606.60	\$ 750.09	\$ 6,356.69
4	3 cu yd	1x/week	\$ 1,221.76	\$ 1,321.66	\$ 176.82	\$ 1,498.48
4	3 cu yd	2x/week	\$ 2,353.50	\$ 2,545.95	\$ 340.61	\$ 2,886.57
4	3 cu yd	3x/week	\$ 3,485.21	\$ 3,770.20	\$ 504.40	\$ 4,274.61
4	3 cu yd	4x/week	\$ 4,616.92	\$ 4,994.46	\$ 668.19	\$ 5,662.65
4	3 cu yd	5x/week	\$ 5,748.68	\$ 6,218.77	\$ 831.99	\$ 7,050.76
4	3 cu yd	6x/week	\$ 6,880.35	\$ 7,442.97	\$ 995.77	\$ 8,438.74

Attachment: GreenWaste Capitola 10-14-2021 Franchise Agreement (GreenWaste Franchise Agreement)

**APPENDIX B-2
MONTHLY SERVICE RATES - COMMERCIAL GARBAGE (Cont...)**

Quantity	Garbage BINS		Current Rate	Rate Components		New Rate (01/01/2022)
	Cart Size	Frequency		Service	Disposal	
1	4 cu yd	1x/week	\$ 467.29	\$ 505.51	\$ 67.63	\$ 573.14
1	4 cu yd	2x/week	\$ 844.54	\$ 913.60	\$ 122.23	\$ 1,035.83
1	4 cu yd	3x/week	\$ 1,221.76	\$ 1,321.66	\$ 176.82	\$ 1,498.48
1	4 cu yd	4x/week	\$ 1,599.00	\$ 1,729.76	\$ 231.42	\$ 1,961.18
1	4 cu yd	5x/week	\$ 1,976.26	\$ 2,137.87	\$ 286.02	\$ 2,423.89
1	4 cu yd	6x/week	\$ 2,353.50	\$ 2,545.95	\$ 340.61	\$ 2,886.57
2	4 cu yd	1x/week	\$ 844.54	\$ 913.60	\$ 122.23	\$ 1,035.83
2	4 cu yd	2x/week	\$ 1,599.00	\$ 1,729.76	\$ 231.42	\$ 1,961.18
2	4 cu yd	3x/week	\$ 2,353.50	\$ 2,545.95	\$ 340.61	\$ 2,886.57
2	4 cu yd	4x/week	\$ 3,197.47	\$ 3,458.94	\$ 462.76	\$ 3,921.70
2	4 cu yd	5x/week	\$ 3,862.42	\$ 4,178.26	\$ 559.00	\$ 4,737.26
2	4 cu yd	6x/week	\$ 4,616.92	\$ 4,994.46	\$ 668.19	\$ 5,662.65
3	4 cu yd	1x/week	\$ 1,221.16	\$ 1,321.02	\$ 176.73	\$ 1,497.75
3	4 cu yd	2x/week	\$ 2,353.50	\$ 2,545.95	\$ 340.61	\$ 2,886.57
3	4 cu yd	3x/week	\$ 3,485.21	\$ 3,770.20	\$ 504.40	\$ 4,274.61
3	4 cu yd	4x/week	\$ 4,616.92	\$ 4,994.46	\$ 668.19	\$ 5,662.65
3	4 cu yd	5x/week	\$ 5,748.68	\$ 6,218.77	\$ 831.99	\$ 7,050.76
3	4 cu yd	6x/week	\$ 6,880.35	\$ 7,442.97	\$ 995.77	\$ 8,438.74
4	4 cu yd	1x/week	\$ 1,599.00	\$ 1,729.76	\$ 231.42	\$ 1,961.18
4	4 cu yd	2x/week	\$ 3,107.98	\$ 3,362.13	\$ 449.81	\$ 3,811.94
4	4 cu yd	3x/week	\$ 4,616.93	\$ 4,994.47	\$ 668.19	\$ 5,662.66
4	4 cu yd	4x/week	\$ 6,125.86	\$ 6,626.79	\$ 886.58	\$ 7,513.37
4	4 cu yd	5x/week	\$ 7,634.91	\$ 8,259.24	\$ 1,104.98	\$ 9,364.22
4	4 cu yd	6x/week	\$ 9,143.77	\$ 9,891.49	\$ 1,323.35	\$ 11,214.84
5	4 cu yd	1x/week	\$ 2,033.14	\$ 2,199.39	\$ 294.25	\$ 2,493.64
5	4 cu yd	2x/week	\$ 3,862.43	\$ 4,178.28	\$ 559.00	\$ 4,737.27
5	4 cu yd	3x/week	\$ 5,748.67	\$ 6,218.76	\$ 831.99	\$ 7,050.74
5	4 cu yd	4x/week	\$ 7,634.83	\$ 8,259.15	\$ 1,104.97	\$ 9,364.12
5	4 cu yd	5x/week	\$ 9,521.13	\$ 10,299.70	\$ 1,377.96	\$ 11,677.66
5	4 cu yd	6x/week	\$ 11,407.22	\$ 12,340.02	\$ 1,650.93	\$ 13,990.95
1	6 cu yd	1x/week	\$ 655.91	\$ 709.54	\$ 94.93	\$ 804.47
1	6 cu yd	2x/week	\$ 1,221.76	\$ 1,321.66	\$ 176.82	\$ 1,498.48
1	6 cu yd	3x/week	\$ 1,787.64	\$ 1,933.82	\$ 258.72	\$ 2,192.54
1	6 cu yd	4x/week	\$ 2,353.50	\$ 2,545.95	\$ 340.61	\$ 2,886.57
1	6 cu yd	5x/week	\$ 2,919.34	\$ 3,158.06	\$ 422.51	\$ 3,580.57
1	6 cu yd	6x/week	\$ 3,485.21	\$ 3,770.20	\$ 504.40	\$ 4,274.61
2	6 cu yd	1x/week	\$ 1,221.76	\$ 1,321.66	\$ 176.82	\$ 1,498.48
2	6 cu yd	2x/week	\$ 2,353.50	\$ 2,545.95	\$ 340.61	\$ 2,886.57
2	6 cu yd	3x/week	\$ 3,485.21	\$ 3,770.20	\$ 504.40	\$ 4,274.61
2	6 cu yd	4x/week	\$ 4,616.88	\$ 4,994.42	\$ 668.19	\$ 5,662.61
2	6 cu yd	5x/week	\$ 5,748.67	\$ 6,218.76	\$ 831.99	\$ 7,050.74
2	6 cu yd	6x/week	\$ 6,880.38	\$ 7,443.01	\$ 995.78	\$ 8,438.79

Attachment: GreenWaste Capitola 10-14-2021 Franchise Agreement (GreenWaste Franchise Agreement)

**APPENDIX B-2
MONTHLY SERVICE RATES - COMMERCIAL GARBAGE (Cont...)**

Garbage BINS			Current Rate	Rate Components		New Rate (01/01/2022)
Quantity	Cart Size	Frequency		Service	Disposal	
1	8 cu yd	1x/week	\$ 844.54	\$ 913.60	\$ 122.23	1,035.83
1	8 cu yd	2x/week	\$ 1,599.00	\$ 1,729.76	\$ 231.42	1,961.18
1	8 cu yd	3x/week	\$ 2,353.50	\$ 2,545.95	\$ 340.61	2,886.57
1	8 cu yd	4x/week	\$ 3,107.96	\$ 3,362.11	\$ 449.81	3,811.91
1	8 cu yd	5x/week	\$ 3,862.44	\$ 4,178.29	\$ 559.00	4,737.29
1	8 cu yd	6x/week	\$ 4,616.88	\$ 4,994.42	\$ 668.19	5,662.61

Garbage Front-Load Compactor			Current Rate	Rate Components		New Rate (01/01/2022)
Quantity	Size	Frequency		Service	Disposal	
1	2 cu yd	1x/week	\$370.68	\$400.99	\$53.65	\$454.64
1	2 cu yd	2x/week	\$621.50	\$672.32	\$89.95	\$762.27
1	2 cu yd	3x/week	\$872.36	\$943.70	\$126.25	\$1,069.95
2	2 cu yd	1x/week	\$621.50	\$672.32	\$89.95	\$762.27
2	2 cu yd	2x/week	\$1,123.24	\$1,215.09	\$162.56	\$1,377.65
3	2 cu yd	1x/week	\$872.36	\$943.70	\$126.25	\$1,069.95
3	2 cu yd	2x/week	\$1,624.94	\$1,757.82	\$235.17	\$1,992.99
1	2 cu yd	1x/week	\$496.04	\$536.60	\$71.79	\$608.39
1	3 cu yd	2x/week	\$869.87	\$941.01	\$125.89	\$1,066.90
2	4 cu yd	1x/week	\$872.36	\$943.70	\$126.25	\$1,069.95
2	5 cu yd	2x/week	\$1,624.94	\$1,757.82	\$235.17	\$1,992.99
3	6 cu yd	1x/week	\$1,248.65	\$1,350.76	\$180.71	\$1,531.47
3	7 cu yd	2x/week	\$2,377.56	\$2,571.97	\$344.10	\$2,916.07
4	8 cu yd	1x/week	\$1,624.94	\$1,757.82	\$235.17	\$1,992.99
4	9 cu yd	2x/week	\$3,130.15	\$3,386.11	\$453.02	\$3,839.13

Excess Material Pick-up (Non-Recurring)

Material Type	Per 32-Gal. Set-out	Plus Dismount Fee	Regular Service Day	Non-Service Day
Garbage	\$ 7.41	\$ 3.00	<i>n/a</i>	+ \$25.00 Trip Fee
Recyclables	\$ 3.40	\$ 3.00	<i>n/a</i>	
Organics	\$ 6.81	\$ 3.00	<i>n/a</i>	

Bulky Item Collection

Material Type	Collection Charge	Containing CFCs	Regular Service Day	Non-Service Day
Bulky Good	\$ 25.00/item	<i>n/a</i>	<i>n/a</i>	+ \$25.00 Trip Fee
Appliances	\$ 25.00/item	+ \$10.00/ea	<i>n/a</i>	
Carpet/Padding	\$ 1.00/sq.ft.	<i>n/a</i>	<i>n/a</i>	

Miscellaneous Charges

Description	Charge	Frequency
Sunday Service	\$ 60.00	/month
Bin Locks	\$ 25.00	/each
Re-Start Fee	\$ 25.00	/occurrence

APPENDIX B-2
MONTHLY SERVICE RATES - COMMERCIAL RECYCLING

Recycling CARTS			Current Rate	Rate Components		New Rate (01/01/2022)
Quantity	Size	Frequency		Service	Disposal	
1	35-gal	1x/week	\$ 24.16	\$ 1.90	\$ 1.36	\$ 3.26
1	64-gal	1x/week	\$ 48.86	\$ 3.84	\$ 2.75	\$ 6.59
1	96-gal	1x/week	\$ 72.69	\$ 5.72	\$ 4.09	\$ 9.81

Recycling BINS			Current Rate	Rate Components		New Rate (01/01/2022)
Quantity	Cart Size	Frequency		Service	Disposal	
1	1 cu yd	1x/week	\$ 184.38	\$ 14.43	\$ 10.32	\$ 24.75
1	1 cu yd	2x/week	\$ 278.67	\$ 21.92	\$ 15.68	\$ 37.60
1	1 cu yd	3x/week	\$ 372.80	\$ 29.32	\$ 20.97	\$ 50.30
1	1 cu yd	4x/week	\$ 467.29	\$ 36.76	\$ 26.29	\$ 63.05
1	1 cu yd	5x/week	\$ 561.61	\$ 44.17	\$ 31.60	\$ 75.77
1	1 cu yd	6x/week	\$ 655.91	\$ 51.59	\$ 36.90	\$ 88.49
2	1 cu yd	1x/week	\$ 278.67	\$ 21.92	\$ 15.68	\$ 37.60
2	1 cu yd	2x/week	\$ 467.29	\$ 36.76	\$ 26.29	\$ 63.05
2	1 cu yd	3x/week	\$ 655.91	\$ 51.59	\$ 36.90	\$ 88.49
2	1 cu yd	4x/week	\$ 844.54	\$ 66.43	\$ 47.51	\$ 113.94
2	1 cu yd	5x/week	\$ 1,033.13	\$ 81.26	\$ 58.12	\$ 139.38
2	1 cu yd	6x/week	\$ 1,221.74	\$ 96.10	\$ 68.73	\$ 164.83
3	1 cu yd	1x/week	\$ 372.99	\$ 29.34	\$ 20.98	\$ 50.32
3	1 cu yd	2x/week	\$ 655.92	\$ 51.59	\$ 36.90	\$ 88.49
3	1 cu yd	3x/week	\$ 939.03	\$ 73.86	\$ 52.83	\$ 126.69
3	1 cu yd	4x/week	\$ 1,221.77	\$ 96.10	\$ 68.74	\$ 164.83
3	1 cu yd	5x/week	\$ 1,504.70	\$ 118.35	\$ 84.65	\$ 203.01
3	1 cu yd	6x/week	\$ 1,787.58	\$ 140.60	\$ 100.57	\$ 241.17
4	1 cu yd	1x/week	\$ 467.29	\$ 36.76	\$ 26.29	\$ 63.05
4	1 cu yd	2x/week	\$ 844.54	\$ 66.43	\$ 47.51	\$ 113.94
4	1 cu yd	3x/week	\$ 1,222.14	\$ 96.13	\$ 68.76	\$ 164.89
4	1 cu yd	4x/week	\$ 1,599.03	\$ 125.77	\$ 89.96	\$ 215.73
4	1 cu yd	5x/week	\$ 1,976.25	\$ 155.44	\$ 111.18	\$ 266.63
4	1 cu yd	6x/week	\$ 2,353.42	\$ 185.11	\$ 132.40	\$ 317.51

Attachment: GreenWaste Capitola 10-14-2021 Franchise Agreement (GreenWaste Franchise Agreement)

**APPENDIX B-2
MONTHLY SERVICE RATES - COMMERCIAL RECYCLING (Cont...)**

Quantity	Recycling BINS		Current Rate	Rate Components		New Rate (01/01/2022)
	Cart Size	Frequency		Service	Disposal	
1	2 cu yd	1x/week	\$ 278.71	\$ 21.92	\$ 15.68	\$ 37.60
1	2 cu yd	2x/week	\$ 467.29	\$ 36.76	\$ 26.29	\$ 63.05
1	2 cu yd	3x/week	\$ 655.91	\$ 51.59	\$ 36.90	\$ 88.49
1	2 cu yd	4x/week	\$ 844.54	\$ 66.43	\$ 47.51	\$ 113.94
1	2 cu yd	5x/week	\$ 1,033.13	\$ 81.26	\$ 58.12	\$ 139.38
1	2 cu yd	6x/week	\$ 1,221.74	\$ 96.10	\$ 68.73	\$ 164.83
2	2 cu yd	1x/week	\$ 467.29	\$ 36.76	\$ 26.29	\$ 63.05
2	2 cu yd	2x/week	\$ 844.54	\$ 66.43	\$ 47.51	\$ 113.94
2	2 cu yd	3x/week	\$ 1,221.76	\$ 96.10	\$ 68.74	\$ 164.83
2	2 cu yd	4x/week	\$ 1,599.00	\$ 125.77	\$ 89.96	\$ 215.73
2	2 cu yd	5x/week	\$ 1,976.26	\$ 155.44	\$ 111.18	\$ 266.63
2	2 cu yd	6x/week	\$ 2,353.50	\$ 185.12	\$ 132.41	\$ 317.52
3	2 cu yd	1x/week	\$ 655.91	\$ 51.59	\$ 36.90	\$ 88.49
3	2 cu yd	2x/week	\$ 1,221.76	\$ 96.10	\$ 68.74	\$ 164.83
3	2 cu yd	3x/week	\$ 1,787.64	\$ 140.61	\$ 100.57	\$ 241.18
3	2 cu yd	4x/week	\$ 2,353.50	\$ 185.12	\$ 132.41	\$ 317.52
3	2 cu yd	5x/week	\$ 2,919.34	\$ 229.62	\$ 164.24	\$ 393.86
1	3 cu yd	1x/week	\$ 372.97	\$ 29.34	\$ 20.98	\$ 50.32
1	3 cu yd	2x/week	\$ 654.03	\$ 51.44	\$ 36.80	\$ 88.24
1	3 cu yd	3x/week	\$ 938.84	\$ 73.85	\$ 52.82	\$ 126.66
1	3 cu yd	4x/week	\$ 1,221.76	\$ 96.10	\$ 68.74	\$ 164.83
1	3 cu yd	5x/week	\$ 1,504.73	\$ 118.35	\$ 84.66	\$ 203.01
1	3 cu yd	6x/week	\$ 1,787.64	\$ 140.61	\$ 100.57	\$ 241.18
2	3 cu yd	1x/week	\$ 655.91	\$ 51.59	\$ 36.90	\$ 88.49
2	3 cu yd	2x/week	\$ 1,221.76	\$ 96.10	\$ 68.74	\$ 164.83
2	3 cu yd	3x/week	\$ 1,787.64	\$ 140.61	\$ 100.57	\$ 241.18
2	3 cu yd	4x/week	\$ 2,353.50	\$ 185.12	\$ 132.41	\$ 317.52
2	3 cu yd	5x/week	\$ 2,919.34	\$ 229.62	\$ 164.24	\$ 393.86
2	3 cu yd	6x/week	\$ 3,485.21	\$ 274.13	\$ 196.08	\$ 470.21
3	3 cu yd	1x/week	\$ 938.83	\$ 73.84	\$ 52.82	\$ 126.66
3	3 cu yd	2x/week	\$ 1,787.64	\$ 140.61	\$ 100.57	\$ 241.18
3	3 cu yd	3x/week	\$ 2,636.42	\$ 207.37	\$ 148.32	\$ 355.69
3	3 cu yd	4x/week	\$ 3,485.21	\$ 274.13	\$ 196.08	\$ 470.21
3	3 cu yd	5x/week	\$ 4,334.01	\$ 340.89	\$ 243.83	\$ 584.72
3	3 cu yd	6x/week	\$ 5,182.79	\$ 407.65	\$ 291.58	\$ 699.24
4	3 cu yd	1x/week	\$ 1,221.76	\$ 96.10	\$ 68.74	\$ 164.83
4	3 cu yd	2x/week	\$ 2,353.50	\$ 185.12	\$ 132.41	\$ 317.52
4	3 cu yd	3x/week	\$ 3,485.21	\$ 274.13	\$ 196.08	\$ 470.21
4	3 cu yd	4x/week	\$ 4,616.92	\$ 363.15	\$ 259.75	\$ 622.89
4	3 cu yd	5x/week	\$ 5,748.68	\$ 452.17	\$ 323.42	\$ 775.58
4	3 cu yd	6x/week	\$ 6,880.35	\$ 541.18	\$ 387.09	\$ 928.26

**APPENDIX B-2
MONTHLY SERVICE RATES - COMMERCIAL RECYCLING (Cont...)**

Quantity	Garbage BINS		Current Rate	Rate Components		New Rate (01/01/2022)
	Cart Size	Frequency		Service	Disposal	
1	4 cu yd	1x/week	\$ 467.29	\$ 36.76	\$ 26.29	\$ 63.05
1	4 cu yd	2x/week	\$ 844.54	\$ 66.43	\$ 47.51	\$ 113.94
1	4 cu yd	3x/week	\$ 1,221.76	\$ 96.10	\$ 68.74	\$ 164.83
1	4 cu yd	4x/week	\$ 1,599.00	\$ 125.77	\$ 89.96	\$ 215.73
1	4 cu yd	5x/week	\$ 1,976.26	\$ 155.44	\$ 111.18	\$ 266.63
1	4 cu yd	6x/week	\$ 2,353.50	\$ 185.12	\$ 132.41	\$ 317.52
2	4 cu yd	1x/week	\$ 844.54	\$ 66.43	\$ 47.51	\$ 113.94
2	4 cu yd	2x/week	\$ 1,599.00	\$ 125.77	\$ 89.96	\$ 215.73
2	4 cu yd	3x/week	\$ 2,353.50	\$ 185.12	\$ 132.41	\$ 317.52
2	4 cu yd	4x/week	\$ 3,197.47	\$ 251.50	\$ 179.89	\$ 431.39
2	4 cu yd	5x/week	\$ 3,862.42	\$ 303.80	\$ 217.30	\$ 521.10
2	4 cu yd	6x/week	\$ 4,616.92	\$ 363.15	\$ 259.75	\$ 622.89
3	4 cu yd	1x/week	\$ 1,221.16	\$ 96.05	\$ 68.70	\$ 164.75
3	4 cu yd	2x/week	\$ 2,353.50	\$ 185.12	\$ 132.41	\$ 317.52
3	4 cu yd	3x/week	\$ 3,485.21	\$ 274.13	\$ 196.08	\$ 470.21
3	4 cu yd	4x/week	\$ 4,616.92	\$ 363.15	\$ 259.75	\$ 622.89
3	4 cu yd	5x/week	\$ 5,748.68	\$ 452.17	\$ 323.42	\$ 775.58
3	4 cu yd	6x/week	\$ 6,880.35	\$ 541.18	\$ 387.09	\$ 928.26
4	4 cu yd	1x/week	\$ 1,599.00	\$ 125.77	\$ 89.96	\$ 215.73
4	4 cu yd	2x/week	\$ 3,107.98	\$ 244.46	\$ 174.85	\$ 419.31
4	4 cu yd	3x/week	\$ 4,616.93	\$ 363.15	\$ 259.75	\$ 622.89
4	4 cu yd	4x/week	\$ 6,125.86	\$ 481.83	\$ 344.64	\$ 826.47
4	4 cu yd	5x/week	\$ 7,634.91	\$ 600.53	\$ 429.54	\$ 1,030.06
4	4 cu yd	6x/week	\$ 9,143.77	\$ 719.21	\$ 514.42	\$ 1,233.63
5	4 cu yd	1x/week	\$ 2,033.14	\$ 159.92	\$ 114.38	\$ 274.30
5	4 cu yd	2x/week	\$ 3,862.43	\$ 303.80	\$ 217.30	\$ 521.10
5	4 cu yd	3x/week	\$ 5,748.67	\$ 452.16	\$ 323.42	\$ 775.58
5	4 cu yd	4x/week	\$ 7,634.83	\$ 600.52	\$ 429.53	\$ 1,030.05
5	4 cu yd	5x/week	\$ 9,521.13	\$ 748.89	\$ 535.65	\$ 1,284.54
5	4 cu yd	6x/week	\$11,407.22	\$ 897.24	\$ 641.76	\$ 1,539.00
1	6 cu yd	1x/week	\$ 655.91	\$ 51.59	\$ 36.90	\$ 88.49
1	6 cu yd	2x/week	\$ 1,221.76	\$ 96.10	\$ 68.74	\$ 164.83
1	6 cu yd	3x/week	\$ 1,787.64	\$ 140.61	\$ 100.57	\$ 241.18
1	6 cu yd	4x/week	\$ 2,353.50	\$ 185.12	\$ 132.41	\$ 317.52
1	6 cu yd	5x/week	\$ 2,919.34	\$ 229.62	\$ 164.24	\$ 393.86
1	6 cu yd	6x/week	\$ 3,485.21	\$ 274.13	\$ 196.08	\$ 470.21
2	6 cu yd	1x/week	\$ 1,221.76	\$ 96.10	\$ 68.74	\$ 164.83
2	6 cu yd	2x/week	\$ 2,353.50	\$ 185.12	\$ 132.41	\$ 317.52
2	6 cu yd	3x/week	\$ 3,485.21	\$ 274.13	\$ 196.08	\$ 470.21
2	6 cu yd	4x/week	\$ 4,616.88	\$ 363.14	\$ 259.74	\$ 622.89
2	6 cu yd	5x/week	\$ 5,748.67	\$ 452.16	\$ 323.42	\$ 775.58
2	6 cu yd	6x/week	\$ 6,880.38	\$ 541.18	\$ 387.09	\$ 928.27

Attachment: GreenWaste Capitola 10-14-2021 Franchise Agreement (GreenWaste Franchise Agreement)

APPENDIX B-2
MONTHLY SERVICE RATES - COMMERCIAL ORGANICS

Organics CARTS			Current Rate	Rate Components		New Rate (01/01/2022)
Quantity	Size	Frequency		Service	Disposal	
1	64-gal	1x/week	n/a	\$ 32.95	\$ 3.82	\$ 36.77
1	64-gal	2x/week	n/a	\$ 65.89	\$ 7.65	\$ 73.54
1	64-gal	3x/week	n/a	\$ 98.84	\$ 11.47	\$ 110.31
1	64-gal	4x/week	n/a	\$ 131.78	\$ 15.30	\$ 147.08
1	64-gal	5x/week	n/a	\$ 164.73	\$ 19.12	\$ 183.85
1	64-gal	6x/week	n/a	\$ 197.68	\$ 22.94	\$ 220.62

Organics BINS			Current Rate	Rate Components		New Rate (01/01/2022)
Quantity	Cart Size	Frequency		Service	Disposal	
1	1 cu yd	1x/week	n/a	\$ 121.22	\$ 14.07	\$ 135.29
1	1 cu yd	2x/week	n/a	\$ 184.14	\$ 21.37	\$ 205.52
1	1 cu yd	3x/week	n/a	\$ 246.34	\$ 28.59	\$ 274.94
1	1 cu yd	4x/week	n/a	\$ 308.79	\$ 35.84	\$ 344.63
1	1 cu yd	5x/week	n/a	\$ 371.11	\$ 43.07	\$ 414.18
1	1 cu yd	6x/week	n/a	\$ 433.42	\$ 50.31	\$ 483.73
1	1.5 cu yd	1x/week	n/a	\$ 158.66	\$ 18.42	\$ 177.07
1	1.5 cu yd	2x/week	n/a	\$ 241.01	\$ 27.97	\$ 268.98
1	1.5 cu yd	3x/week	n/a	\$ 322.42	\$ 37.42	\$ 359.84
1	1.5 cu yd	4x/week	n/a	\$ 404.14	\$ 46.91	\$ 451.05
1	1.5 cu yd	5x/week	n/a	\$ 485.70	\$ 56.38	\$ 542.08
1	1.5 cu yd	6x/week	n/a	\$ 567.26	\$ 65.84	\$ 633.10

APPENDIX B-3
MONTHLY SERVICE RATES - DEBRIS BOX

Debris Box			Current Rate	Rate Components		New Rate (01/01/2022)
Quantity	Size	Frequency		Service	Disposal	
1	15 cu yd	per pull	\$ 522.44	\$ 640.78	Per Ton + 20%	\$ 640.78
1	20 cu yd	per pull	\$ 627.73	\$ 769.91	Per Ton + 20%	\$ 769.91
1	30 cu yd	per pull	\$ 840.75	\$ 1,031.17	Per Ton + 20%	\$ 1,031.17
1	40 cu yd	per pull	\$ 1,120.66	\$ 1,374.49	Per Ton + 20%	\$ 1,374.49
1	Compactor	per pull	\$ 399.61	\$ 490.13	Per Ton + 20%	\$ 490.13

APPENDIX C

PUBLIC REFUSE AND RECYCLING CONTAINER AND LOCATIONS

LOCATION	FREQUENCY OF PICK-UP	NUMBER & TYPE	SIZE
City Hall	Twice Per Week	Organics Cart(s) TBD 3- Recycle Carts 1 – Cardboard Bin 1 – Bin Refuse Bin	64g 64g 3 yard bin 2 yard bin
Village Area	Six Days Per Week	45- Refuse 15 - Recycling	55g
Esplanade Park	Once Per Week in Winter, Twice a Week in Summer	2 – Refuse Bins	4 yard bin
Community Center	Two times per week Two times per week	2 – Recycle Carts 2- Refuse Carts	64g 64g
Corporation Yard	Once per week	2 – Recycle Bin 1 – Refuse Bin 1 – Yard Waste Bin 1 - Metal Waste Bin 1 - Card Board Bin	64g 30 yard bin 20 yard bin 30 yard bin 2 yard bin
Library	Once per week	2 – Recycle Cart 1 – Refuse Cart	64 g 64g

1. Can and Cart sizes are approximate. Actual size depends upon those made available by Franchisee
2. “Village Area” and “Esplanade Park” are shown on the attached map. (referring to recycling in the village)

Attachment: GreenWaste Capitola 10-14-2021 Franchise Agreement (GreenWaste Franchise Agreement)

APPENDIX D ONGOING CONTAMINATION MONITORING

Franchisee shall perform the following ongoing contamination monitoring activities to support City compliance with SB1383.

1. Initial Contamination Monitoring.

Within 90-day of the effective date of this Agreement, Franchisee shall develop a proposal to conduct the Container inspections compliant with 14 CCR Section 18984.5(b) during calendar year 2022 for all Residential and Commercial routes. Franchisee may propose to conduct route reviews that include annual inspection of the contents of Customers' Containers for contamination for a minimum of twenty-five (25) Containers for each type of Container on each route, or an alternative remote monitoring method that is compliant with SB 1383. For Residential routes, Franchisee may propose to conduct route reviews that include annual inspection of the contents of Customers' Collection Containers for contamination for a minimum of forty (40) Containers for each type of Container on each residential route, or an alternative remote monitoring method that is compliant with SB 1383. Upon approval from the City, Franchisee shall commence providing monitoring for Commercial routes, and for Residential routes if so directed. Should CalRecycle notify Franchisee or City that the methodology is inadequate to meet the requirements of 14 CCR Section 18984.5(b), Franchisee shall revise the methodology and, after obtaining City or CalRecycle approval, conduct additional route reviews, increased Container inspections, or implement other changes using the revised procedure, and be compensated as provided in 7.1.C.2 if applicable.

2. Ongoing Contamination Monitoring

- a. Residential Contamination Monitoring. Commencing on or before January 1, 2023, and if so directed in any calendar year by the City, Franchisee shall conduct annual route reviews for contamination in Collection Containers from Residential Premises as approved by the City, deemed safe by the Franchisee, and in a manner that results in all routes being reviewed annually.
- b. Commercial Contamination Monitoring. Commencing on or before January 1, 2023, and if so directed in any calendar year by the City, Franchisee shall conduct annual route reviews for contamination in Collection Containers from Commercial Premises as approved by the City, deemed safe by the Franchisee, and in a manner that results in all routes being reviewed annually.

3. Hauler Route Review Scheduling.

The City's Contract Manager may request, and Franchisee shall reasonably accept, modifications to the review schedule to permit observation of the route reviews by the City.

4. Noticing of Generators with Contamination, Non-Collection, and Disposal of Materials.

Upon identification of Container Contaminants in a Customer's Container, Franchisee shall provide the Customer with a with a non-Collection notice or courtesy notice as required in Section 4.2.F of this Agreement.

5. Reporting Requirements.

Franchisee shall maintain records and report to the City on contamination monitoring activities and actions taken, in accordance with Section 6.7 of this Agreement.

APPENDIX E

ACCEPTABLE RECYCLABLES

Acceptable Recyclables – Must Be Clean and Free of Food and Liquid	
Material	Definition
Tin/Steel	Includes steel food, beverage, aerosol and paint cans. “Tin” cans fall into this category. Tin or other coatings are often applied to a steel food can.
Aluminum	Aluminum used beverage containers, post-consumer aluminum beverage cans.
Metal – Misc.	Electrical motors, hangers (<i>bundled</i>), keys, nuts and bolts, metal pipe, propane tanks (<i>empty</i>), scrap metal, tools (<i>drained of all fluids</i>), toys, doors and screens.
PET	#1 Polyethylene Terephthalate (PET, PETE). PET is clear or mostly clear and tough. Commonly used in soft drink bottles and many injection molded consumer product containers.
NHDPE CHDPE	#2 (Natural High Density Polyethylene). Includes milk, water and other bottles that are HDPE and are of a natural or translucent color. (Colored High Density Polyethylene). Includes juice, detergent and other bottles that are HDPE and are of a colored or opaque color.
Mixed Plastic #3-7	#3 PVC: Polyvinyl Chloride. Commonly used in film for meat packaging and some rigid plastic containers. Does <u>not</u> include hard PVC (e.g. pipe). #4 LDPE: Low Density Polyethylene. Commonly used in newspaper and grocery bags. Only clean and clear film plastic is acceptable and only when all clean/clear film plastics are bagged together. #5 PP: Polypropylene. Commonly used in yogurt containers and deli trays. #6 PS: Polystyrene. (not typically recycled including Styrofoam) Commonly used <i>in</i> plastic cups and plates and to-go containers. #7 OTHER: Other mixed resins. Commonly used in mixed plastic containers or plastic products.
Glass – Clear	Clear Glass Bottles and Containers means clear glass beverage and food containers and glass dishware with or without a CRV label. Examples: Whole or broken clear soda and beer bottles, fruit juice bottles, peanut butter jars, and mayonnaise jars. Does <u>not</u> include glass bakeware, Pyrex or ceramics.
Glass – Colored	Colored Glass Bottles and Containers includes food and beverage containers – three subtypes described below:

Acceptable Recyclables – Must Be Clean and Free of Food and Liquid	
Material	Definition
	<p>Green Glass Bottles and Containers means green-colored glass containers with or without a CRV label. Examples: Whole or broken green soda, beer and wine bottles.</p> <p>Brown Glass Bottles and Containers means brown-colored glass containers with or without a CRV label. Examples: Whole or broken brown soda, beer and wine bottles.</p> <p>Other Colored Glass Bottles and Containers means colored glass containers and bottles other than green or brown with or without a CRV label. Examples: Whole or broken blue or other colored bottles and containers.</p>
Glass – 3 Mix	A collection of flint, amber, and green beverage or food container glass. It may contain normal container labels and metal tops.
Mixed Paper	<p>A mixture of various grades of recyclable waste paper not limited by fiber content and includes most types of clean and dry paper including glossy, white ledger and computer papers, colored paper, newspapers, magazines, catalogs, phone books, shredded paper, cards, laser- printed white ledger, windowed envelopes, sticky notes, paperboard, paper egg cartons and often contains corrugated and brown paper, gable top cartons, aseptic and tetrapak.</p> <p>Does <u>not</u> include photographs, carbon paper, tissue, napkins or waxed/coated fiber or mixed fiber products that may include coffee cups, ice cream containers,. Food soiled materials and materials with visible water marks are <u>not</u> accepted.</p>
News	<p>Known as ONP (old news print), ONP has two major sub-grades: No. 8 is sorted newspapers only. No. 6 may have some magazines mixed in and may be tied in bundles or gathered in brown bags.</p> <p>Food soiled materials and materials with visible water marks are <u>not</u> accepted.</p>
OCC	Used boxes and sheets of corrugated board of various qualities. Corrugated is known as OCC (old corrugated container). OCC is clean cardboard made from unbleached, unwaxed paper with a fluted (corrugated) inner liner. Does <u>not</u> include pizza boxes. Food soiled materials and materials with visible water marks are <u>not</u> accepted.
eWaste:	<p>Includes calculators, cameras, cell phones, computer mice, cords, DVD players, DVRs, fax machines, keyboards, small printers, radios, scanners, smart phones, stereos, telephones, VCRs.</p> <p>Inkjet/toner cartridges are <u>not</u> acceptable in the commingled container but are acceptable if collected separately.</p>



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF OCTOBER 14, 2021

FROM: City Manager Department
SUBJECT: Recreation Registration System Update

RECOMMENDED ACTION: Authorize the City Manager to enter into an ongoing contract with CivicPlus to provide the City Recreation Division with a new registration management system.

BACKGROUND: In December 2008 the Recreation Division contracted with Active NETWORK (ActiveNet) to provide a web-based registration platform for recreation programs. This was the first time the Recreation Division provided such a service and it significantly improved registration efficiency, particularly for the Junior Guard program. After an original \$12,800 one-time set up cost; ActiveNet then charges the City transaction fees, which are applied to each action that occurs in the registration system. In May 2020, Staff amended the original contract to negotiate new fee percentages for each transaction. The current transaction fees are as follows:

Staff Interface-Technology Fee	2.20%
Staff Interface-Payment Processing-Credit Card	3.00%
Public Interface-Online Transaction Fee	5.20%
Staff Interface-Payment Processing-E-Check/Check	1.50%
Active Net-Credit Card Refunds	\$.10 flat fee

ActiveNet operates as the merchant account as well as registration platform. All fees collected by ActiveNet are recorded and transaction fees applied. On a bi-monthly schedule ActiveNet mails the City a check for fees collected, less the ActiveNet transaction fees. As a result, there is no expense line in the Recreation budget detailing the annual cost of ActiveNet.

In Fiscal Year 2018/19, which was the last fiscal year uninterrupted by the pandemic, the City paid \$39,308 in fees to ActiveNet. In Fiscal Year 2019/20 the City paid \$25,045 in fees to ActiveNet. This budget year would have benefited from the new negotiated transaction fees during the summer, however the onset of the pandemic altered summer program enrolment and comparative data is unavailable. In Fiscal Year 2020/21 the City paid \$24,459 in fees to ActiveNet. Staff estimates that once post-pandemic operation returns, the City will resume paying close to \$40,000 in ActiveNet fees.

In the current ActiveNet contract, the Recreation Division uses the Activities module. Depending on the type of service provided different modules can be purchased with different functions.

DISCUSSION: The ActiveNet system has presented several problems in the past year that have magnified its poor fit as the City's current registration system; especially regarding the

Recreation System
October 14, 2021

Recreation Division's growth goals detailed in the Recreation Strategic Plan. Examples of these problems are: poor support service and long wait time for response, reports containing incorrect or inconsistent information, and waitlist errors. Additionally, Staff often receives complaints about the mobile compatibility of ActiveNet and the system's poor user-friendliness.

Staff reviewed available registration systems to find a better fit for Recreation Division operations. Staff reached out to other local agencies and identified products that are used regionally. Staff developed a list of five products to further investigate. A team of two recreation staff members participated in a demonstration of the five products, one of which was adding additional ActiveNet modules to potentially improve the system's overall service. From the five reviewed products, staff requested quotes from three and then followed up with two of the three for a second round of demonstration with the entire Recreation Staff. Additionally, Staff reached out to other cities currently using the top two products for user perspective feedback and to identify challenges experienced internally and by the public.

City staff recommends the CivicPlus product, CivicRec, is the best available registration product and provides the best value for Recreation's growing needs. CivicPlus just recently purchased MuniCode, the City's current website provider.

FISCAL IMPACT: The first-year cost for CivicRec is quoted at \$24,963. This cost includes training and set up of the new system along with system operation. The second-year cost is quoted at \$14,527. To begin implementation of the new system the City will need to pay 50% of the first-year cost at contract signing and the remaining 50% after six-months into the implementation process.

CivicRec partners with a variety of merchant accounts as a third-party gateway for payment processing. Fees for any merchant account are anticipated to be 3% per transaction an estimated \$19,500 annually.

Previously this expense was incorporated into the registration fee paid by participants and Staff plans to continue this practice however, if the new vendor contract is approved staff will add an expense line item in the Recreation budget to make these fees more transparent. While this will add an additional expense in the Recreation budget, staff anticipates that, because the vendor will not be removing their fees from payments to the City, Recreation revenues will increase to offset the expense. Staff plans to incorporate these changes in the Budget at the midyear budget review.

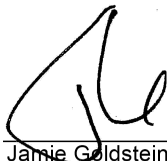
ATTACHMENTS:

1. CA Capitola CA - CivicRec Proposal - 09232021
2. Capitola CA SOW

Report Prepared By: Nikki Bryant Bryant LeBlond
Recreation Supervisor

Recreation System
October 14, 2021

Reviewed and Forwarded by:



Jamie Goldstein, City Manager

10/7/2021



CIVICREC

RECREATION MANAGEMENT SYSTEM

City of Capitola, California

SEPTEMBER 23, 2021



Dustin Flentie | CivicRec Account Executive | flentie@civicplus.com | 785.370.1685



Company Overview



At CivicPlus, we have one goal: to empower the public sector to accomplish impactful initiatives using innovative solutions that save them time while connecting them to the citizens they serve. We began in 1998 when our founder, Ward Morgan, decided to focus on helping local governments work better and engage their citizens through their web environment. CivicPlus continues to implement new technologies and services to maintain the highest standards of excellence and efficiency for our clients, including solutions for website design & content management, recreation management, mass communications, agenda & meeting management, employee management, 311 & citizen requests, and digital optimization.

Our commitment to deliver the right solutions in design and development, end-user satisfaction, and secure hosting has been instrumental in making us a world leader in government web technology. We consider it a privilege to partner with our clients and provide them with solutions that will serve their needs today and well into the future.

CivicRec, a CivicPlus company, has 10+ years of experience and is designed specifically to meet the needs of municipal parks and recreation departments. CivicRec strives to provide recreation departments and their customers (the public) with a modern, intuitive interface that is powerful, well-managed, and actively supported.

Primary Office

302 S. 4th Street, Suite 500, Manhattan, KS 66502

TF: 888.228.2233 | Fax: 785.587.8951

civicplus.com

4,000 +

local government clients across
the United States and Canada

20 +

years of experience with a focus to
help local governments

350 +

employees, many with experience
in local government

Recognition



11-time Inc.
5000 Honoree



govtech.com/100

Technical Support



Recognized with
multiple, global
Stevie® Awards
for sales and
customer service
excellence

CivicRec RMS



Capitola is seeking a recreation management system that provides your staff and customers with the greatest service in the industry, both in person and online. CivicRec can provide you with an integrated, web-based and hosted application recreation management system that is comprehensive, efficient, and modern. You'll find our robust set of easy-to-use tools the most comprehensive solution to meet your needs.

Facility Reservations

Easily take in-house and online reservations as well as reserve spaces for classes and sports with an integrated master calendar to avoid double bookings. It's easy to see availability with grid and map-based views with attached photos, descriptions, and rental rates. Generate and email complex permits as well as include waivers, prompts, and forms for a complete checkout process.



Activity Registration

Your staff can quickly create programs, indicate flexible pricing, attach waivers and prompts, and assign instructors. Easily take registrations in-house or allow residents and non-residents to register securely on the device of their choice. Email branded receipts and permits after checkout. Our software utilizes load balanced servers and can be scaled to accommodate any volume.

Volunteer Management

CivicRec's volunteer management tool creates, manages, and organizes the volunteer opportunities. Within the Activity module, you can create volunteer

roles and assignments specific to any events, classes, or activities. Citizens can select and register for volunteer roles from home and CivicRec will assist in tracking the time volunteers spend helping around the community with completely integrated reporting for tracking purposes.

Point of Sales

CivicRec's Point-of-Sale screen makes it easy for staff to quickly sell merchandise, enroll participants, and reserve facilities – all in the same cart! It even plugs right in with your cash drawers, barcode readers, receipt printers, and credit card readers. Integrated inventory control will tell you how many of each item are available at each of your locations.

Citizen Dashboard/ Management

With CivicRec's intuitive public dashboard, citizens can conveniently view notifications, upcoming events, tickets, and receipts. Family or organization members can be added with age and resident information for easy activity registrations. Administratively, your staff can manage user accounts in-house with tools like internal notes and flags as well as duplicate account prevention.

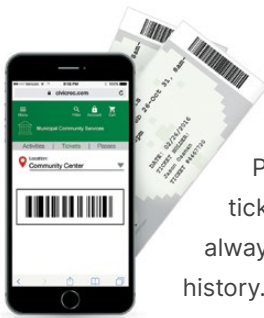
Membership Management

Easily sell memberships or punch cards, take member photos, print cards or associate barcode key tags, and check people into a facility. Leave credit and debit cards on file for future and recurring payments. Staff can see a history of the account's transactions.

League Management

Athletics staff can easily create leagues, draft players, assess skills, and generate schedules. Sign-up is easy

for teams or individuals. With the “Scores & Schedules” and “Parent/Player Portal,” your public and league participants will have easy access to current league information.



Ticketing

Easily generate general admission tickets for events.

Public users will receive their tickets and receipt, which are always available in their transaction history. Tickets can then be printed or shown on their phone display to be scanned into our mobile or desktop check-in screens.

Surveys

Participants will automatically receive post-program surveys requesting feedback. This information is captured and presented back to staff to help determine how your programming is being received.

Email/SMS Blasts

There are several links within CivicRec that allow for mail blasts. Many of our reports and roster views allow for mass mailings with just the click of a button. The People Finder report is particularly handy for mailings based on several different filters. SMS messaging is available to facilitate those particularly time-sensitive notifications like cancellations.

Marketing/Brochures

CivicRec can produce an InDesign-friendly export that should facilitate the process of generating a brochure. Further, CivicRec’s social media tools serve as an additional marketing method allowing users to share via their social media with friends and family.

Reporting/Financial Accounting

CivicRec has a very powerful reporting engine. There are over 100 canned reports. However, staff can basically take any report and customize it to their liking. Filters and fields can be added and/or removed. Reports can be sorted, saved, emailed, exported to

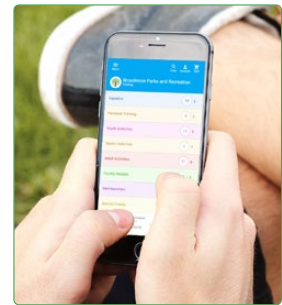
Excel, or scheduled for regular delivery to any email address. CivicRec will gladly take any reasonable reporting request from a client and ensure that it is made available as requested.

Group Permission Levels

Permissions set up through user groups are used on pages and functions to ensure access is limited based on a user’s role.

Mobile Ready

When users register through CivicRec, they get the same great experience on their phone/tablet that they’re used to experiencing on their desktops. This mobile responsive experience supports all the same waivers, prompts, discounts, and additions that the desktop version does. There’s QR code support as well as social networking integration to make it easy for your users to connect with you.



Hardware Compatibility

Customers may opt for a variety of hardware peripherals to enhance the CivicRec experience. CivicRec can be integrated with magnetic stripe readers, barcode readers, thermal printers, cash drawers and more. While CivicRec does not directly provide hardware, we are happy to assist with procurement and implementation.

Functionality Disclosure

As CivicPlus continues to evolve and improve our solution to support our clients’ needs and goals, we reserve the right to upgrade, replace, modify, or terminate any of the features and functionality elements listed, at our sole discretion, and when feasible, providing reasonable notice to our clients of any changes. These features and functionality are offered on a gratuitous basis to our clients (no monetary value per feature) and should any changes be enacted, will not affect any terms in a signed agreement with CivicPlus.

Credit Card Processing with CivicPlus Pay

CivicPlus Pay (“Pay”) is our secure, PCI-compliant, utility application integrated within the CivicPlus Platform. Local governments can use Pay within the CivicEngage®, CivicRec, and CivicOptimize® solutions to enable seamless payment capabilities.

Pay acts as the connector to facilitate a transaction between the CivicPlus solution and the selected payment gateway. Pay offers integrations with several common payment gateways to provide flexible payment solutions. CivicPlus has partnered with several integrated gateways to enhance the client experience through a streamlined relationship between the CivicPlus solution and the gateway that processes the payments.

If a partner payment gateway is utilized by Capitola, CivicPlus can assist with the facilitation, set-up, support, and troubleshooting services. Pay can also integrate with many other supported gateway providers in addition to our partner network, on a more limited fashion, to assist you in developing a successful system. Contact your sales representative for more details on our approved partner network and other supported gateway providers.

To utilize any of the approved gateways, an agreement will need to be executed directly between Capitola and the vendor, who will assess separate merchant account and transaction fees. Additional information can be provided upon request.

Because EMV and Card-Swipe devices are encrypted specifically for individual payment gateways, you’ll need to leverage any required devices directly from your selected gateway provider for either purchase or rent. We are happy to assist in your procurement of such devices.



Optional Integration Development

CivicRec has developed integrations with a variety of parks and recreation related software systems. There are several integration capabilities that Capitola may choose to leverage. Integrations may require additional discussion and scoping. Since integrations can require custom development time, additional fees may apply.

- Financial GL extract compatible with your financial system
- ArcGIS for purposes of local resident determination
- Identity Provider (IdP) Integration for secure single sign-on
- Lighting integration with Musco or SkyLogix lighting solutions

The CivicPlus Platform

CivicRec is part of the CivicPlus Platform, the integrated technology platform for local government, which means local governments minimize the need to rely on various third-party providers for multiple technology solutions.

- Single Sign-On (SSO) to all of your CivicPlus products supporting two-factor authentication and PCI Level password compatibility
- Easily access all purchased CivicPlus products and integrated solutions from one dashboard and toolbar
- Access to a continually growing and fully documented set of APIs in order to better connect your organization's processes and applications
- Centralized data store built on the HCMS with robust data automation and integration capabilities

Integration Hub

Now, more than ever before, communication with your communities is vital. Missed information is a missed opportunity to engage your community in what is happening and reaching as many people as possible is critical to a successful parks and recreation offering.

With Integration Hub's easy-to-use drag-and-drop interface, non-technical users can build integrations



for syncing content and data between CivicPlus products or with third parties (for an additional fee) without the need for a developer. You can even easily create integrations using manual import, polling, and webhooks (for an additional cost).

Seamlessly share and publish your CivicRec event information and details using the Integration Hub. Information entered in your CivicRec calendar will populate CivicEngage® Central calendars and save staff the time and additional steps of entering the same information in multiple places.

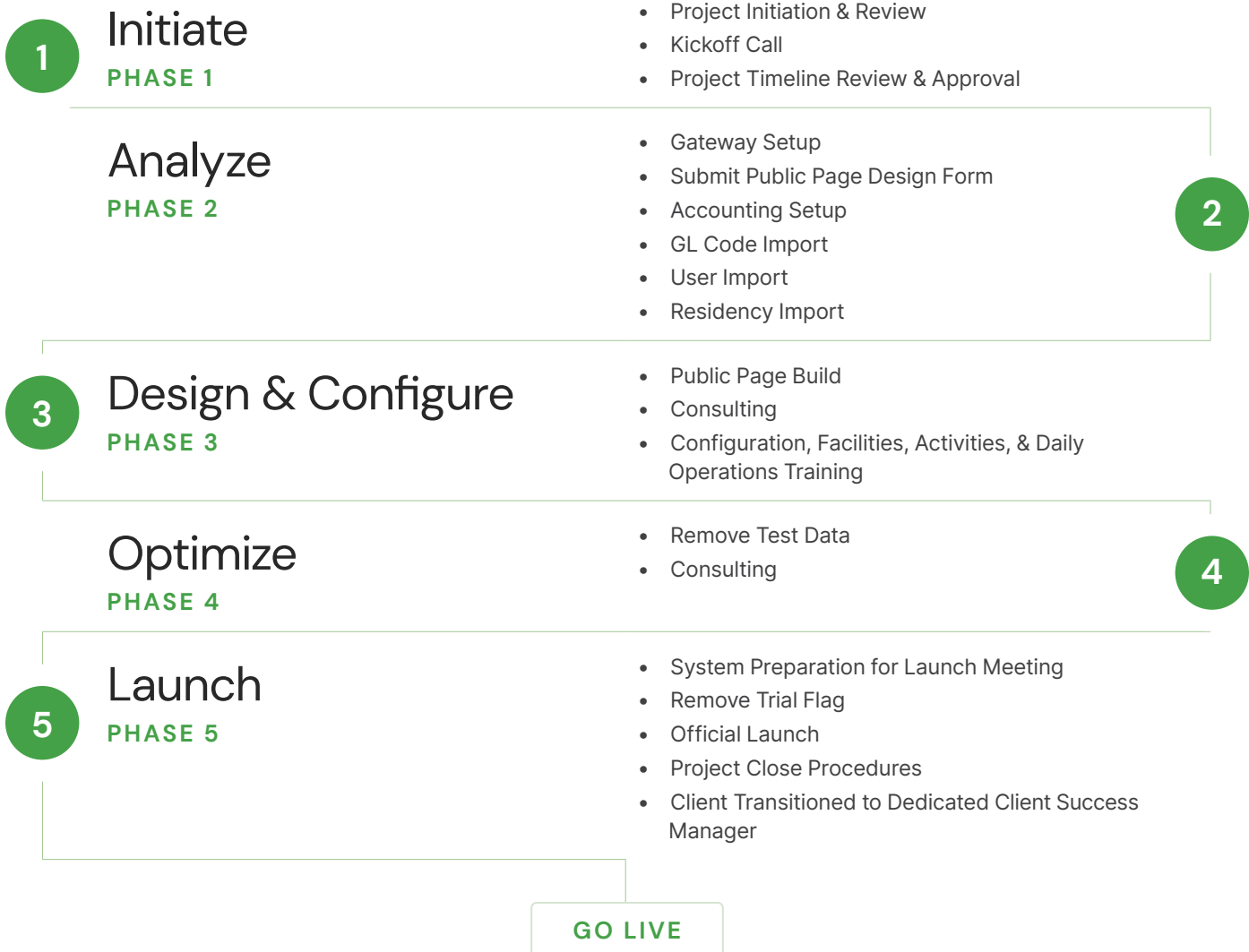
The Integration Hub will reduce the amount of manual work your staff needs to do in the course of their daily work. This will save valuable time by automating your most time-consuming manual workflows.



Implementation

The following is a simplified example project plan. A typical CivicRec implementation averages 20-22 weeks. Capitola's specific timeline can be affected by different training or integration needs as well as your own schedules and availability. However, upon determination of your final scope, we will be able to disclose a complete and more detailed project plan specifically tailored to you.

PROJECT START



Implementation Consultant

Capitola will be assigned an Implementation Consultant who will work closely with you throughout the entire project deployment process. Your Implementation Consultant will act as a liaison between you and CivicRec, ensuring that milestones are met, status calls are conducted, issues/considerations are addressed, and startup is a painless process. Phase checklists as well as a detailed project plan will be utilized to facilitate project activities and track milestones.

Additionally, your Implementation Consultant will guide you through configuring the system and assist Capitola with any technical questions you may have. The CivicRec Help Center will also be available to you throughout the implementation of your project, as well as after Go-Live, to provide you with self-help resources if desired.

Project Approach

During the implementation period, Capitola and CivicRec will work together to import and/or configure production data, develop and test integration to third party systems, and complete system training with your lead and frontline staff. You will also have begun your marketing promotion for the new site and online registration. After front line training is complete, CivicRec will complete a final data import (if required) and you will ensure the site is fully configured and ready for launch. Once you have indicated a go for launch, you will place a new link on your site which will redirect your customers to CivicRec. During this time, CivicRec is available to be on site with you or can be available remotely for immediate assistance should you desire.

Data Imports

CivicRec can import certain data from your current database to your new RMS, leveraging our custom developed scripts and libraries. A data import of all GL Codes, Users, and Residencies are included in all CivicRec implementations. Additional data imports



include Memberships, Activities, Facilities, and Future Facility Reservations. To benefit from further data imports options, additional fees will apply.

Training & Consulting Plan

Consulting

Our Implementation Consultants are parks and recreation experts who will make sure you get the most out of the CivicRec RMS. Throughout your implementation, they will be available to offer guidance and best practice guidelines for configuring the CivicRec system to meet your unique practices and offerings. We know that Capitola's success relies on immersing your processes with the CivicRec RMS. You will receive tips and advice on how to make it work more efficiently for you and your public.

Training

Capitola's specific virtual training plan will be customized to meet your needs. We recommend a train-the-user approach with hands-on training for participants. Training is typically broken up by modules (Registration, POS, Reporting, etc.). All of your last-minute questions will be answered before Go-Live, so you are confident moving forward with your new system.

Note: We do not offer system administrator training as a separate item as it is included as part of our system development and implementation.

Your Role

You should consider the following roles for a successful project team:

- **Project Executive** – Provides focus and guidance for the overall project. Helps to prioritize key objectives, assists with issue escalation, and acts as project champion.
- **Project Manager** – Works closely with the CivicRec Implementation Consultant to facilitate the execution of project activities and logistics. Organizes training for recreation staff, front desk, supervisors, and managers.
- **Lead Staff** – Activity managers and facility managers within parks and recreation who will be doing the primary configuration and setup within the CivicRec system.
- **Frontline Staff** – Acts as end users of the system and will participate in end user training sessions.
- **Information Technology** – Coordinates with CivicRec on technical aspects of the system and transfer of data.
- **Finance** – Coordinates the payment gateway integration and works with CivicRec to properly configure the necessary accounting setup.
- **Marketing** – Identifies and communicates rollout and adoption process both internally to the public.

Ongoing Services



Award-Winning Team

Over the past three years, CivicPlus' Technical Support Team has been recognized by the globally respected Stevie® Awards for Sales and Customer Service. CivicPlus has been honored with two Silver Stevie® Awards and four Bronze Stevie® Awards in the categories of Front-Line Customer Service Team of the Year – Technology Industries, Customer Service Training or Coaching Program of the Year – Technology Industries, Customer Service Department of the Year – Computer Software - Up to 100 Employees, and Most Valuable Response by a Customer Service Team (COVID-19).

The Stevie Awards are the world's top honors for customer service, contact center, business development, and sales professionals.

Around-the-Clock Service & Support

Technical & Ongoing Support

- Live support personnel based in the U.S.
- Weekday business hours: 7 a.m. – 7 p.m. (CST)
- Contact via phone, email, and live chat
- 4-hour response during business hours
- 24/7 emergency support
- Self-Service CivicPlus Help Center for tutorials and user guides
- Assigned Client Success Manager to ensure your complete and ongoing satisfaction

Maintenance

- Regular review of site logs, error messages, servers, router activity, and the internet in general
- Full backups performed daily
- Regularly scheduled upgrades, fixes, enhancements, and OS patches

Hosting & Security

- Tier III data centers that are SSAE 16 compliant
- 24/7/365 system monitoring, system availability, and performance
- Server firewalls, anti-virus scanning, IP logging and filtering, and application security monitoring
- Software updates and security patches
- Disaster recovery with local, replicated servers and off-site encrypted backups
- PCI Compliance with CivicPlus Pay - a Level 1 PCI DSS certified payment gateway



Project Cost



CivicPlus can appreciate the monetary constraints facing our governments each day. To help ease these concerns and assist with budgeting and planning, our proposed project and pricing is valid for 60 days from September 23, 2021.

CivicRec Implementation

- Project Coordination
- Branded Public Portal
- CivicPlus Pay Approved Payment Gateway Set-Up with Authorize.net
- GL Code Import
- User Import
- Residency Import

Professional Services

- Four Hours of Virtual Consulting
- 16 Hours of Virtual Training

Annual Recurring Services

- CivicRec Recreation Management Software Licensing
- Software Maintenance Including Service Patches and System Enhancements
- 24/7 Technical Support and Access to the CivicPlus Community
- Dedicated Client Success Manager
- CivicRec Reserves the Right to Reassess the Historical Data and Transaction Volume Annually to Ensure that the Annual Service Fees Accurately Reflects the Transaction Volume Processed in the Prior Year

Year 1 Standard List Price	\$28,745
Year 1 Total Discount	(\$3,782)
<hr/>	
Total Year 1 Investment	\$24,963
<small>Includes development fees and Year 1 annual services</small>	
Year 2 Annual Recurring Services	\$14,527
<small>Includes 5% technology uplift</small>	

CivicPlus Project Pricing & Invoicing

CivicPlus prices on a per-project, all-inclusive basis (stated in US dollars). This type of pricing structure eliminates surprise costs, the uncertainty of paying by the hour, and is overall more cost effective for our clients. It provides you with a price based on the products and features listed in this proposal that only varies if additional functionality, custom development, security, escrow requirements, or other design or project enhancements, outside of the included scope, are added prior to contract signing.

Standard CivicRec Invoicing

- 50% of Year 1 fees due at contract signing – remaining 50% due at project completion or at the six-month mark in the implementation process – whichever date is earlier
- The first-year Annual Recurring Services fee is included with your Year 1 cost
- Subsequent annual invoicing occurs on the anniversary of the contract signing date, and is subject to a five percent technology fee uplift each year starting Year 2 of your contract. First uplift is shown in the Year 2 Annual Recurring Services fee

Customized Billing/Invoicing

- We can discuss other billing options with you before contract signing and, if feasible, develop a plan that works for all parties
- Not available with all CivicPlus products – please contact your sales representative for more details

CivicPlus Advantage Invoicing

- Zero-interest payments that divide the One-Time Implementation expense of your project over the first three years of your contract
- Each payment will also include your Annual Services and any other fees if applicable
- May not be available with all products offered by CivicPlus

Payment Gateway Account

- Your chosen Payment Gateway will collect and disburse all credit card monies
- If selected, any of our partner Payment Gateway Vendors will conduct a rate analysis upon discovery to provide the most competitive percentage + fee per transaction rate
- CivicPlus Pay integrates with several Payment Gateways to provide maximum flexibility to our clients' needs

CivicPlus wants our clients to succeed in delivering a viable, sustainable, and flexible technology solution to their communities. We will work with you before contract signing to determine which of our billing processes will meet both your needs for budget planning and our accounting processes.

Right to Negotiate

A successful project begins with a contract that meets the needs of both parties. This proposal is intended as a non-binding document, and the contents hereof may be superseded by an agreement for services. Its purpose is to provide information on a proposed project we believe will meet your needs based on the information available. If awarded the project, CivicPlus reserves the right to negotiate the contractual terms, obligations, covenants, and insurance requirements before a final agreement is reached. We look forward to developing a mutually beneficial contract with Capitola.

Optional Enhancements



The following items are not included in your project, but can be added to your scope of work:

OPTIONS	FEE
Custom IdP Integration	\$1,575 annual
AudioEye Enterprise	Please reach out to Dustin for a custom quote.

Identity Provider (IdP) Integration

More often, local government IT teams are looking to implement single sign-on (SSO) functionality to simplify user access to all web and cloud-based applications without requiring individual authentication. The CivicPlus Platform's Custom IdP integration capabilities provide local governments with the following conveniences:

- Faster and easier access to vital third-party solutions that integrate with your CivicPlus unified applications, such as CivicEngage, CivicClerk, and CivicRec
- Reduced password and account maintenance
- The ability to log into your CivicPlus software accounts from any device with an Active Directory username and password
- Auto-account generation
- Group syncing
- Customization of the design of your active directory login page

We offer integration with these third-party IdPs:

- Microsoft's Active Directory Federation Services (AD FS) versions 3.0, 4.0, and 5.0

AudioEye Enterprise

AudioEye offers a range of products and services from self-service to turnkey Enterprise solutions. At the core of AudioEye, is the Digital Accessibility Platform (DAP), this powerful tool empowers auditors, designers, and developers to understand issues of accessibility and improve website infrastructure through the use of an innovative and easy-to-use interface. AudioEye enables parks and rec departments to conform to Web Content Accessibility Guidelines (WCAG) by providing:

- Proprietary automated testing suite
- Detect Section 508 & WCAG 2.1 Success Criteria violations
- AudioEye engineers remediate accessibility issues
- Compliance monitoring
- Manual technical analysis & usability testing
- Support, training, & consulting from subject matter experts
- AudioEye Toolbar with Web Personalization Tools

AudioEye



- Provides complete digital accessibility compliance auditing and resolution
- End-to-end digital accessibility compliance testing, resolution, validation, and monitoring
- Combines subject matter experts with technology—a team of engineers and manual testers to ensure issues of accessibility are fixed and stay fixed

Digital Accessibility Platform



- Software as a Services (SaaS), API-first technology
- Offers end-to-end compliance auditing
- Ability to spider, scan, and diagnose entire websites, single blocks of code, and content delivered via API
- Offers flexible resources for proper identification and remediation of the detected issues

AudioEye Toolbar



- Fully customizable user experience
- Tailored to individual needs regardless of device type or preferred method of access
- Users can customize the visual display of the website, listen to the content read aloud, and command the browser using voice controls


CivicPlus

302 South 4th St. Suite 500
Manhattan, KS 66502
US

Quote #:

Q-19554-1

Date:

9/21/2021 6:45 PM

Expires On:

10/31/2021

Product:

CivicRec

Client:

Capitola CA - CivicRec

Bill To:

Capitola CA - CivicRec

SALESPERSON	Phone	EMAIL	DELIVERY METHOD	PAYMENT METHOD
Dustin Flentie	x	flentie@civicplus.com		Net 30

CivicRec - Statement of Work

QTY	Product Name	DESCRIPTION	PRODUCT TYPE
1.00	CivicRec Premium	Premium Package -Project Coordination -Branded Public Portal -Help Center Access -Access to Live Project Support -Named Implementation Consultant	One-time
4.00	CivicRec Virtual Training (Half Day Block)	Training (Virtual) - half day, up to 4 hours	One-time
1.00	CivicRec Virtual Consulting (Half Day Block)	Consulting (Virtual) - half day, up to 4 hours	One-time
1.00	CivicRec Annual Fee	CivicRec Annual Fee	Renewable
1.00	CivicRec Year 1 Annual Fee Discount	Year 1 Annual Fee Discount	Renewable
1.00	CivicRec Pay - Authorize.Net	CivicRec Pay - Authorize.Net	
1.00	CivicRec Pay Annual Fee - Authorize.Net	CivicRec Pay Annual maintenance and support fee	Renewable
1.00	CivicRec Year 1 Annual Fee Discount	Year 1 Annual Fee Discount	Renewable
1.00	CivicRec Pay Implementation - Authorize.Net	Includes setting CivicPlus Pay configuration, configuring CivicPlus products for accepting payments, advanced troubleshooting with our partner's support.	One-time
1.00	User Import	User Import - Imports current public users into the new system.	One-time
1.00	Residency Import	Residency Import - Imports a flat file of addresses that will be used to determine residency in the new system.	One-time

List Price - Year 1 Total	USD 28,745.00
Total Investment - Year 1	USD 24,963.00

Annual Recurring Services - Year 2	USD 14,526.75
Total Days of Quote:365	

1. This Statement of Work ("SOW") shall be subject to the terms and conditions of the CivicPlus Master Services Agreement located at <https://www.civicplus.com/master-services-agreement> ("MSA"), to which this SOW is hereby attached as the CivicRec Statement of Work. By signing this SOW, Client expressly agrees to the terms and conditions of the MSA throughout the Term of this SOW.
2. This SOW shall remain in effect for an initial term equal to 365 days from the date of signing ("Initial Term"). In the event that neither party gives 60 days' notice to terminate prior to the end of the Initial Term or any subsequent Renewal Term, this SOW will automatically renew for an additional 1-year renewal term ("Renewal Term"). The Initial Term and all Renewal Terms are collectively referred to as the "Term".
3. The Total Investment - Year 1 Fees shall be invoiced as follows:
 - a. Upon signing of this SOW – one half (50%) of the Total Investment - Year 1 Fees;
 - b. The earlier of 6 months from signing or upon completed implementation of the CivicRec Recreation Management Software – the remaining half of the Total Investment - Year 1 Fees.
4. Annual Recurring Services shall be invoiced on the start date of each Renewal Term. Annual Recurring Services, including but not limited to hosting, support and maintenance services, shall be subject to a 5% annual increase beginning in year 2 of service. Client will pay all invoices within 30 days of the date of such invoice.
5. The Client's Annual Recurring Services Fees agreed upon herein are based on Client processing up to USD 650,000.00 of revenue per year ("Predicted Processing Volume"). Starting with the first Renewal Term of this SOW, CivicPlus reserves the right (but not the obligation) to audit Client once every 12 months to determine Client's actual processing volume ("Actual Processing Volume"). In the event Client's Actual Processing Volume exceeds the Predicted Processing Volume, CivicPlus will notify client within 30 days of the audit of the Actual Processing Volume and the applicable increase in the Annual Fees resulting from such Actual Processing Volume. The increase in the Annual Fees shall be implemented the first of the month following the notice.
6. For the purposes of obtaining merchant account services through CivicPlus Pay, Client may choose to utilize the designated merchant account for CivicRec through an integrated partnership with a merchant providers that is within CivicPlus's network ("Partner Network"). In the event Client chooses a merchant account from the Partner Network ("Integrated Partner"), Client will enter into a merchant account such Integrated Partner. Such agreement's terms and conditions will solely enure to the benefit and obligation of Client; CivicPlus shall not be a party to such agreement. In the event Client chooses an Integrated Partner merchant account provider, CivicPlus will provide Client and Integrated Partner contact information to the other party for contracting purposes, and shall integrate the Integrated Partner merchant account system at no additional charge to Client. If Client desires to use an integrated merchant account processor gateway besides one of the Integrated Partners designated as members of the Partner Network, CivicPlus will provide Client with a list of approved processors and an integration fee will be charged to Client. Client agrees to assume responsibility for ensuring execution of a merchant account contract with Client's select merchant account provider, to comply with all terms and conditions of such contract and pay all fees required to maintain the services. Client acknowledges that the fees set forth in this SOW do not include any transaction, processing or other fees imposed by Client's merchant account processor. Client is fully responsible for their relationship with their selected processor. In no event will CivicPlus: (i) take part in negotiations, (ii) pay any fees incumbent on the Client or merchant account, or (iii) acquire any liability for the performance of services of any chosen merchant account processor, including those in the Partner Network. Client acknowledges switching to a different merchant account processor after signing this SOW may incur additional fees and require a written and signed modification to this SOW. Client shall continue to be responsible

for negotiating and executing any merchant account agreement as described herein for any additional merchant account processor changes.

7. When Client uses CivicPlus Pay, then Client may take online credit card payments for certain services or products they provide via the Client websites supported by CivicPlus. As such, through CivicPlus Pay, CivicPlus facilitates an automated process for redirecting credit card payments to Client's chosen payment gateways / merchant account processors. For card payments, CivicPlus will redirect any payments processing to the Client's merchant account processor gateway, and the merchant account processor gateway presents the payment form page and processes the card payment. CivicPlus does not transmit, process or store cardholder data and does not present the payment form. CivicPlus implements and maintains PCI compliant controls for the system components and applications that provide the redirection services only.

8. Client understands and agrees that CivicPlus is not liable for any failure of service or breach of security by any merchant account processor gateway provider selected by Client, whether such provider is an Integrated Partner or not.

Signature Page to Follow

Acceptance

By signing below, the parties are agreeing to be bound by the covenants and obligations specified in this SOW and the MSA terms and conditions found at: <https://www.civicplus.com/master-services-agreement>.

IN WITNESS WHEREOF, the parties have caused this SOW to be executed by their duly authorized representatives as of the dates below.

Client

CivicPlus

By:

By:

Name:

Name:

Title:

Title:

Date:

Date:

Attachment: Capitola CA SOW (Recreation System)

Contact Information

*all documents must be returned: Master Service Agreement, Statement of Work, and Contact Information Sheet.

Organization URL

Street Address

Address 2

City State Postal Code

CivicPlus provides telephone support for all trained clients from 7am –7pm Central Time, Monday-Friday (excluding holidays).
Emergency Support is provided on a 24/7/365 basis for representatives named by the Client. Client is responsible for
ensuring CivicPlus has current updates.

Emergency Contact & Mobile Phone

Emergency Contact & Mobile Phone

Emergency Contact & Mobile Phone

Billing Contact E-Mail

Phone Ext. Fax

Billing Address

Address 2

City State Postal Code

Tax ID # Sales Tax Exempt #

Billing Terms Account Rep

Info Required on Invoice (PO or Job #)

Are you utilizing any external funding for your project (ex. FEMA, CARES): Y [] or N []

Please list all external sources: _____

Contract Contact Email

Phone Ext. Fax

Project Contact Email

Phone Ext. Fax

Attachment: Capitola CA SOW (Recreation System)